

**COUNTY OF SMYTH, VIRGINIA
FINANCIAL STATEMENTS**

JUNE 30, 2013

**FINANCIAL AND MANAGEMENT
SERVICES DEPARTMENT**

COUNTY OF SMYTH, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Directory of Principal Officials.....	i

FINANCIAL SECTION

Independent Auditor's Report	1
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Basic Financial Statements

Government-Wide Financial Statements	
Exhibit 1 Statement of Net Position.....	7
Exhibit 2 Statement of Activities	8
Fund Financial Statements	
Exhibit 3 Balance Sheet – Governmental Fund.....	9
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund.....	10
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balance– Budget and Actual – General Fund	12
Exhibit 6 Statement of Net Position – Proprietary Fund	13
Exhibit 7 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	14
Exhibit 8 Statement of Cash Flows – Proprietary Fund	15
Exhibit 9 Statement of Net Position – Fiduciary Funds	16
Notes to Financial Statements.....	17

Required Supplementary Information

Exhibit 10 Schedule of Funding Progress for Defined Benefit Pension Plan and Other Post Employment Benefits	53
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Other Supplementary Information

Fiduciary Funds	
Exhibit A-1 Combining Statement of Fiduciary Net Position	59
Discretely Presented Component Unit – School Board	
Exhibit B-1 Balance Sheet.....	63
Exhibit B-2 Statement of Revenues, Expenditures, and Changes in Fund Balance	64
Exhibit B-3 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – School Operating Fund	65

Supporting Schedules

Schedule 1	Schedule of Revenues – Budget and Actual	69
Schedule 2	Schedule of Expenditures – Budget and Actual	74
Schedule 3	Schedule of Expenditures of Federal Awards.....	77

STATISTICAL SECTION (Unaudited)

Table 1	Net Position by Component	81
Table 2	Change in Net Position by Component.....	82
Table 3	Fund Balance – Governmental Fund	83
Table 4	Change in Fund Balance – Governmental Fund.....	84
Table 5	Assessed Value and Actual Value of Taxable Property.....	85
Table 6	Principal Property Tax Payers.....	86
Table 7	Property Tax Levies and Collections	87
Table 8	Ratios of Outstanding Debt by Type.....	88
Table 9	Population.....	89
Table 10	Full-Time Equivalent County Government Employees by Function/Program.....	90

COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	95
Summary of Compliance Matters	97
Schedule of Findings and Questioned Costs.....	98
Summary Schedule of Prior Audit Findings.....	102

INTRODUCTORY SECTION



COUNTY OF SMYTH, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2013

BOARD OF SUPERVISORS

Wade H. Blevins, Jr., Chairperson

Ron C. Blevins
M. Todd Dishner
Regina H. Davidson

Rick K. Blevins
Roscoe D. Call
J. Howard Burton

Michael L. Carter, Clerk

COUNTY SCHOOL BOARD

Jesse Choate, Chairperson

Charles M. Buchanan, Jr.
Susan Williams
Susan Sneed

Jerry W. Catron
Richard L. Ryan
William A. Veselik

Darlene Doyle, Clerk

SOCIAL SERVICES BOARD

Merrelle Ward, Chairperson

Judy Hess
Rodney Blevins
JoAnn Bennett

Karen Gillespie
Anne Shults
Regina H. Davidson

Kenneth P. Arnold, Secretary

OTHER OFFICIALS

Judge of the Circuit Court

C. Randall Lowe
Sage B. Johnson
Deanis L. Simmons

Clerk of the Circuit Court
Judge of the General District Court

John Graham
V. Blake McKinney
Eric R. Thiessen

Judge of the Juvenile and Domestic Relations Court

Florence A. Powell
Kurt J. Pomrenke

Commonwealth's Attorney
Commissioner of the Revenue
Treasurer

Roy F. Evans, Jr.
Jeffrey Richardson

Sheriff
Superintendent of Schools
Director, Department of Social Services
County Administrator

Thomas Burkett
R. David Bradley
Michael Robinson
Kenneth P. Arnold
Michael L. Carter



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of Smyth, Virginia
Marion, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 26, 2013



BASIC FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Total
ASSETS						
Cash and cash equivalents (Note 2)	\$ 7,018,355	\$ 11,546	\$ 7,029,901	\$ 1,582,330	\$ 1,243,726	\$ 9,855,957
Receivables, net (Note 3)	22,228,372	204,652	22,433,024	-	371,927	22,804,951
Due from primary government (Note 9)	-	-	-	4,032,259	-	4,032,259
Due from component unit (Note 9)	395,000	-	395,000	-	-	395,000
Due from other governmental units (Note 4)	1,385,890	134,344	1,520,234	2,892,375	-	4,412,609
Accrued interest	3,445	-	3,445	1,111	190	4,746
Inventories	-	-	-	65,583	-	65,583
Investment in Smyth-Washington Industrial Facilities Authority	-	-	-	-	1,856,723	1,856,723
Prepaid expense	180,909	-	180,909	576,543	-	757,452
Restricted assets:						
Cash and cash equivalents-restricted (Note 2)	26,813,086	-	26,813,086	-	-	26,813,086
Capital assets: (Note 6)						
Non-depreciable	24,418,990	483,984	24,902,974	2,598,858	3,874,698	31,376,530
Depreciable, net	16,747,084	28,802,895	45,549,979	8,086,732	-	53,636,711
Total assets	<u>99,191,131</u>	<u>29,637,421</u>	<u>128,828,552</u>	<u>19,835,791</u>	<u>7,347,264</u>	<u>156,011,607</u>
LIABILITIES						
Accounts payable and accrued expenses	2,710,000	101,051	2,811,051	117,172	22,899	2,951,122
Accrued payroll	25,351	-	25,351	4,062,619	-	4,087,970
Accrued interest payable	344,274	20,821	365,095	-	-	365,095
Due to component units (Note 9)	4,032,259	-	4,032,259	-	-	4,032,259
Due to primary government (Note 9)	-	-	-	-	395,000	395,000
Due to other governmental unit	-	-	-	-	42,000	42,000
Cash bonds held in escrow	48,184	-	48,184	-	-	48,184
Long-term liabilities: (Note 7)						
Due within one year	2,587,180	392,790	2,979,970	127,825	-	3,107,795
Due in more than one year	57,059,689	10,885,695	67,945,384	1,145,800	-	69,091,184
Total liabilities	<u>66,806,937</u>	<u>11,400,357</u>	<u>78,207,294</u>	<u>5,453,416</u>	<u>459,899</u>	<u>84,120,609</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue (Note 3)	18,614,560	11,546	18,626,106	-	-	18,626,106
NET POSITION						
Net investment in capital assets	9,654,051	18,053,445	27,707,496	10,685,590	3,874,698	42,267,784
Unrestricted	4,115,583	172,073	4,287,656	3,696,785	3,012,667	10,997,108
Total net position	<u>\$ 13,769,634</u>	<u>\$ 18,225,518</u>	<u>\$ 31,995,152</u>	<u>\$ 14,382,375</u>	<u>\$ 6,887,365</u>	<u>\$ 53,264,892</u>

EXHIBIT 2

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Program Revenues					Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	
Primary Government:										
Governmental activities:										
General government administration	\$ 2,615,616	\$ -	\$ 240,880	\$ -	\$ (2,374,736)	\$ -	\$ (2,374,736)	\$ -	\$ -	\$ (2,374,736)
Judicial administration	1,493,566	176,714	973,129	-	(343,723)	-	(343,723)	-	-	(343,723)
Public safety	6,668,145	819,844	1,851,379	145,000	(3,851,922)	-	(3,851,922)	-	-	(3,851,922)
Public works	2,122,689	967,251	12,252	-	(1,143,186)	-	(1,143,186)	-	-	(1,143,186)
Health and welfare	5,601,627	13,602	4,198,941	-	(1,389,084)	-	(1,389,084)	-	-	(1,389,084)
Education	8,487,813	-	-	-	(8,487,813)	-	(8,487,813)	-	-	(8,487,813)
Parks, recreational, and cultural	1,007,108	-	7,213	-	(999,895)	-	(999,895)	-	-	(999,895)
Community development	1,195,480	-	122,057	-	(1,073,423)	-	(1,073,423)	-	-	(1,073,423)
Interest on long-term debt	1,505,797	-	-	-	(1,505,797)	-	(1,505,797)	-	-	(1,505,797)
Total governmental activities	30,697,841	1,977,411	7,405,851	145,000	(21,169,579)	-	(21,169,579)	-	-	(21,169,579)
Business-type activities:										
Water and sewer	3,327,527	2,008,325	-	155,463	-	\$ (1,163,739)	(1,163,739)	-	-	(1,163,739)
Total business-type activities	3,327,527	2,008,325	-	155,463	-	(1,163,739)	(1,163,739)	-	-	(1,163,739)
Total primary government	\$ 34,025,368	\$ 3,985,736	\$ 7,405,851	\$ 300,463	(21,169,579)	(1,163,739)	(22,333,318)	-	-	(22,333,318)
Component Units:										
School Board	\$ 45,666,613	\$ 1,069,008	\$ 36,132,987	\$ 20,400	-	-	-	\$ (8,444,218)	-	(8,444,218)
Industrial Development Authority	9,575	22,337	-	305,866	-	-	-	-	\$ 318,628	318,628
Total component units	\$ 45,676,188	\$ 1,091,345	\$ 36,132,987	\$ 326,266	-	-	-	\$ (8,444,218)	\$ 318,628	\$ (8,125,590)
General Revenues:										
General property taxes					16,450,037	-	16,450,037	-	-	16,450,037
Sales and use tax					2,018,087	-	2,018,087	-	-	2,018,087
Other local taxes					1,721,667	-	1,721,667	-	-	1,721,667
Intergovernmental revenue, unrestricted					1,825,463	-	1,825,463	-	-	1,825,463
Revenue from use of money and property					335,497	-	335,497	9,857	49,984	395,338
Miscellaneous					218,097	1,756	219,853	6,718	2,370	228,941
Loss on investment in joint venture					-	-	-	-	(73,599)	(73,599)
Payments from Smyth County					-	-	-	7,582,966	109,964	7,692,930
Transfers (Note 5)					(469,443)	469,443	-	-	-	-
Total general revenues and transfers					22,099,405	471,199	22,570,604	7,599,541	88,719	30,258,864
Change in net position					929,826	(692,540)	237,286	(844,677)	407,347	(200,044)
NET POSITION JULY 1, 2012 AS RESTATED					12,839,808	18,918,058	31,757,866	15,227,052	6,480,018	53,464,936
NET POSITION JUNE 30, 2013					\$ 13,769,634	\$ 18,225,518	\$ 31,995,152	\$ 14,382,375	\$ 6,887,365	\$ 53,264,892

The Notes to Financial Statements are an integral part of this statement

COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2013

	General
ASSETS	
Cash and cash equivalents (Note 2)	\$ 33,831,441
Accrued interest	3,445
Receivables, net (Note 3)	22,228,372
Prepaid expense	180,909
Due from component unit (Note 9)	395,000
Due from other governmental units (Note 4)	1,385,890
Total assets	<u>\$ 58,025,057</u>
LIABILITIES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 2,710,000
Accrued payroll and related liabilities	25,351
Due to component units	4,032,259
Cash bonds held in escrow	48,184
Total liabilities	<u>6,815,794</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue (Note 3)	<u>21,653,005</u>
FUND BALANCE	
Fund Balance:	
Nonspendable (Note 17)	180,909
Restricted (Note 17)	25,697,568
Committed (Note 17)	-
Assigned (Note 17)	62,900
Unassigned	3,614,881
Total fund balance	<u>\$ 29,556,258</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 58,025,057</u>
Amounts reported for governmental activities in the statement of position are different because:	
Total fund balance	\$ 29,556,258
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	41,166,074
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	3,038,445
Interest on long-term debt is not accrued in the fund statements as it is in the government-wide statements.	(344,274)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(59,646,869)</u>
Net position of governmental activities	<u>\$ 13,769,634</u>

The Notes to Financial Statements are an integral part of this statement

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUND
For the Year Ended June 30, 2013**

	<u>General</u>
REVENUES	
General property taxes	\$ 15,861,854
Other local taxes	3,739,754
Permits, privilege fees, and regulatory licenses	124,647
Fines and forfeitures	714,666
Revenue from use of money and property	335,497
Charges for services	1,010,630
Recovered costs	335,169
Other	218,097
Intergovernmental	<u>9,292,314</u>
Total revenues	<u>31,632,628</u>
EXPENDITURES	
Current operating:	
General government administration	2,735,775
Judicial administration	1,438,614
Public safety	6,718,463
Public works	2,051,755
Health and welfare	5,563,404
Education	7,638,606
Parks, recreation and cultural	955,046
Community development	1,091,483
Capital projects	16,269,549
Debt service:	
Principal retirement	1,966,989
Interest and other fiscal charges	<u>1,654,575</u>
Total expenditures	<u>48,084,259</u>
Excess of expenditures over revenues	<u>(16,451,631)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	(469,443)
Proceeds from bond issuance	<u>2,170,893</u>
Total other financing sources (uses)	<u>1,701,450</u>
Net change in fund balance	<u>(14,750,181)</u>
FUND BALANCE AT JULY 1, 2012 AS RESTATED	<u>44,306,439</u>
FUND BALANCE AT JUNE 30, 2013	<u><u>\$ 29,556,258</u></u>

The Notes to Financial Statements are an integral part of this statement.

(Continued)

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUND

(Continued)

For the Year Ended June 30, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund	\$ (14,750,181)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$16,981,954) exceeds depreciation (\$1,692,888).	15,289,066
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	588,183
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and has no effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,105,458
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In government-wide statements, however, issuing debt increases long term liabilities in the statement of net position and does not affect the statement of activities	(2,175,880)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(126,820)
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Change in net position of governmental activities	<u><u>\$ 929,826</u></u>
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The Notes to Financial Statements are an integral part of this statement

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
General property taxes	\$ 15,591,140	\$ 15,591,140	\$ 15,861,854	\$ 270,714
Other local taxes	3,814,315	3,814,315	3,739,754	(74,561)
Permits, privilege fees, and regulatory licenses	129,650	129,650	124,647	(5,003)
Fines and forfeitures	1,002,100	1,042,100	714,666	(327,434)
Revenue from use of money and property	396,748	396,748	335,497	(61,251)
Charges for services	1,018,476	1,018,476	1,010,630	(7,846)
Recovered costs	330,673	330,673	335,169	4,496
Other	501,106	592,106	218,097	(374,009)
Intergovernmental	10,610,200	10,985,200	9,292,314	(1,692,886)
Total revenues	<u>33,394,408</u>	<u>33,900,408</u>	<u>31,632,628</u>	<u>(2,267,780)</u>
EXPENDITURES				
Current Operating:				
General government administration	2,496,345	2,858,408	2,735,775	122,633
Judicial administration	1,470,139	1,433,076	1,438,614	(5,538)
Public safety	6,903,157	6,974,157	6,718,463	255,694
Public works	2,066,246	2,066,246	2,051,755	14,491
Health and welfare	5,767,581	5,767,581	5,563,404	204,177
Education	7,539,015	7,450,501	7,638,606	(188,105)
Parks, recreation, and cultural	955,466	955,466	955,046	420
Community development	3,230,930	3,230,930	1,091,483	2,139,447
Capital Projects	22,776,507	23,186,507	16,269,549	6,916,958
Debt Service:				
Principal retirement	7,884,373	7,884,373	1,966,989	5,917,384
Interest and other fiscal charges	1,109,673	1,198,187	1,654,575	(456,388)
Total expenditures	<u>62,199,432</u>	<u>63,005,432</u>	<u>48,084,259</u>	<u>14,921,173</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (28,805,024)</u>	<u>\$ (29,105,024)</u>	<u>\$ (16,451,631)</u>	<u>\$ 12,653,393</u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2013

	<u>Business-type Activity</u> <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,546
Receivables, net (Note 3)	204,652
Due from other governmental units (Note 4)	<u>134,344</u>
Total current assets	<u>350,542</u>
Noncurrent assets:	
Capital assets, net (Note 6)	<u>29,286,879</u>
Total noncurrent assets	<u>29,286,879</u>
Total assets	<u>29,637,421</u>
LIABILITIES	
Current liabilities:	
Accounts payable	101,051
Accrued interest payable	20,821
Bonds payable (Note 7)	380,411
Compensated absences and other post employment benefits (Note 7)	<u>12,379</u>
Total current liabilities	<u>514,662</u>
Noncurrent liabilities:	
Bonds payable (Note 7)	10,853,023
Compensated absences and other post employment benefits (Note 7)	<u>32,672</u>
Total noncurrent liabilities	<u>10,885,695</u>
Total liabilities	<u>11,400,357</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>11,546</u>
NET POSITION	
Net investment in capital assets	18,053,445
Unrestricted	<u>172,073</u>
Total net position	<u>\$ 18,225,518</u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Water revenues	\$ 1,172,096
Wastewater revenues	788,655
Service charges	31,284
Connection fees	16,290
Miscellaneous	1,756
Total operating revenues	<u>2,010,081</u>
OPERATING EXPENSES	
Salaries and wages	267,215
Employee benefits	131,019
Utilities and communication	70,347
Water and wastewater services	468,084
Water purchases	385,844
Professional services	224
Project expenses	56,956
Repairs and maintenance	90,742
Insurance	6,823
Office supplies and miscellaneous	26,457
Depreciation and amortization	1,428,635
Total operating expenses	<u>2,932,346</u>
Operating loss	<u>(922,265)</u>
NON-OPERATING EXPENSES	
Interest expense	<u>(395,181)</u>
Total non-operating expenses	<u>(395,181)</u>
Loss before contributions and transfers	(1,317,446)
CAPITAL CONTRIBUTIONS (Note 6)	155,463
TRANSFERS IN	<u>469,443</u>
Change in position	(692,540)
NET POSITION JULY 1, 2012 AS RESTATED	<u>18,918,058</u>
NET POSITION JUNE 30, 2013	<u><u>\$ 18,225,518</u></u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Water and</u> <u>Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 2,005,185
Payments to suppliers	(1,191,718)
Payments to employees	(259,329)
Other receipts	1,756
Net cash provided by operating activities	<u>555,894</u>
NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>469,443</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(456,838)
Contributions in aid of construction	131,458
Principal payments on debt	(368,102)
Interest payments on debt	<u>(395,967)</u>
Net cash used in capital and related financing activities	<u>(1,089,449)</u>
INVESTING ACTIVITIES	
Interest received	<u>-</u>
Net change in cash and cash equivalents	(64,112)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>75,658</u>
Ending at June 30	<u>\$ 11,546</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (922,265)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,428,635
Increase in accounts receivable	(3,140)
Increase in accounts payable	44,778
Increase in accrued payroll and related liabilities	7,886
Net cash provided by operating activities	<u>\$ 555,894</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Imputed interest	<u>\$ 9,698</u>
Capital asset purchases included in accounts payable at year end	<u>\$ 3,569</u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 214,777
Accrued interest	6
Due from other governmental units	<u>505</u>
Total assets	<u><u>\$ 215,288</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 213,601
Amounts held for Carnegie fund	<u>1,687</u>
Total liabilities	<u><u>\$ 215,288</u></u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

Primary Government. The County is a political subdivision of the Commonwealth of Virginia governed by a seven-member elected Board of Supervisors. The accompanying financial statements for the primary government and its component units are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the GASB.

Discretely Presented Component Units. Discretely presented component units are entities that are legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Smyth County School Board

The Smyth County School Board (the "School Board") is responsible for elementary and secondary education within the County's jurisdiction. The School Board is comprised of seven members who are popularly elected. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt.

Smyth County Industrial Development Authority

The Smyth County Industrial Development Authority (the "IDA") was created to encourage and provide financing for industrial development in the County. The IDA directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate industrial development. Complete financial statements may be obtained at the County's administrative offices, 121 Bagley Circle, Suite 100, Marion, Virginia 24354.

The following entities are excluded from the financial statements:

Joint Ventures

Smyth-Bland Regional Library

The County in conjunction with Bland County established a jointly owned Regional Library located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Three officers and four trustees are appointed by the County and the County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the Government-Wide statements. During the fiscal year, the County provided \$926,466 to fund operations. Financial statements of the library can be obtained from the library at 118 S. Sheffey Street, Marion, Virginia 24354.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Smyth-Wythe Airport Commission

The County along with the Town of Marion, the Town of Wytheville, and the County of Wythe established the Smyth-Wythe Airport Commission. The County provides funding annually and appoints one member to the governing board. The County along with the Town of Marion appoints an additional member to the board. During the year the County provided \$49,805 to the airport. Complete financial statements of the Airport Commission can be obtained by contacting the Commission at 8223 Lee Highway Rural Retreat, VA 24368.

Southwest Virginia Regional Jail Authority

The Southwest Virginia Regional Jail Authority was created by the County, the City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Washington, and Wise for the purpose of constructing and operating jail facilities for these participating localities. The County paid fees in the amount of \$1,492,403 during 2013 to the Authority.

Joint Venture – Discretely Presented Component Unit-IDA

Smyth-Washington Regional Industrial Facilities Authority

Smyth and Washington County Industrial Development Authorities created the Smyth-Washington Regional Industrial Facilities Authority for the purpose of promoting economic development in those counties. The IDA shares equally in the costs and revenue generated from the development of the Glade Highlands Industrial Park. The IDA reports its investment in the Authority as an equity interest. The investment balance in the Authority as of June 30, 2013 was \$1,856,723. Income (loss) earned on the investment during the 2013 fiscal year was (\$73,599). Complete financial statements for the Authority can be obtained at the administrative office located at 1021 Terrace Drive, Marion, VA 24354.

Related Organizations

Mount Rogers Community Services Board

The Mount Rogers Community Services Board was formed to provide mental health services to participating localities. The County provides funding to the board each year and is represented on the Mount Rogers Planning District Commission which oversees this board. The County provided \$166,022 to the board during the 2013 fiscal year.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

The Appalachian Juvenile Commission

The Appalachian Juvenile Commission (renamed from Highlands Juvenile Detention Center Commission) was organized in 1984 and is jointly governed by the Counties of Smyth, Washington, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, and Scott, the Cities of Bristol and Norton and the County. The County appoints two members to the governing board; however, the County is not financially accountable to the Commission. The County provided \$168,556 to the Commission in the 2013 fiscal year.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from certain legally separate *component* units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred inflows of resources and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after year-end are included in tax revenues, with the related amount reduced from deferred inflows of resources. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State, and other grants for the purpose of specific funding, are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts which are recorded as compensated absences, are recognized when paid and (2) principal and interest payments on general long-term debt, both of which are recognized when paid.

The County reports the following major governmental fund:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Proprietary Funds are used to account for the reporting entity's ongoing organizations and activities similar to those often found in the private sector. The County reports the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer fund accounts for the activities of the County's water and sewer system, which includes water distribution and sewage collection systems throughout the County.

Additionally, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government.

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. *General revenues* include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary fund result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for services. The proprietary fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, purchases, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

- ◆ Public hearings are conducted to obtain citizen comments.
- ◆ Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- ◆ The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Board of Supervisors can revise the appropriation for each fund. The County Administrator is authorized to transfer budgeted amounts within general government funds and the School Board is authorized to transfer budgeted amounts within the school system's functions.
- ◆ Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
- ◆ All budgets are adopted on a basis which is consistent with generally accepted accounting principles (GAAP).
- ◆ Appropriations lapse on June 30 for all County units.
- ◆ All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments (including restricted assets) with a maturity date within three months of date acquired.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment.

Inventories

Inventories generally are recorded at cost using the first-in/first-out (FIFO) method except for commodities received from the Federal Government, which are valued at market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Capital Assets

Capital assets which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed. In the current year, there was no capitalized interest reported in the business-type activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Machinery and equipment	3 - 20 years
Water and wastewater systems	20 - 40 years

Deferred Revenues

Deferred revenue consists primarily of property taxes not collected within 60 days of year end and property taxes collected that are not yet due. For fiscal year 2013, deferred revenue also consists of grant revenue unearned at June 30, 2013.

Compensated Absences

County and School Board employees are granted a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation and compensatory leave, and the amount payable upon termination, in accordance with respective policies, of sick leave pay out. The applicable share of employer related taxes payable on the eventual termination payments is also included. The cost of accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund type statements. A liability for these amounts is reported in the governmental funds when the amounts have become due and payable.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted—consist of assets that are restricted by the County's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions

Purpose

The Smyth County Board of Supervisors are dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the County's Fund Balance. This policy also authorizes and directs the County Administrator to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

Components of Fund Balance

Fund balance is the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in a governmental fund. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

**GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions
(Continued)**

Committed Fund Balance Policy

The Smyth County Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance Policy

The Board of Supervisors has authorized the County Administrator as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy.

Minimum Unassigned Fund Balance Policy

The County has no minimum fund balance requirement.

Resource Flow Policy

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Governmental Accounting Standards Board Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

The County implemented the financial reporting provisions of GASB Statement No. 63 for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position". The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Governmental Accounting Standards Board Statement No. 65 Items Previously Reported as Assets and Liabilities

The County implemented the financial reporting provisions of GASB Statement No. 65 for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Note 2. Deposits and Investments

Deposits

All cash of the County and the discretely presented component units – School Board and IDA - are maintained in accounts covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 *et seq.* of the *Code of Virginia*. The County has restricted cash and cash equivalents of \$26,813,086 for school project and courthouse renovations.

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

There was no investment activity during the year other than in certificates of deposit.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Receivables/Deferred and Unearned Revenue

Receivables at June 30 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Taxes	\$ 22,581,740	\$ -
Accounts	291,994	262,463
	<u>22,873,734</u>	<u>262,463</u>
Gross receivables		
Less:		
Allowance for uncollectibles	<u>(645,362)</u>	<u>(57,811)</u>
Net total receivables	<u><u>\$ 22,228,372</u></u>	<u><u>\$ 204,652</u></u>

A receivable of \$371,927 is reflected in the IDA fund.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of deferred revenue were as follows:

	<u>Deferred Revenue</u>	<u>Unavailable Revenue</u>
Property taxes receivable	\$ 21,515,540	\$ 18,477,095
Prepaid taxes – unearned	<u>137,465</u>	<u>137,465</u>
	<u><u>\$ 21,653,005</u></u>	<u><u>\$ 18,614,560</u></u>

Unearned revenue of \$11,546 for the business-type activities consists of grants received from Rural Development in advance of costs incurred on the water and sewer projects. Revenue will be recognized in the year the costs are incurred.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 4. Due from Other Governmental Units

Due from other governmental units consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 343,163	\$ -	\$ -
State sales tax	-	-	758,164
Communication tax	95,229	-	-
Categorical aid – shared expenses	258,339	-	-
Comprehensive services act	171,781	-	-
Virginia public assistance funds	123,949	-	-
Other categorical aid	32,945	-	418,989
Non-categorical aid	154,698	-	-
<u>Federal Government:</u>			
Federal public assistance funds	177,954	-	-
School improvement	-		66,165
CDBG Grant	15,882	-	-
Title I	-	-	621,032
Title II	-	-	89,985
Title IV-B	-	-	386,874
USDA Grant	-	-	20,400
Pre-School handicapped	-	-	16,041
21 st Century Learning	-	-	48,451
Other federal aid	-	-	35,286
<u>Other:</u>			
Other Governmental units	11,950	134,344	430,988
	<u>\$ 1,385,890</u>	<u>\$ 134,344</u>	<u>\$ 2,892,375</u>

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Interfund Transfers

Interfund transfers are as follows:

<u>Transfer to Fund</u>	<u>Transfer From Fund</u>	<u>Amount</u>
Water and Sewer	General Fund	\$ 469,443

The general fund provided funds to cover operating and capital costs during the current year.

Note 6. Capital Assets

Capital asset activity for the year ended June 30 was as follows:

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 652,317	\$ -	\$ -	\$ 652,317
Construction in progress	12,324,964	16,409,117	(4,967,408)	23,766,673
Total capital assets, not depreciated	12,977,281	16,409,117	(4,967,408)	24,418,990
Capital assets, depreciated:				
Infrastructure	56,660	-	-	56,660
Buildings and improvements	24,442,187	4,572,616	(214,010)	28,800,793
Machinery and equipment	7,978,683	967,629	(211,952)	8,734,360
Total capital assets, depreciated	32,477,530	5,540,245	(425,962)	37,591,813
Less accumulated depreciation for:				
Infrastructure	(13,001)	(1,700)	-	(14,701)
Buildings and improvements	(15,250,354)	(1,111,588)	214,010	(16,147,932)
Machinery and equipment as restated	(4,314,448)	(579,600)	211,952	(4,682,096)
Total accumulated depreciation	(19,577,803)	(1,692,888)	425,962	(20,844,729)
Capital assets, depreciated, net	12,899,727	3,847,357	-	16,747,084
Governmental activities capital assets, net	<u>\$ 25,877,008</u>	<u>\$ 20,256,474</u>	<u>\$ (4,967,408)</u>	<u>\$ 41,166,074</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 29,831	\$ 15,000	\$ -	\$ 44,831
Construction in progress	474,244	417,889	(452,980)	439,153
Total capital assets, not depreciated	504,075	432,889	(452,980)	483,984
Capital assets, depreciated:				
Utility system	46,753,445	414,117	-	47,167,562
Machinery and equipment	559,026	45,000	-	604,026
Capital assets, depreciated	47,312,471	459,117	-	47,771,588
Less: accumulated depreciation for:				
Utility system	(17,166,624)	(1,369,420)	-	(18,536,044)
Machinery and equipment	(373,435)	(59,214)	-	(432,649)
Total accumulated depreciation	(17,540,059)	(1,428,634)	-	(18,968,693)
Capital assets, depreciated, net	29,772,412	(969,517)	-	28,802,895
Business-type activities capital assets, net	<u>\$ 30,276,487</u>	<u>\$ (536,628)</u>	<u>\$ (452,980)</u>	<u>\$ 29,286,879</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 146,283
Judicial administration	49,614
Public safety	523,990
Public works	46,674
Health and welfare	35,185
Education	849,934
Parks, recreation, and cultural	41,208
Community development	-
	<u>1,692,888</u>
Business-type activities:	
Water and Sewer	<u>1,428,635</u>
Total depreciation expense – primary government	<u>\$ 3,121,523</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. Capital Assets (Continued)

Primary Government (Continued)

As of June 30, the County has active construction projects and commitments with contractors as listed below:

Project	Amount Spent to Date	Remaining Commitment
South End Construction-Jail Demolition	\$ 691,563	\$ 126,167
Gay & Neel-Groseclose Sewer	130,725	35,975
RRMM Architects-School Projects	1,612,029	21,782
Burwil Construction-School Projects	21,158,854	1,399,765
Moseley-Courthouse Renovations	<u>1,255,914</u>	<u>428,643</u>
Total	<u>\$ 24,849,085</u>	<u>\$ 2,012,332</u>

The County received \$155,463 in capital contributions from Federal, State, and Local granting agencies for the construction and expansion of wastewater treatment facilities.

Discretely Presented Component Unit – School Board

Capital asset activity for the year ended June 30 was as follows:

Discretely Presented Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Construction in progress	<u>1,626,707</u>	<u>330,390</u>	<u>(202,702)</u>	<u>1,754,395</u>
Total capital assets, not depreciated	<u>2,471,170</u>	<u>330,390</u>	<u>(202,702)</u>	<u>2,598,858</u>
Capital assets, depreciated:				
Buildings and improvements	14,535,555	473,412	-	15,008,967
Machinery and equipment	<u>6,157,788</u>	<u>1,034,043</u>	<u>-</u>	<u>7,191,831</u>
Total capital assets, depreciated	<u>20,693,343</u>	<u>1,507,455</u>	<u>-</u>	<u>22,200,798</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,408,508)	(629,244)	-	(10,037,752)
Machinery and equipment	<u>(3,608,870)</u>	<u>(467,444)</u>	<u>-</u>	<u>(4,076,314)</u>
Total accumulated depreciation	<u>(13,017,378)</u>	<u>(1,096,688)</u>	<u>-</u>	<u>(14,114,066)</u>
Capital assets, depreciated, net	<u>7,675,965</u>	<u>410,767</u>	<u>-</u>	<u>8,086,732</u>
School Board capital assets, net	<u>\$ 10,147,135</u>	<u>\$ 741,157</u>	<u>\$ (202,702)</u>	<u>\$ 10,685,590</u>

Total depreciation expense recorded in fiscal year 2013 was \$1,096,688. All depreciation expense of the School Board was charged to the education function.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit – Industrial Development Authority

Capital asset activity for the year ended June 30 was as follows:

Discretely Presented Component Unit - Industrial Development Authority	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 3,530,876	\$ 343,822	\$ -	\$ 3,874,698

Note 7. Long-Term Debt

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 43,405,656	\$ -	\$ 1,404,321	\$ 42,001,335	\$ 1,416,811
Literary fund loans	5,354,017	-	556,136	4,797,881	556,136
School construction bonds	9,500,000	2,170,893	145,000	11,525,893	150,000
Total bonds payable	58,259,673	2,170,893	2,105,457	58,325,109	2,122,947
Landfill closure/ post-closure	293,341	4,987	-	298,328	-
Compensated absences	559,378	59,600	-	618,978	464,233
Other post-employment benefits	326,926	109,287	31,759	404,454	-
	<u>\$ 59,439,318</u>	<u>\$ 2,344,767</u>	<u>\$ 2,137,216</u>	<u>\$ 59,646,869</u>	<u>\$ 2,587,180</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 5,393,536	\$ -	\$ 106,102	\$ 5,287,434	\$ 109,411
Revenue bonds	6,208,000	-	262,000	5,946,000	271,000
Total bonds payable	11,601,536	-	368,102	11,233,434	380,411
Compensated absences	14,090	2,415	-	16,505	12,379
Other post-employment benefits	23,074	7,713	2,241	28,546	-
	<u>\$ 11,638,700</u>	<u>\$ 10,128</u>	<u>\$ 370,343</u>	<u>\$ 11,278,485</u>	<u>\$ 392,790</u>
Component Unit					
School Board:					
Compensated absences	\$ 471,200	\$ 258,850	\$ 154,425	\$ 575,625	\$ 127,825
Other post-employment benefits	580,000	342,000	224,000	698,000	-
	<u>\$ 1,051,200</u>	<u>\$ 600,850</u>	<u>\$ 378,425</u>	<u>\$ 1,273,625</u>	<u>\$ 127,825</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Other Long-Term Debt		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,416,811	\$ 1,488,184	\$ 706,136	\$ 95,957	\$ 380,411	\$ 375,944
2015	1,449,426	1,450,544	913,490	84,835	392,795	363,903
2016	13,957,908	1,412,041	859,813	73,712	404,316	351,491
2017	1,175,185	1,005,892	1,144,813	62,590	417,980	338,654
2018	1,213,384	974,993	1,162,788	51,467	428,793	325,338
2019-2023	6,903,058	4,206,026	5,476,209	134,855	2,369,812	1,411,118
2024-2028	8,053,452	2,767,527	3,779,787	25,455	2,785,331	1,002,936
2029-2033	7,832,111	761,750	2,083,385	-	1,686,496	581,978
2034-2038	-	-	197,353	-	916,460	384,738
2039-2043	-	-	-	-	1,092,734	185,986
2044-2048	-	-	-	-	333,127	27,149
2049-2053	-	-	-	-	25,179	601
	<u>\$42,001,335</u>	<u>\$14,066,957</u>	<u>\$16,323,774</u>	<u>\$ 528,871</u>	<u>\$11,233,434</u>	<u>\$ 5,349,836</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
Landfill	4.5%	03/26/96	2016	\$ 1,129,000	\$ 201,242	\$ -
School Construction	4.9 – 6.35	11/12/92	2012	214,010	-	-
School Construction	5.1 – 6.1	12/21/95	2015	3,430,007	641,646	-
School Construction	4.975 – 5.85	11/01/00	2020	1,836,901	855,709	-
School Construction	4.1-5.6	11/10/04	2024	117,994	77,933	-
Virginia Resource Authority	2.5	10/17/01	2032	133,000	-	96,334
Virginia Resource Authority	0% Coupon	03/05/04	2034	503,049	-	357,844
Virginia Resource Authority	0	11/26/08	2029	473,000	-	378,400
Rural Development Administration	3.250	02/14/05	2045	1,500,000	-	1,357,969
Rural Development Administration	4.375	05/26/04	2044	2,735,500	-	2,490,727
Rural Development Administration	4.00	2/11/10	2049	123,500	-	117,389
Rural Development Administration	2.375	2/11/10	2049	121,500	-	118,798
Rural Development Administration	4.50	02/13/09	2048	500,000	-	487,514
General Obligation Bond Series 2011A	2.0-5.0%	12/5/11	2032	26,985,000	26,110,000	-
General Obligation Bond Series 2011B	3%	12/5/11	2016	12,500,000	12,500,000	-
General Obligation Refunding Bond Series 2012	3.25%	4/25/12	2030	6,208,000	-	5,946,000
					40,386,530	11,350,975
Bond Premiums					1,614,805	-
Imputed Interest	4%				-	(117,541)
					<u>\$ 42,001,335</u>	<u>\$ 11,233,434</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 7. Long-Term Debt (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>Other Long-Term Debt:</u>						
State Literary Fund Loan	2.0	04/01/99	2019	\$ 893,655	\$ 268,107	\$ -
State Literary Fund Loan	2.0	03/15/99	2019	1,777,000	533,100	-
State Literary Fund Loan	2.0	10/01/96	2016	125,500	25,100	-
State Literary Fund Loan	2.0	07/15/98	2018	90,000	27,000	-
State Literary Fund Loan	2.0	07/15/98	2018	1,240,000	372,000	-
State Literary Fund Loan	2.0	01/15/98	2018	1,770,000	531,000	-
State Literary Fund Loan	2.0	03/01/98	2018	557,000	139,250	-
State Literary Fund Loan	2.0	07/01/97	2017	115,000	23,000	-
State Literary Fund Loan	2.0	08/01/99	2019	187,873	65,764	-
State Literary Fund Loan	2.0	04/01/02	2024	2,418,692	1,460,029	-
State Literary Fund Loan	2.0	04/01/02	2024	2,146,934	1,297,712	-
State Literary Fund Loan	2.0	04/01/02	2022	124,041	55,819	-
Qualified School Construction Bond	0	10/31/2012	2034	2,170,893	2,170,893	-
Qualified School Construction Bond	0	12/15/2011	2031	9,500,000	9,355,000	-
					<u>\$ 16,323,774</u>	<u>\$ -</u>

Note 8. Landfill Closure and Post-Closure Care Costs

The County owns a closed landfill and operates a transfer station. Although the landfill closed in 1995, state and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for ten years after closure. During the fiscal year 2006, the County performed gas remediation activities and the post-closure period was projected to continue for an additional five years. The \$298,328 reported as landfill closure and post-closure care liability at June 30, 2013 represents the post-closure activities for the additional three year period required after the maintenance and monitoring period has ended and closure costs for the transfer station. The amounts are based on what it would cost to perform all closure and post-closure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Federal and State regulations require owners of municipal solid waste landfills to demonstrate financial responsibility for closure care, post closure care and corrective costs arising from the operations of such facilities. The County qualifies to use the allowable financial assurances tests in order to demonstrate financial responsibility and those calculations are in compliance with the applicable regulations.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Significant Transactions of the County and Discretely Presented Component Units

School Board

There are some transactions between the County and School Board component unit that are explained in detail below to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Money in an amount equal to the proceeds received is then provided to the School Board to pay for capital expenditures. Any unspent money at year-end is transferred to the County.
2. The primary government’s budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments as payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be \$48,608,851. That amount is obtained as follows:

Expenditures of School Board – Component Unit (Exhibit B-2)	\$ 46,352,542
Principal and other debt service expenditures included in	
primary government	<u>2,256,309</u>
Total expenditures for school activities	<u>\$ 48,608,851</u>

5. The amount due to the School Board represents the cash to cover July and August salaries payable and related taxes of the School Board.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

**Note 9. Significant Transactions of the County and Discretely Presented Component Units
(Continued)**

Industrial Development Authority

The Primary Government provides funding from time to time to the IDA for its contributions to the Smyth-Washington Regional Industrial Facilities Authority and for economic incentive projects.

Note 10. Defined Benefit Pension Plan

Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). In addition, professional and non-professional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees –Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

As of June 30, 2013, the IDA owed the General Fund \$395,000 for payments made by the General Fund on IDA related projects.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Plan (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost of living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 10. Defined Benefit Pension Plan (Continued)

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 17.90% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2013 were 16.66% for professional employees and 15.86% for non-professional employees. The County and School Board's contribution rates include the employer's share of 5% paid by the employer.

For the three years ended June 30, 2013, 2012, and 2011, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$3,949,273, \$2,668,197, and \$2,110,268 and represented 16.66%, 11.33%, and 8.93% of annual covered payroll, respectively, and 100% of the required contributions for 2013, 2012, and 2011.

Annual Pension Cost

For fiscal year ended June 30, 2013, the County and School Board's annual pension costs of \$1,307,633 and \$402,464, respectively, for VRS were equal to their required and actual contributions. The FY2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers and sheriffs, and (c) a cost of living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Three-Year Trend Information for the County of Smyth				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
June 30, 2013	\$ 1,307,633	100%	\$	-
June 30, 2012	\$ 990,416	100%	\$	-
June 30, 2011	\$ 989,737	100%	\$	-

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 10. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information for the County of Smyth School Board Non-Professional				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
June 30, 2013	\$ 402,464	100%	\$	-
June 30, 2012	\$ 299,579	100%	\$	-
June 30, 2011	\$ 296,411	100%	\$	-

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 71.90% funded for the County and 74.61% funded for the School Board. The actuarial accrued liability for benefits was \$38,842,525 for the County and \$12,298,361 for the School Board and the actuarial value of assets was \$27,926,944 for the County and \$9,175,924 for the School Board, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,915,581 for the County and \$3,122,437 for the School Board. The covered payroll (annual payroll of active employees covered by the plan) was \$7,031,202 for the County and \$2,491,408 for the School Board, and ratio of the UAAL to the covered payroll was 155.24% for the County and 125.33% for the School Board.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 11. Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") Statement No. 45, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition and display of other post-employment benefits ("OPEB") expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The County and Schools prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Other Post-Employment Benefits (Continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2013, the County and School Board's annual OPEB costs of \$114,000 and \$347,000, respectively, were equal to the Annual Required Contribution (ARC).

	Primary Government	School Board
Annual required contribution	\$ 114,000	\$ 347,000
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	<u>3,000</u>	<u>(5,000)</u>
Annual OPEB cost	117,000	342,000
Contributions made	<u>(34,000)</u>	<u>(224,000)</u>
Increase in net OPEB obligation	83,000	118,000
Net OPEB obligation-beginning of year	<u>350,000</u>	<u>580,000</u>
Net OPEB obligation-end of year	<u><u>\$ 433,000</u></u>	<u><u>\$ 698,000</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The County's first year for implementing GASB No. 45 was June 30, 2009.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 117,000	29.1%	\$ 433,000
June 30, 2012	\$ 125,000	35.2%	\$ 350,000
June 30, 2011	\$ 111,200	32.4%	\$ 269,000

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The School Board's first year for implementing GASB No. 45 was June 30, 2009.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 342,000	65.5%	\$ 698,000
June 30, 2012	\$ 327,000	64.5%	\$ 580,000
June 30, 2011	\$ 290,160	60.3%	\$ 464,000

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Other Post-Employment Benefits (Continued)

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2012 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Accrued Liability (AAL)	\$ 1,365,000	\$ 4,627,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,365,000	4,627,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	7,298,702	27,332,248
UAAL as a Percentage of Covered Payroll	18.70%	16.93%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used to determine liabilities. Under this method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2013 is 25 years.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Other Post-Employment Benefits (Continued)

Plan Description

The County and School Board provide post-employment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors and School Board. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the County or Schools and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and Schools. Employees at the County are allowed to stay on the plan until death of the employee and employees at the School Board are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. The employee pays 100% of the required premium.

The number of participants at June 30, 2013 was as follows:

	Primary	
	<u>Government</u>	<u>School Board</u>
Retirees currently receiving benefits	12	104
Active employees	188	718
Total	<u>200</u>	<u>822</u>

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2013, neither the County nor the Schools designated any funding for the OPEB liability.

Note 12. Property Taxes

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the County of Smyth, Virginia. Public utility property is assessed by the Commonwealth. All property is assessed at 100 percent of fair market value and reassessed every four to six years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 12. Property Taxes (Continued)

Property taxes are billed in annual installments due December 5. Real estate taxes attach an enforceable lien on property as of January 1. The real estate tax rate is \$.74 per \$100 of assessed value. Personal property tax assessments are as follows per \$100 of assessed value: \$2.30 on motor vehicles; \$1.55 on business use machinery and tools; \$.40 on merchant's capital; \$1.55 on interstate commerce; and \$.74 on mobile homes.

Note 13. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public risk entity pool for their coverage of general liability, auto, crime, and property insurance with the Virginia Association of Counties (VACO). Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The County pays VACO contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims, and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14. Leases

In January 1995, the County entered into a lease agreement with the Commonwealth of Virginia ("State") to lease the building holding primarily all county offices including the School Board. The lease has a term of 25 years ending December 2019 at which time, the use of the building reverts back to the State. Annual rent for the 25-year rental period is \$1. There are no other annual payments required. All maintenance and repairs are the responsibility of the County.

Note 15. Commitments and Contingencies

Purchase Commitments

The County and a certain Town entered into an agreement in August 1990 to purchase up to 60,000 gallons of water per day at a rate of \$1.95 per 1,000 gallons (subject to increase with residential rates). The current rate is \$2.11 per 1,000 gallons. The initial term of the agreement was five years with seven successive five-year periods at mutual agreement between the Town and the County. The County is currently in the fourth renewal period.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 15. Commitments and Contingencies (Continued)

Purchase Commitments (Continued)

The County entered into an agreement with a certain entity to purchase up to 70,000 gallons of water per day for a rate of \$2.25 per 1,000 gallons (subject to increase with increase in corporate rates) depending on monthly usage. The initial term of the agreement was five years with seven successive five-year periods at the option of the County. The County has renewed the agreement for the first five-year option. The second five year option has been renewed.

The County entered into an agreement with a certain Town to purchase up to 256,000 gallons of water per day at a rate of \$19.71 for first 5,000 gallons, the next 495,000 gallons at a rate of \$3.37 and over 500,000 gallons at a rate of \$2.70 subject to increase of commercial rate capped at 2%. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County.

The County and a certain Town entered into a water purchase agreement in July 2003 for the purchase of up to 12.5 million gallons of water per month at a rate of \$3.98 per 1,000 gallons (subject to increase with residential rates). In the event that the Town must purchase water back from the County, the rate is the same. The initial term of the agreement is three years with successive annual periods at mutual agreement between the Town and the County. The rate increased to \$6.09 per 1,000 gallons effective July 2011.

Other Commitments

During fiscal year 2006, the County was mandated by the state government to undertake a major renovation of the Smyth County courthouse. This project will extend over a period of years and have substantial costs. The project will be a major overhaul of the courthouse that could cost several million dollars. At current, the project is estimated at \$25 million dollars. During the fiscal year 2013 the sheriff's office, 911 relocation, and parking garage projects were completed and placed into services. Commitments on active projects including jail demolition and architectural services on the courthouse are disclosed at note 6.

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required, they will be immaterial.

Note 16. Intergovernmental Agreements

Mountain Empire Regional Wastewater Facility

In 1990, the County entered into an agreement with the Town of Marion ("Marion") for joint utilization of the capacity of the Mountain Empire Regional Wastewater Facility. Marion owns and operates the facility in which the County is entitled to 17.65% of the wastewater treatment capacity and pays a monthly user charge determined by Marion consisting of an allocation of operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater.

The user charge is determined monthly. The County also remits a semi-annual payment for debt service which ends February 2014. The term of the agreement ends August 2030 and is renewable for an additional 40-year period. During fiscal year 2013, the County remitted a total of \$260,977 to Marion. As part of the agreement, Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 16. Intergovernmental Agreements (Continued)

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie ("Chilhowie") for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater. The user charge is determined each month based on a percentage of the plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2013, the County remitted a total of \$135,263 to Chilhowie. As part of the agreement, Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Saltville-Smyth County Regional Wastewater Treatment Facility

In 2001, the Town of Saltville ("Saltville") and the County entered into an agreement to construct and operate the Saltville/Smyth County Regional Wastewater Treatment Facility. The facility is owned and operated by Saltville. The County's capacity in the facility is 40% and it is to pay a monthly user charge based on actual user flow consisting of operating and maintenance costs which are to be determined by Saltville monthly

The term of agreement ends March 2041 and is renewable for a term of 40 years. During fiscal year 2013, the County remitted a total of \$23,804 to Saltville in user charges. As part of the agreement, Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 17. Net Position/Fund Balance

The amounts that are reported on the fund financial balance sheet identified as nonspendable, restricted, committed, and assigned fund balance are comprised of the following:

	Primary Government General Fund
Fund Balances:	
Nonspendable:	
Prepaid Expenses	\$ 180,909
Restricted for:	
E-911	260,776
Community Development	65,850
School Construction Project	5,906,956
Courthouse Project	19,168,079
DARE	26,815
Public Safety	42,162
Commonwealth Attorney	147,956
Courthouse Security	78,974
Total Restricted	\$ 25,697,568

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 17. Net Position/Fund Balance (Continued)

	Primary Government <u>General Fund</u>
Fund Balances (continued):	
Assigned to:	
Animal Control	\$ <u>62,900</u>
	Discretely Presented Component Unit <u>School Board</u>
Fund Balances:	
Nonspendable:	
Inventory	\$ 65,583
Prepaid Expenses	<u>576,543</u>
Total Nonspendable	\$ <u>642,126</u>
Assigned to:	
Textbooks	\$ 1,035,373
Food Services	<u>546,885</u>
Total Assigned	\$ <u>1,582,258</u>

Note 18. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* amends the financial reporting elements previously classified as assets and liabilities to be consistent with the definitions of Concept Statement 4. This statement will be effective for periods beginning after December 15, 2012. The County has decided to early implement GASB Statement No. 65 in conjunction with the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement No. 66, *Technical Corrections-2012--an amendment of GASB Statements No. 10 and No. 62* resolves conflicting guidance resulting from the issuance of recent pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans* amends GASB Statement No. 25. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 18. New Accounting Standards (Continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* amends GASB Statement No. 27. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* establishes accounting and financial reporting for non-exchange transactions. The provisions of Statement No. 70 are effective for financial statements for reporting beginning after June 15, 2013.

Management has evaluated GASB Statement No. 65 and has elected to early implement the standard. Management has not yet evaluated the effects, if any, of adopting the other standards above, but does not expect them to be material.

Note 19. Subsequent Events

The County received \$100,000 grant from Mount Rogers Planning District Commission under the Southwest Virginia wastewater construction fund to be used on the Groseclose sewer project.

The County awarded the contract for the second phase of the ADA improvements for Konnarock Community Center, Animal Shelter, and Health Department for \$254,491.

The County was awarded \$83,000 from the Tobacco Commission for sewer infrastructure at Exit 39. The original application was submitted for \$180,000 and, if progress is shown with the project, the County can reapply for the balance of the funds.

The Industrial Development Authority of Smyth County approved a bond resolution with Smyth County Community Hospital, Norton Community Hospital, Johnston Memorial Hospital, Mountain States Health Alliance, and Blue Ridge Medical Management Corporation (collectively, the "Corporations"). The Corporations requested the Industrial Development Authority of Smyth County to issue its refunding revenue bonds pursuant to Title 15.2, Section 49 of the Code of Virginia of 1950, as amended, in one or more series, for the purpose of providing funds to (1) refund all or a portion of the Series 2008B Bonds, the Series 2011C Bonds, the Series 2011D Bonds and the Series 2012C Bonds (together, the "refunded bonds"), and (2) pay the costs of issuing the Bonds and refunding the refunded bonds. The Industrial Development Authority of Smyth County agreed to assist the Corporations by issuing the bonds, in one or more series, in an amount not to exceed \$190,000,000 without the further approval of the Authority, upon terms and conditions to be mutually agreed upon between the Authority and the Corporations.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 19. Subsequent Events (Continued)

The Industrial Development Authority of Smyth County awarded the mega site grading and utility removal project for \$783,350. Field inspection and contract administration was approved not to exceed \$35,385 for the project.

The Smyth County Board of Supervisors approved the Industrial Development Authority's name change to Economic Development Authority of Smyth County.

Note 20. Restatement of Prior Period Net Position/Fund Balance

A prior period adjustment was recorded in fiscal year 2013 that increased fund balance/net position by \$138,384 for the County and \$331,431 for the School Board due to prepaid expenses for fiscal year 2012 not being recorded. A prior period adjustment was recorded in fiscal year 2013 that increased net position by \$24,590 for the IDA due to bond fees for fiscal year 2012 not being recorded.

During the fiscal year, the County implemented Governmental Accounting Standards Board (GASB) Statements 63 and 65. GASB Statement No. 65 requires an expense to be recognized in the period in which the costs to issue indebtedness was incurred. As a result of the implementation, the County wrote off unamortized bond issuance costs. This restatement of beginning net position is summarized below:

	Governmental Activities	Business-Type Activities	Total
Net Position at 7/1/2012	\$12,787,424	\$18,965,038	\$31,752,462
Prepaid Expenses	138,384	-	138,384
Unamortized Bond Issuance Costs	(86,000)	(46,980)	(132,980)
Net Position at 7/1/2012 as restated	<u>\$12,839,808</u>	<u>\$18,918,058</u>	<u>\$31,757,866</u>

	School Board	IDA
Net Position at 7/1/2012	\$14,895,621	\$ 6,455,428
Prepaid Expenses	331,431	-
Bond Fees	-	24,590
Net Position at 7/1/2012 as restated	<u>15,227,052</u>	<u>\$ 6,480,018</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 20. Restatement of Prior Period Net Position/Fund Balance (Continued)

	<u>School Board</u>
Fund Balance at 7/1/2012	\$ 5,799,686
Prepaid Expenses	331,431
Bond Fees	<u>-</u>
Fund Balance at 7/1/2012 as restated	<u><u>6,131,117</u></u>

REQUIRED SUPPLEMENTARY INFORMATION



COUNTY OF SMYTH, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress
As of June 30, 2013

DEFINED BENEFIT PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio Assets as Percentage of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. Smyth County						
June 30, 2012	\$ 27,926,944	\$ 38,842,525	\$ 10,915,581	71.90%	\$ 7,031,202	155.24%
June 30, 2011	\$ 28,273,501	\$ 37,432,773	\$ 9,159,272	75.53%	\$ 7,011,820	130.63%
June 30, 2010	\$ 27,723,904	\$ 36,079,662	\$ 8,355,758	76.84%	\$ 7,181,079	116.36%
B. Smyth County Schools Non-professional Employees						
June 30, 2012	\$ 9,175,924	\$ 12,298,361	\$ 3,122,437	74.61%	\$ 2,491,408	125.33%
June 30, 2011	\$ 9,446,295	\$ 11,845,671	\$ 2,399,376	79.74%	\$ 2,507,730	95.68%
June 30, 2010	\$ 9,410,327	\$ 11,556,158	\$ 2,145,831	81.43%	\$ 2,550,554	84.13%

OTHER POST-EMPLOYMENT BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio Assets as Percentage of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. Smyth County						
July 1, 2012	\$ -	\$ 1,365,000	\$ 1,365,000	0.00%	7,298,702	18.70%
July 1, 2011	\$ -	\$ 1,354,000	\$ 1,354,000	0.00%	\$ 7,070,980	19.15%
July 1, 2010	\$ -	\$ 1,270,000	\$ 1,270,000	0.00%	\$ 6,975,554	18.21%
B. Smyth County School Board						
July 1, 2012	\$ -	\$ 4,627,000	\$ 4,627,000	0.00%	27,332,248	16.93%
July 1, 2011	\$ -	\$ 4,087,000	\$ 4,087,000	0.00%	\$ 27,199,166	15.03%
July 1, 2010	\$ -	\$ 3,951,000	\$ 3,951,000	0.00%	\$ 26,157,840	15.10%



OTHER SUPPLEMENTARY INFORMATION



FIDUCIARY FUNDS

Special Welfare – The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Carnegie – The Carnegie fund holds funds legally restricted for school renovations per the donor's will.



COUNTY OF SMYTH, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2013

	Special Welfare	Carnegie	Total
ASSETS			
Cash and cash equivalents	\$ 213,090	\$ 1,687	\$ 214,777
Accrued interest	6	-	6
Due from other governmental units	505	-	505
Total assets	<u>\$ 213,601</u>	<u>\$ 1,687</u>	<u>\$ 215,288</u>
LIABILITIES			
Amounts held for social services clients	\$ 213,601	-	\$ 213,601
Amounts held for Carnegie fund	-	1,687	1,687
Total liabilities	<u>\$ 213,601</u>	<u>\$ 1,687</u>	<u>\$ 215,288</u>



DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – This fund accounts for the operations of the School Board's elementary, middle, and high schools.



COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2013

	<u>School Operating</u>
ASSETS	
Cash and cash equivalents	\$ 1,582,330
Due from primary government	4,032,259
Due from other governmental units	2,892,375
Accrued interest	1,111
Prepaid expense	576,543
Inventories	65,583
	<hr/>
Total assets	\$ 9,150,201
	<hr/> <hr/>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 117,172
Accrued payroll and related liabilities	4,062,619
	<hr/>
Total liabilities	4,179,791
	<hr/>
Fund Balance:	
Nonspendable	642,126
Restricted	-
Committed	-
Assigned	1,582,258
Unassigned	2,746,026
	<hr/>
Total fund balance	4,970,410
	<hr/>
Total liabilities and fund balance	\$ 9,150,201
	<hr/> <hr/>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance	\$ 4,970,410
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	10,685,590
Long-term liabilities, including compensated absences and other post-employment benefits are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<hr/> (1,273,625)
Net position of governmental activities	<hr/> \$ 14,382,375
	<hr/> <hr/>

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2013**

	<u>School Operating</u>
REVENUES	
Revenue from use of money and property	\$ 9,857
Charges for services	1,069,008
Miscellaneous	1,711
Recovered costs	369,899
Intergovernmental	<u>43,736,353</u>
Total revenues	<u>45,186,828</u>
EXPENDITURES	
Current:	
Instruction	35,416,032
Administration, attendance and health	1,572,654
Transportation	2,663,036
Operation and maintenance	4,128,984
School nutrition	2,428,136
Capital projects	<u>143,700</u>
Total expenditures	<u>46,352,542</u>
Excess of expenditures over revenues	(1,165,714)
OTHER FINANCING SOURCES	
Insurance recovery	<u>5,007</u>
Total other financing sources	<u>5,007</u>
Net change in fund balance	(1,160,707)
FUND BALANCE AT JULY 1, 2012 AS RESTATED	<u>6,131,117</u>
FUND BALANCE AT JUNE 30, 2013	<u><u>\$ 4,970,410</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance	\$ (1,160,707)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$1,635,143) exceeds depreciation (\$1,096,688).	538,455
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(222,425)</u>
Change in net position of governmental activities	<u><u>\$ (844,677)</u></u>

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –
SCHOOL OPERATING FUND**

For the Year Ended June 30, 2013

	School Operating			Variance with
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ 15,750	\$ 15,750	\$ 9,857	\$ (5,893)
Charges for services	1,619,839	1,695,839	1,069,008	(626,831)
Miscellaneous	600,000	600,000	1,711	(598,289)
Recovered costs	414,893	394,893	369,899	(24,994)
Intergovernmental	43,913,959	44,678,872	43,736,353	(942,519)
Total revenues	46,564,441	47,385,354	45,186,828	(2,198,526)
EXPENDITURES				
Current:				
Instruction	35,764,827	36,257,827	35,416,032	841,795
Administration, attendance and health	1,571,564	1,579,064	1,572,654	6,410
Transportation	2,241,571	2,659,571	2,663,036	(3,465)
Operation and maintenance	4,277,698	4,135,937	4,128,984	6,953
School nutrition	2,912,393	3,045,081	2,428,136	616,945
Capital projects	185,138	145,484	143,700	1,784
Total expenditures	46,953,191	47,822,964	46,352,542	1,470,422
Excess of revenues over expenditures	(388,750)	(437,610)	(1,165,714)	(728,104)
OTHER FINANCING SOURCES				
Proceeds from school construction bonds	403,750	452,610	-	(452,610)
Insurance recovery	-	-	5,007	5,007
Total other financing sources	403,750	452,610	5,007	(447,603)
Net change in fund balance	\$ 15,000	\$ 15,000	\$ (1,160,707)	\$ (1,175,707)



SUPPORTING SCHEDULES



COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,198,000	\$ 10,198,000	\$ 10,208,964	\$ 10,964
Public service corporation taxes	810,000	810,000	940,384	130,384
Personal property taxes	2,519,140	2,519,140	2,505,175	(13,965)
Mobile home taxes	119,500	119,500	102,825	(16,675)
Machinery and tools taxes	1,512,500	1,512,500	1,569,668	57,168
Merchant's capital taxes	187,500	187,500	199,451	11,951
Special assessment taxes	4,500	4,500	-	(4,500)
Penalties and interest	240,000	240,000	335,387	95,387
Total General Property Taxes	15,591,140	15,591,140	15,861,854	270,714
Other local taxes:				
Local sales and use taxes	1,950,000	1,950,000	2,018,087	68,087
Consumers' utility taxes	593,000	593,000	596,621	3,621
Local consumption tax	146,000	146,000	98,557	(47,443)
Communication tax	660,000	660,000	602,318	(57,682)
Franchise license taxes	4,500	4,500	-	(4,500)
Motor vehicle licenses	255,800	255,800	258,232	2,432
Taxes on recordation and wills	130,000	130,000	97,646	(32,354)
Special conveyance tax	20,000	20,000	26,964	6,964
Lodging tax	55,015	55,015	41,329	(13,686)
Total Other Local Taxes	3,814,315	3,814,315	3,739,754	(74,561)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	118,150	118,150	109,793	(8,357)
Animal licenses	11,500	11,500	14,854	3,354
Total Permits, Privilege Fees, and Regulatory Licenses	129,650	129,650	124,647	(5,003)
Fines and forfeitures	1,002,100	1,042,100	714,666	(327,434)
Revenue from use of money and property:				
Revenue from use of money	270,674	270,674	266,011	(4,663)
Revenue from use of property	126,074	126,074	69,486	(56,588)
Total Revenue from Use of Money and Property	396,748	396,748	335,497	(61,251)
Charges for services:				
Sheriff's fees	2,076	2,076	883	(1,193)
Courthouse maintenance	25,000	25,000	21,670	(3,330)
Courthouse security fees	125,500	125,500	111,865	(13,635)
Commonwealth's attorney	2,500	2,500	3,877	1,377
Prisoners	6,500	6,500	11,603	5,103
Correction and detention	100	100	-	(100)
Court appointed attorney	-	-	962	962
Law library fees	8,800	8,800	6,385	(2,415)
Sanitation and waste removal	848,000	848,000	853,385	5,385
Total Charges for Services	1,018,476	1,018,476	1,010,630	(7,846)

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Recovered costs:				
Rye Valley water salary reimbursement	\$ 91,988	\$ 91,988	\$ 75,476	\$ (16,512)
Insurance recoveries	25,000	25,000	58,346	33,346
Local board of welfare	25,000	25,000	13,602	(11,398)
School resource officer	113,000	113,000	84,000	(29,000)
Parking facility	-	-	38,390	38,390
Other recovered costs	75,685	75,685	65,355	(10,330)
Total recovered costs	<u>330,673</u>	<u>330,673</u>	<u>335,169</u>	<u>4,496</u>
Other revenue:				
Payments in lieu of taxes	-	-	81,139	81,139
Miscellaneous	501,106	592,106	136,958	(455,148)
Total Other Revenue	<u>501,106</u>	<u>592,106</u>	<u>218,097</u>	<u>(374,009)</u>
Total Revenue from Local Sources	<u>22,784,208</u>	<u>22,915,208</u>	<u>22,340,314</u>	<u>(574,894)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	50,000	50,000	42,476	(7,524)
Motor vehicle rental tax	800	800	4,933	4,133
Personal Property Tax Relief Act	1,804,310	1,804,310	1,804,316	6
Rolling stock taxes	32,800	32,800	75,999	43,199
State recordation tax	-	-	32,996	32,996
Total Non-categorical Aid	<u>1,887,910</u>	<u>1,887,910</u>	<u>1,960,720</u>	<u>72,810</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	440,671	440,671	430,378	(10,293)
Sheriff	1,602,250	1,602,250	1,577,179	(25,071)
Clerk of Court	281,290	281,290	301,961	20,671
Commissioner of the Revenue	104,263	104,263	102,298	(1,965)
Treasurer	102,631	102,631	98,771	(3,860)
Registrar/Electoral Board	56,563	56,563	39,811	(16,752)
Local Aid to Commonwealth	(170,000)	(145,000)	(135,257)	9,743
Total Shared Expenses	<u>2,417,668</u>	<u>2,442,668</u>	<u>2,415,141</u>	<u>(27,527)</u>
Other categorical aid:				
Life EMS	65,000	65,000	28,173	(36,827)
National Forest	12,682	12,682	2,213	(10,469)
Litter control grant	8,530	8,530	10,342	1,812
Public assistance and welfare administration	1,397,126	1,397,126	1,460,694	63,568
Victim witness	45,400	45,400	46,408	1,008
E-911 grant	40,000	40,000	42,703	2,703
Fire programs	65,000	65,000	63,835	(1,165)
Comprehensive Services Act program	623,500	623,500	590,324	(33,176)
Asset forfeiture funds	24,500	24,500	3,081	(21,419)
Tobacco grant	1,730,000	1,730,000	-	(1,730,000)
VA Wireless Services Board grant	145,000	145,000	145,000	-
Law enforcement block grant	25,000	25,000	1,611	(23,389)
Court technology trust fund grant	-	-	20,419	20,419
Court record preservation grant	19,812	19,812	5,358	(14,454)
Other state aid	23,624	23,624	27,724	4,100
Total other categorical aid	<u>4,225,174</u>	<u>4,225,174</u>	<u>2,447,885</u>	<u>(1,777,289)</u>
Total categorical aid	<u>6,642,842</u>	<u>6,667,842</u>	<u>4,863,026</u>	<u>(1,804,816)</u>
Total Revenue from the Commonwealth	<u>8,530,752</u>	<u>8,555,752</u>	<u>6,823,746</u>	<u>(1,732,006)</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,054,448	\$ 2,054,448	\$ 2,147,923	\$ 93,475
Emergency preparedness grant	-	-	21,642	21,642
Community development block grant	-	350,000	122,057	(227,943)
Commonwealth attorney federal asset forfeiture	-	-	147,956	147,956
Sheriff federal drug asset forfeiture	-	-	1,660	1,660
Homeland security grant	5,000	5,000	-	(5,000)
Open container/alcohol impaired driving	20,000	20,000	8,353	(11,647)
Department of Transportation-alcohol safety	-	-	18,977	18,977
Total Categorical Aid	<u>2,079,448</u>	<u>2,429,448</u>	<u>2,468,568</u>	<u>39,120</u>
Total Revenue from the Federal Government	<u>2,079,448</u>	<u>2,429,448</u>	<u>2,468,568</u>	<u>39,120</u>
Total Intergovernmental Revenues	<u>10,610,200</u>	<u>10,985,200</u>	<u>9,292,314</u>	<u>(1,692,886)</u>
Total General Fund	<u><u>\$33,394,408</u></u>	<u><u>\$33,900,408</u></u>	<u><u>\$31,632,628</u></u>	<u><u>\$ (2,267,780)</u></u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School Operating Fund:				
Revenue from local services:				
Revenue from the use of money	\$ 15,000	\$ 15,000	\$ 9,107	\$ (5,893)
Revenue from the use of property	750	750	750	-
Tuition and payments from other divisions	329,600	384,600	378,696	(5,904)
Cafeteria sales	1,190,239	1,211,239	532,898	(678,341)
Charges for Medicaid payments	100,000	100,000	157,414	57,414
Miscellaneous revenue	-	-	1,711	1,711
Textbooks	600,000	600,000	-	(600,000)
Sale of supplies	20,000	20,000	3,368	(16,632)
Other recovered costs	394,893	374,893	366,531	(8,362)
Total revenue from local services	<u>2,650,482</u>	<u>2,706,482</u>	<u>1,450,475</u>	<u>(1,256,007)</u>
Intergovernmental revenues:				
Revenue from local governments:				
Contribution from County of Smyth, Virginia	<u>7,483,374</u>	<u>7,394,860</u>	<u>7,582,966</u>	<u>188,106</u>
Revenue from the Commonwealth:				
Share of state sales tax	4,332,117	4,482,117	4,516,317	34,200
Basic school aid	15,798,081	16,061,588	16,020,210	(41,378)
Remedial summer education	113,214	113,214	103,965	(9,249)
Regular foster care	91,378	91,378	25,825	(65,553)
Adult secondary education	11,961	11,961	-	(11,961)
Gifted and talented	165,386	167,672	167,731	59
Remedial education	643,566	652,464	652,694	230

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Commonwealth (Continued):				
Special education	\$ 1,794,076	\$ 1,818,881	\$ 1,819,521	\$ 640
Textbook payment	322,610	327,071	327,186	115
Hospitals, clinics and detention homes	123,492	123,492	114,769	(8,723)
Vocational education	665,138	674,335	674,572	237
Fringe benefits	2,703,698	2,741,079	2,742,044	965
Early reading intervention	65,937	75,705	73,263	(2,442)
GED prep course	23,576	23,576	23,576	-
Homebound education	9,311	9,311	15,656	6,345
Vocational education - adult	102,141	102,141	29,686	(72,455)
Vocational education - equipment	-	-	11,232	11,232
Vocational occupational preparedness	-	-	35,033	35,033
Special education - foster children	-	-	32,084	32,084
At risk payments	736,842	747,253	746,689	(564)
Jobs for Virginia Grads	21,000	21,000	21,000	-
Primary class size	890,546	890,546	884,629	(5,917)
Technology	388,000	388,000	388,000	-
Standards of learning algebra readiness	90,007	90,007	87,565	(2,442)
Title III, LEP	2,462	2,462	677	(1,785)
At risk four year olds	577,264	577,264	577,264	-
Mentor teacher program	4,040	4,040	3,679	(361)
English as a second language	14,924	14,924	10,261	(4,663)
School nutrition	30,291	30,291	30,334	43
Supplemental support	307,294	307,294	307,294	-
Other state funds	26,835	26,835	40,305	13,470
Total Revenue from the Commonwealth	<u>30,055,187</u>	<u>30,575,901</u>	<u>30,483,061</u>	<u>(92,840)</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Federal Government:				
Title I	\$ 1,334,617	\$ 1,334,617	\$ 1,496,084	\$ 161,467
Title VI-B, special education - grants to states	1,261,398	1,261,398	1,072,620	(188,778)
Title VI-B, special education - preschool grants	53,835	53,835	53,773	(62)
Eisenhower professional development grants	-	6,474	-	(6,474)
Vocational Education - basic grants to states	100,457	100,457	103,034	2,577
Improving teacher quality state grants	203,972	203,972	210,544	6,572
National school lunch program	1,717,073	1,810,243	1,223,832	(586,411)
School breakfast program	-	-	451,539	451,539
Twenty-first Century community learning centers	199,359	304,498	260,636	(43,862)
Title II Part D - Enhancing Education Thru Technology	47,517	47,517	108,109	60,592
Forest reserve	97,000	97,000	95,548	(1,452)
Title VI-rural and low	102,405	102,405	79,828	(22,577)
School improvement 1003A	500,000	500,000	421,934	(78,066)
Higher education institutional aid	-	5,194	6,752	1,558
Gear up	-	6,018	-	(6,018)
Longitudinal data system	-	52,460	52,460	-
Education job funds	757,765	778,789	-	(778,789)
Title I, neglected and delinquent children	-	24,716	-	(24,716)
Other federal funds	-	18,518	33,633	15,115
Total Revenue from the Federal Government	<u>6,375,398</u>	<u>6,708,111</u>	<u>5,670,326</u>	<u>(1,037,785)</u>
Total Intergovernmental Revenues	<u>43,913,959</u>	<u>44,678,872</u>	<u>43,736,353</u>	<u>(942,519)</u>
Other financing sources:				
Insurance recoveries	-	-	5,007	5,007
Total Revenue from Other Financing Sources	-	-	5,007	5,007
Total Component Unit - School Board	<u>\$46,564,441</u>	<u>\$47,385,354</u>	<u>\$ 45,191,835</u>	<u>\$ (2,193,519)</u>

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND				
General government administration:				
Legislative:				
Board of supervisors	\$ 669,947	\$ 732,010	\$ 729,158	\$ 2,852
Total Legislative	<u>669,947</u>	<u>732,010</u>	<u>729,158</u>	<u>2,852</u>
General and financial administration:				
County administrator	454,774	454,774	440,105	14,669
Accounting	139,827	139,827	138,976	851
Data processing	320,666	320,666	309,400	11,266
Legal	96,618	96,618	97,720	(1,102)
Commissioner of revenue	283,426	283,426	272,203	11,223
Treasurer	350,882	350,882	363,228	(12,346)
Assessor	-	300,000	227,090	72,910
Total General and Financial Administration	<u>1,646,193</u>	<u>1,946,193</u>	<u>1,848,722</u>	<u>97,471</u>
Board of Elections:				
Registrar	180,205	180,205	157,895	22,310
Total Registrar	<u>180,205</u>	<u>180,205</u>	<u>157,895</u>	<u>22,310</u>
Total General Government Administration	<u>2,496,345</u>	<u>2,858,408</u>	<u>2,735,775</u>	<u>122,633</u>
Judicial administration:				
Courts:				
Circuit Court	65,505	65,505	86,039	(20,534)
General District Court	48,710	11,647	9,623	2,024
Juvenile and domestic relations court	175,956	175,956	175,558	398
Law library	8,000	8,000	120	7,880
Victim Witness program	56,453	56,453	54,586	1,867
Clerk of the circuit court	519,691	519,691	519,095	596
Total courts	<u>874,315</u>	<u>837,252</u>	<u>845,021</u>	<u>(7,769)</u>
Commonwealth Attorney	595,824	595,824	593,593	2,231
Total Commonwealth Attorney	<u>595,824</u>	<u>595,824</u>	<u>593,593</u>	<u>2,231</u>
Total Judicial Administration	<u>1,470,139</u>	<u>1,433,076</u>	<u>1,438,614</u>	<u>(5,538)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,619,908	3,690,908	3,451,803	239,105
Smyth County basic E-911	755,002	755,002	669,055	85,947
Central dispatch	4,500	4,500	1,643	2,857
Total Law Enforcement and Traffic Control	<u>4,379,410</u>	<u>4,450,410</u>	<u>4,122,501</u>	<u>327,909</u>
Fire and rescue services:				
Fire department	239,250	239,250	137,554	101,696
Volunteer emergency operations	165,800	165,800	144,800	21,000
Forestry	9,000	9,000	8,990	10
Total Fire and Rescue Squad	<u>414,050</u>	<u>414,050</u>	<u>291,344</u>	<u>122,706</u>
Correction and detention:				
Sheriff - Jail	1,234,841	1,234,841	1,492,403	(257,562)
Total Correction and Detention	<u>1,234,841</u>	<u>1,234,841</u>	<u>1,492,403</u>	<u>(257,562)</u>
Inspections:				
Building	348,447	348,447	320,710	27,737
Total Building	<u>348,447</u>	<u>348,447</u>	<u>320,710</u>	<u>27,737</u>
Other protection:				
Animal control	429,658	429,658	396,120	33,538
Medical examiner	500	500	480	20
Emergency services	20,415	20,415	34,924	(14,509)
E-911	75,836	75,836	59,981	15,855
Total Other Protection	<u>526,409</u>	<u>526,409</u>	<u>491,505</u>	<u>34,904</u>
Total Public Safety	<u>6,903,157</u>	<u>6,974,157</u>	<u>6,718,463</u>	<u>255,694</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Public works:				
Water and sewer:				
Rye Valley water authority	\$ 91,988	\$ 91,988	\$ 75,449	\$ 16,539
Total Water and Sewer	<u>91,988</u>	<u>91,988</u>	<u>75,449</u>	<u>16,539</u>
Sanitation and waste removal:				
Refuse collection and disposal	1,394,408	1,394,408	1,375,002	19,406
On-site wastewater treatment	33,021	33,021	-	33,021
Total Sanitation and Waste Removal	<u>1,427,429</u>	<u>1,427,429</u>	<u>1,375,002</u>	<u>52,427</u>
Maintenance of general buildings and grounds:				
General properties	455,797	455,797	507,937	(52,140)
Health department/social services building	91,032	91,032	93,367	(2,335)
Total Maintenance of General Buildings and Grounds	<u>546,829</u>	<u>546,829</u>	<u>601,304</u>	<u>(54,475)</u>
Total Public Works	<u>2,066,246</u>	<u>2,066,246</u>	<u>2,051,755</u>	<u>14,491</u>
Health and welfare:				
Health:				
Supplement of local health department	441,023	441,023	440,523	500
Total Health	<u>441,023</u>	<u>441,023</u>	<u>440,523</u>	<u>500</u>
Mental health and mental retardation				
Community services board	207,528	207,528	166,022	41,506
Total Mental Health and Mental Retardation	<u>207,528</u>	<u>207,528</u>	<u>166,022</u>	<u>41,506</u>
Welfare:				
Board members	4,200	4,200	3,800	400
Administration and public assistance	4,256,894	4,256,894	4,158,364	98,530
Comprehensive Services Act	857,936	857,936	794,695	63,241
Total Welfare	<u>5,119,030</u>	<u>5,119,030</u>	<u>4,956,859</u>	<u>162,171</u>
Total Health and Welfare	<u>5,767,581</u>	<u>5,767,581</u>	<u>5,563,404</u>	<u>204,177</u>
Education:				
Other instructional costs:				
Contributions to community colleges	55,641	55,641	55,640	1
Contribution to discretely presented component unit - school board	7,483,374	7,394,860	7,582,966	(188,106)
Total Education	<u>7,539,015</u>	<u>7,450,501</u>	<u>7,638,606</u>	<u>(188,105)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	29,000	29,000	28,580	420
Total Parks and Recreation	<u>29,000</u>	<u>29,000</u>	<u>28,580</u>	<u>420</u>
Cultural:				
Library administration	926,466	926,466	926,466	-
Total Cultural	<u>926,466</u>	<u>926,466</u>	<u>926,466</u>	<u>-</u>
Total Parks, Recreation, and Cultural	<u>955,466</u>	<u>955,466</u>	<u>955,046</u>	<u>420</u>
Community development:				
Planning and development:				
Community development	172,164	172,164	168,995	3,169
Planning	12,973	12,973	4,029	8,944
County engineer	15,500	15,500	-	15,500
Industrial development authority	2,349,350	2,349,350	7,546	2,341,804
Contribution to discretely presented component unit - IDA	-	-	109,964	(109,964)
Contribution to community organizations	565,459	565,459	686,090	(120,631)
Total Planning and Development	<u>3,115,446</u>	<u>3,115,446</u>	<u>976,624</u>	<u>2,138,822</u>
Environmental Management:				
Contribution to soil and water districts	28,250	28,250	28,250	-
Total Environmental Management	<u>28,250</u>	<u>28,250</u>	<u>28,250</u>	<u>-</u>
Cooperative extension program:				
Extension office	87,234	87,234	86,609	625
Total Cooperative Extension Program	<u>87,234</u>	<u>87,234</u>	<u>86,609</u>	<u>625</u>
Total Community Development	<u>3,230,930</u>	<u>3,230,930</u>	<u>1,091,483</u>	<u>2,139,447</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Capital Projects:				
School construction	\$ 19,936,507	\$ 19,936,507	\$ 14,285,360	5,651,147
Capital Improvements	2,840,000	2,840,000	1,858,682	981,318
Allison Gap-Lick Skillet project	-	410,000	125,507	284,493
Total Capital Projects	<u>22,776,507</u>	<u>23,186,507</u>	<u>16,269,549</u>	<u>6,916,958</u>
Debt Service:				
Principal retirement	7,884,373	7,884,373	1,966,989	5,917,384
Interest and finance charges	1,109,673	1,198,187	1,654,575	(456,388)
Total Debt Service	<u>8,994,046</u>	<u>9,082,560</u>	<u>3,621,564</u>	<u>5,460,996</u>
Total General Fund	<u>\$ 62,199,432</u>	<u>\$ 63,005,432</u>	<u>\$ 48,084,259</u>	<u>\$ 14,921,173</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School operating fund:				
Education:				
Instructional costs	\$ 35,764,827	\$ 36,257,827	\$ 35,416,032	\$ 841,795
Administration, attendance and health	1,571,564	1,579,064	1,572,654	6,410
Transportation	2,241,571	2,659,571	2,663,036	(3,465)
Operation and maintenance	4,277,698	4,135,937	4,128,984	6,953
School nutrition	2,912,393	3,045,081	2,428,136	616,945
Total Education	<u>46,768,053</u>	<u>47,677,480</u>	<u>46,208,842</u>	<u>1,468,638</u>
Capital projects	<u>185,138</u>	<u>145,484</u>	<u>143,700</u>	<u>1,784</u>
Total Component Unit - School Board	<u>\$ 46,953,191</u>	<u>\$ 47,822,964</u>	<u>\$ 46,352,542</u>	<u>\$ 1,470,422</u>

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Direct Payments:</u>		
Water and Waste Disposal Expenditures	10.760	\$ 44,781
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	482,391
<u>Department of Agriculture and Consumer Services:</u>		
Food Distribution - Commodities	10.555	181,030
Community Facilities Loans and Grants-ARRA	10.780	20,400
<u>Department of Education:</u>		
School Nutrition Cluster:		
National School Lunch Program	10.555	1,223,832
School Breakfast Program	10.553	451,539
School and Roads - Grants to States	10.665	95,548
Fresh Fruits & Vegetables	10.582	13,103
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Temporary Assistance for Needy Families	93.558	497,217
Refugee and Entrant Assistance	93.566	1,502
Low Income Home Energy Assistance	93.568	42,659
Child Care Cluster:		
Payments to States for Child Care	93.575	(27)
Child Care and Development Fund	93.596	74,300
Chafee Education and Training Vouchers	93.599	2,088
Child Welfare Services	93.645	2,684
Foster Care - Title IV-E	93.658	259,874
Adoption Assistance	93.659	124,598
Social Service Block Grant	93.667	353,478
Independent Living	93.674	5,102
State Children's Insurance Program	93.767	11,944
Medical Assistance Program	93.778	290,114
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Services:</u>		
Emergency Management Preparedness Grant	97.042	21,642
<u>Department of Housing and Community Development</u>		
<u>Pass-through Payments:</u>		
Community Development Block Grant	14.228	122,057

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation:		
<u>Pass-through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
Alcohol Safety	20.601	18,977
Open Container/Alcohol Impaired Driving	20.607	8,353
Department of Education:		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	1,072,620
Preschool Handicapped	84.173	53,773
Title I: Grants to Local Educational Agencies	84.010	1,496,084
Higher Education Institutional Aid	84.031	6,752
Vocational Education: Basic Grants to States	84.048	103,034
21st Century Community Learning Center	84.287	260,636
Title II Part D - Enhancing Education Through Technology	84.318	108,109
Title VI-Rural and Low	84.358	79,828
Title II Part A - Improving Teacher Quality	84.367	210,544
1003G School Improvement Grant	84.377	421,934
Longitudinal Data System	84.384	52,460
Total Expenditures of Federal Awards		<u>\$ 8,214,960</u>

Note 1. Basis of Accounting
This schedule was prepared on the accrual basis of accounting.

Note 2. Nonmonetary Assistance
Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2013, the School Board had food commodities total \$39,185 in inventory.

STATISTICAL SECTION

This part of the County of Smyth Financial Statements presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents

Table

Financial Trends..... 1-4

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity 5-7

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

Debt Capacity.....8

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt.

Demographic and Economic Information..... 9-10

These tables offer demographic and economic indicators to help the reader understand the environment with which the County's financial activities take place and to help make comparison over time and with other governments.

Operating Information11

These schedules contain information about the County's operations and resources.

Sources: Unless otherwise noted, the information in these schedules is derived from the Financial Statements for the relevant year.



TABLE 1

COUNTY OF SMYTH, VIRGINIA
NET POSITION BY COMPONENT (UNAUDITED)
Last Nine Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities									
Net Investment in capital assets	\$ 9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508	\$ 3,581,230	\$ 3,301,826	\$ 3,115,818	\$ 3,185,987
Restricted	-	-	-	-	-	-	250,000	250,000	250,000
Unrestricted	<u>4,115,583</u>	<u>4,037,414</u>	<u>10,205,224</u>	<u>7,438,060</u>	<u>7,465,890</u>	<u>8,115,162</u>	<u>9,117,169</u>	<u>9,015,623</u>	<u>7,959,108</u>
Total governmental activities net position	<u>\$ 13,769,634</u>	<u>\$12,787,424</u>	<u>\$12,903,334</u>	<u>\$ 14,283,535</u>	<u>\$12,386,398</u>	<u>\$ 11,696,392</u>	<u>\$ 12,668,995</u>	<u>\$ 12,381,441</u>	<u>\$ 11,395,095</u>
Business-type activities									
Net Investment in capital assets	\$ 18,053,445	\$18,674,951	\$19,522,775	\$ 19,024,141	\$19,010,037	\$ 19,417,943	\$ 20,190,139	\$ 19,568,066	\$ 18,914,120
Restricted	-	-	-	-	-	-	-	-	394,249
Unrestricted	<u>172,073</u>	<u>290,087</u>	<u>314,120</u>	<u>126,899</u>	<u>50,238</u>	<u>327,387</u>	<u>760,422</u>	<u>2,462,888</u>	<u>2,862,173</u>
Total business-type activities net position	<u>\$ 18,225,518</u>	<u>\$18,965,038</u>	<u>\$19,836,895</u>	<u>\$ 19,151,040</u>	<u>\$19,060,275</u>	<u>\$ 19,745,330</u>	<u>\$ 20,950,561</u>	<u>\$ 22,030,954</u>	<u>\$ 22,170,542</u>
Primary government									
Net Investment in capital assets	\$ 27,707,496	\$27,424,961	\$22,220,885	\$ 25,869,616	23,930,545	\$ 22,999,173	\$ 23,491,965	\$ 22,683,884	\$ 22,100,107
Restricted	-	-	-	-	-	-	250,000	250,000	644,249
Unrestricted	<u>4,287,656</u>	<u>4,327,501</u>	<u>10,519,344</u>	<u>7,564,959</u>	<u>7,516,128</u>	<u>8,442,549</u>	<u>9,877,591</u>	<u>11,478,511</u>	<u>10,821,281</u>
Total primary government net position	<u>\$ 31,995,152</u>	<u>\$31,752,462</u>	<u>\$32,740,229</u>	<u>\$ 33,434,575</u>	<u>31,446,673</u>	<u>\$ 31,441,722</u>	<u>\$ 33,619,556</u>	<u>\$ 34,412,395</u>	<u>\$ 33,565,637</u>

TABLE 2

COUNTY OF SMYTH, VIRGINIA
CHANGE IN NET POSITION BY COMPONENT (UNAUDITED)
Last Nine Fiscal Years
(accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses									
Governmental activities									
General government administration	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740	\$ 1,849,741	\$ 1,798,211	\$ 1,588,256
Judicial administration	1,493,566	1,442,451	1,438,437	1,405,720	1,383,156	1,322,884	1,173,548	1,004,397	699,119
Public safety	6,668,145	6,606,593	6,073,909	5,840,409	5,500,772	5,391,050	5,129,494	5,008,159	4,513,196
Public works	2,122,689	2,085,140	3,197,528	1,977,527	1,911,028	1,737,587	1,813,216	1,893,212	2,036,828
Health and welfare	5,601,627	5,069,915	5,252,653	5,438,893	5,982,328	5,933,667	5,818,134	5,340,240	5,376,523
Education	8,487,813	8,016,040	9,247,181	7,835,194	7,747,394	10,260,678	7,996,023	7,561,914	8,249,931
Parks, recreation, and cultural	1,007,108	1,019,793	1,012,568	1,083,058	1,161,738	1,085,631	1,025,768	923,338	895,027
Community development	1,195,480	1,266,069	1,310,375	1,324,655	1,682,985	1,666,394	2,037,957	1,349,434	1,188,554
Interest on long-term debt	1,505,797	1,009,693	253,607	287,397	309,053	349,358	388,695	326,663	367,014
Total governmental activities	30,697,841	28,759,424	29,780,664	27,389,176	27,979,204	29,772,989	27,232,576	25,205,568	24,914,448
Business-type activities									
Water and wastewater	3,327,527	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total business-type activities expense	3,327,527	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total primary government expenses	<u>\$ 34,025,368</u>	<u>\$ 32,098,669</u>	<u>\$ 33,071,390</u>	<u>\$ 30,516,339</u>	<u>\$ 31,142,837</u>	<u>\$ 32,887,829</u>	<u>\$ 30,263,591</u>	<u>\$ 27,800,982</u>	<u>\$ 27,397,832</u>
Program Revenues									
Governmental activities									
Charges for services									
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,193	\$ 69,884
Judicial administration	176,714	163,113	178,057	177,857	137,056	106,231	72,015	217,113	117,277
Public safety	819,844	850,353	800,787	791,428	409,169	296,931	296,821	408,371	705,951
Public works	967,251	1,415,524	826,827	766,143	644,738	690,295	728,359	540,601	575,424
Health and welfare	13,602	11,369	20,993	54,743	81,851	108,244	126,414	110,191	147,418
Operating grants and contributions	7,405,851	6,915,771	7,003,283	7,058,063	7,713,727	7,570,255	7,692,029	6,954,740	6,295,096
Capital grants and contributions	145,000	-	25,000	1,199,255	1,311,013	102,528	33,007	165,803	30,030
Total governmental activities program revenues	9,528,262	9,356,130	8,854,947	10,047,489	10,297,554	8,874,484	8,948,645	8,483,012	7,941,080
Business-type activities									
Charges for services									
Water and wastewater	2,008,325	1,881,076	1,859,391	1,684,425	1,558,151	1,425,665	1,387,876	1,390,247	1,333,993
Capital grants and contributions	155,463	172,048	1,299,201	1,012,032	564,829	476,526	560,528	1,242,009	5,088,559
Total business-type activities program revenues	2,163,788	2,053,124	3,158,592	2,696,457	2,122,980	1,902,191	1,948,404	2,632,256	6,422,552
Total primary government program revenues	<u>\$ 11,692,050</u>	<u>\$ 11,409,254</u>	<u>\$ 12,013,539</u>	<u>\$ 12,743,946</u>	<u>\$ 12,420,534</u>	<u>\$ 10,776,675</u>	<u>\$ 10,897,049</u>	<u>\$ 11,115,268</u>	<u>\$ 14,363,632</u>
Net (expense) revenue									
Governmental activities	\$ (21,169,579)	(19,403,294)	(20,925,717)	\$ (17,341,687)	\$ (17,681,650)	\$ (20,898,505)	\$ (18,283,931)	\$ (16,722,556)	\$ (16,973,368)
Business-type activities	(1,163,739)	(1,286,121)	(132,134)	(430,706)	(1,040,653)	(1,212,649)	(1,082,611)	36,842	3,939,168
Total primary government net expense	<u>\$ (22,333,318)</u>	<u>\$ (20,689,415)</u>	<u>\$ (21,057,851)</u>	<u>\$ (17,772,393)</u>	<u>\$ (18,722,303)</u>	<u>\$ (22,111,154)</u>	<u>\$ (19,366,542)</u>	<u>\$ (16,685,714)</u>	<u>\$ (13,034,200)</u>

TABLE 3

COUNTY OF SMYTH, VIRGINIA
FUND BALANCE - GOVERNMENTAL FUND (UNAUDITED)
Last Nine Fiscal Years
(modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund									
Reserved	\$ -	\$ -	\$ -	\$ 327,213	\$ 271,965	\$ 158,967	\$ 8,827	\$ 1,981,918	\$ 711,907
Unreserved	-	-	-	6,426,347	6,763,770	7,602,076	10,056,388	11,599,572	11,761,210
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,753,560</u>	<u>\$ 7,035,735</u>	<u>\$ 7,761,043</u>	<u>\$ 10,065,215</u>	<u>\$ 13,581,490</u>	<u>\$ 12,473,117</u>
	<u>2013</u>	<u>2012</u>	<u>2011</u>						
Post GASB 54 implementation:									
General Fund									
Nonspendable	\$ 180,909	\$ 51,925	\$ 65,811						
Restricted	25,697,568	39,125,509	3,665,624						
Committed	-	-	100,491						
Assigned	62,900	58,485	69,019						
Unassigned	<u>3,614,881</u>	<u>4,932,136</u>	<u>5,559,366</u>						
Total General Fund	<u>\$ 29,556,258</u>	<u>\$ 44,168,055</u>	<u>\$ 9,460,311</u>						

TABLE 4

COUNTY OF SMYTH, VIRGINIA
CHANGES IN FUND BALANCE, GOVERNMENTAL FUND (UNAUDITED)
Last Nine Fiscal Years
(modified accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues									
General property taxes	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792	\$ 12,165,251	\$ 11,873,268	\$ 11,283,125
Other local taxes	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160	3,570,670	3,547,279	3,550,806	3,723,594
Permits, privilege fees, and licenses	124,647	127,045	73,903	106,118	73,893	89,988	82,670	85,645	60,404
Fines and forfeitures	714,666	726,131	730,320	686,447	332,601	200,981	210,993	148,330	23,834
Revenue from use of money and property	335,497	289,596	193,732	460,995	306,665	558,089	699,966	515,149	261,390
Charges for services	1,010,630	1,033,161	923,651	864,853	706,364	724,269	720,455	631,928	611,687
Recovered costs	335,169	760,405	368,489	456,267	474,954	477,831	408,106	334,381	554,857
Other	218,097	210,723	229,645	272,431	295,065	167,518	134,939	169,844	244,318
Intergovernmental	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838	9,638,440	9,681,765	8,963,118	9,180,879
Total revenues	31,632,628	29,706,509	29,047,615	29,850,247	29,151,431	27,765,578	27,651,424	26,272,469	25,944,088
Expenditures									
General government administration	2,735,775	2,140,645	1,859,579	2,065,201	2,272,484	1,951,748	1,828,775	1,719,072	1,559,607
Judicial administration	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907	1,298,991	1,183,222	973,734	667,940
Public safety	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660	5,474,643	5,176,579	4,981,007	4,440,041
Public works	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849	1,796,938	1,809,116	1,940,590	1,692,701
Health and welfare	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197	5,937,048	5,767,503	5,339,338	5,333,706
Education	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029	9,299,298	7,035,326	6,594,696	7,284,396
Parks, recreation, and cultural	955,046	968,916	963,066	1,030,216	1,106,836	1,040,590	980,727	872,093	841,352
Community development	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806	1,836,396	2,138,369	1,344,954	1,184,787
Capital projects	16,269,549	11,022,959	1,895,888	681,967	236,725	284,836	190,817	-	278,672
Debt service									
Principal	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399	1,003,216	993,341	1,094,053	765,683
Interest	1,654,575	891,381	270,749	302,630	334,029	365,079	397,828	338,183	597,770
Total expenditures	48,084,259	44,486,999	30,527,491	29,612,841	29,531,921	30,288,783	27,501,603	25,197,720	24,646,655
Excess of revenues over (under) expenditures	(16,451,631)	(14,780,490)	(1,479,876)	237,406	(380,490)	(2,523,205)	149,821	1,074,749	1,297,433
Other Financing Sources (Uses)									
Proceeds from bond issuances	2,170,893	48,985,000	5,003,600	-	-	-	-	-	372,978
Bond issuance costs	-	(86,000)	-	-	-	-	-	-	-
Premium on bonds	-	1,840,039	-	-	-	-	-	-	-
Underwriter's discount on bonds	-	(493,563)	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	181,889	-
Transfers out	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)	(5,307)	-	-	(44,515)
Total other financing sources (uses)	1,701,450	49,836,248	4,186,627	(519,581)	(344,818)	(5,307)	-	181,889	328,463
Net change in fund balance	\$ (14,750,181)	\$ 35,055,758	\$ 2,706,751	\$ (282,175)	\$ (725,308)	\$ (2,528,512)	\$ 149,821	\$ 1,256,638	\$ 1,625,896
Debt service as a percentage of noncapital expenditures	11.38%	20.69%	4.50%	4.53%	4.60%	4.56%	5.09%	5.68%	5.60%

TABLE 5

COUNTY OF SMYTH, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service Corporation (1)	Total Assessed Value	Tax Rate (per \$100)				
					Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Interstate Commerce
2013	\$ 1,444,667,238	\$ 360,243,649	\$ 129,520,200	\$ 1,934,431,087	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2012	\$ 1,420,768,624	\$ 351,413,101	\$ 119,374,517	\$ 1,891,556,242	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.55
2011	\$ 1,415,159,070	\$ 351,573,398	\$ 121,374,173	\$ 1,888,106,641	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2010	\$ 1,200,972,525	\$ 364,320,155	\$ 83,886,362	\$ 1,649,179,042	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2009	\$ 1,192,258,091	\$ 387,895,958	\$ 87,327,987	\$ 1,667,482,036	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2008	\$ 1,182,446,544	\$ 375,631,251	\$ 86,246,420	\$ 1,644,324,215	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2007	\$ 1,171,330,028	\$ 371,286,389	\$ 85,188,111	\$ 1,627,804,528	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2006	\$ 1,158,250,454	\$ 328,284,520	\$ 102,597,017	\$ 1,589,131,991	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2005	\$ 1,137,376,821	\$ 311,939,620	\$ 104,088,101	\$ 1,553,404,542	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2004	\$ 915,592,645	\$ 335,834,440	\$ 80,829,217	\$ 1,332,256,302	\$ 0.70	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20

Note: (1) Assessed values are established by the State Corporation Commission

TABLE 6

**COUNTY OF SMYTH, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Fiscal Year**

Personal Property

Taxpayer	Assessed Value	Rank
TRW Inc. Rack and Pinion Division	\$ 21,878,108	1
Phillip S. Martin	\$ 20,074,711	2
Royal Mouldings Limited	\$ 10,467,804	3
General Dynamics Armament	\$ 9,261,129	4
Ford Motor Company-Tooling	\$ 9,000,484	5
General Motors LLC	\$ 8,491,619	6
Utility Trailer Manufacturing Co.	\$ 7,487,737	7
Masco Cabinetry LLC	\$ 5,816,215	8
Marion Chevrolet Olds Pontiac Buick Inc	\$ 5,519,938	9
United Salt Corporation	\$ 5,392,222	10

Real Estate

Taxpayer	Assessed Value	Rank
Smyth County Community Hospital	\$ 11,431,500	1
Utility Trailer Manufacturing	\$ 9,065,700	2
RGTL Nevada Limited	\$ 6,864,800	3
Smyth County Community Foundation	\$ 6,620,100	4
Myrtle Properties LLC	\$ 6,118,000	5
940 E Lee Street Real Estate, LLC	\$ 5,933,800	6
Saltville Gas Storage Co LLC	\$ 5,783,300	7
Marion Properties Inc.	\$ 5,417,700	8
Jericho All-Weather Opportunity	\$ 5,185,600	9
United Salt Corporation	\$ 4,817,100	10

Source: Commissioner of Revenue

TABLE 7

COUNTY OF SMYTH, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (1)	Total Collections to Date		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy		
2013	\$ 18,035,837	\$ 14,839,925	82.28%	\$ 686,541	\$ 15,526,466	86.09%	\$ 3,800,525	21.07%
2012	\$ 16,472,150	\$ 13,522,831	82.10%	\$ 616,523	\$ 14,139,354	85.84%	\$ 3,206,313	19.47%
2011	\$ 14,543,200	\$ 13,549,846	93.17%	\$ 489,730	\$ 14,039,576	96.54%	\$ 2,747,133	18.89%
2010	\$ 13,420,595	\$ 12,566,068	93.63%	\$ 436,121	\$ 13,002,189	96.88%	\$ 2,331,515	17.37%
2009	\$ 12,593,867	\$ 11,897,779	94.47%	\$ 489,314	\$ 12,387,093	98.36%	\$ 2,007,598	15.94%
2008	\$ 12,164,434	\$ 11,625,491	95.57%	\$ 421,584	\$ 12,047,075	99.04%	\$ 1,899,238	15.61%
2007	\$ 11,923,961	\$ 11,350,877	95.19%	\$ 442,015	\$ 11,792,892	98.90%	\$ 1,873,378	15.71%
2006	\$ 11,479,534	\$ 10,893,503	94.89%	\$ 646,019	\$ 11,539,522	100.52%	\$ 1,199,515	10.45%
2005	\$ 11,295,032	\$ 10,738,343	95.07%	\$ 300,034	\$ 11,038,377	97.73%	\$ 1,682,207	14.89%
2004	\$ 12,307,470	\$ 11,733,821	95.34%	\$ 432,219	\$ 12,166,040	98.85%	\$ 1,833,536	14.90%

Note: (1) Exclusive of penalties and interest.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia

TABLE 8

COUNTY OF SMYTH, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds					Other Governmental Activities Debt	Business-type Activities	Total Debt	
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Other Debt	Revenue Bonds	Total Primary Government	Per Capita (1)
2013	\$ 27,886,530	\$ 5,287,434	\$ 33,173,964	\$ 0	\$ 1,030	\$ 28,823,774	\$ 5,946,000	\$ 67,943,738	\$ 2,110
2012	\$ 29,152,383	\$ 5,393,536	\$ 34,545,919	\$ 0	\$ 1,073	\$ 27,354,017	\$ 6,208,000	\$ 68,107,936	\$ 2,115
2011	\$ 7,549,801	\$ 11,859,427	\$ 19,409,228	\$ 0	\$ 603	\$ 6,005,153	\$ -	\$ 25,414,381	\$ 789
2010	\$ 2,913,233	\$ 12,154,042	\$ 15,067,275	\$ 0	\$ 475	\$ 6,656,286	\$ -	\$ 21,723,561	\$ 684
2009	\$ 3,268,724	\$ 12,136,059	\$ 15,404,783	\$ 0	\$ 481	\$ 7,307,425	\$ -	\$ 22,712,208	\$ 709
2008	\$ 3,613,270	\$ 11,462,817	\$ 15,076,087	\$ 0	\$ 470	\$ 7,975,860	\$ -	\$ 23,051,947	\$ 719
2007	\$ 3,947,631	\$ 11,359,736	\$ 15,307,367	\$ 0	\$ 478	\$ 8,644,296	\$ -	\$ 23,951,663	\$ 747
2006	\$ 4,272,536	\$ 11,566,310	\$ 15,838,846	\$ 0	\$ 487	\$ 9,312,732	\$ -	\$ 25,151,578	\$ 774
2005	\$ 4,587,340	\$ 8,121,174	\$ 12,708,514	\$ 0	\$ 389	\$ 10,091,982	\$ 3,781,396	\$ 26,581,892	\$ 814
2004	\$ 4,769,977	\$ 3,231,388	\$ 8,001,365	\$ 0	\$ 242	\$ 10,310,526	\$ 4,044,709	\$ 22,356,600	\$ 676

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements

(1) See Table 11 for personal income and population data

TABLE 9

**COUNTY OF SMYTH, VIRGINIA
POPULATION (UNAUDITED)
Last Ten Fiscal Years**

Fiscal Year Ended	Population
2013	32,208
2012	32,208
2011	32,208
2010	31,738
2009	32,050
2008	32,050
2007	32,050
2006	32,506
2005	32,640
2004	33,081

Source: United States Bureau of the Census

TABLE 10

COUNTY OF SMYTH, VIRGINIA
FULL-TIME EQUIVALENT COUNTY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
Current Fiscal Year

<u>Function/Program</u>	<u>2013</u>
General Government	
Management Services	8
Legal	1
Finance	2
Planning	1
Building	11
Other	37
Police	
Officers	36
Civilians	11
Refuse Collection	36
Engineering	1
Library	21
Water	9
Total	<u>174</u>

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Supervisors
County of Smyth, Virginia
Marion, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-1 and 13-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed 4 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 11-5, 13-3, 13-4 and 13-5.**

County of Smyth, Virginia Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 26, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Honorable Members of the Board of Supervisors
County of Smyth, Virginia
Marion, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Smyth, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County of Smyth, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 13-2. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 26, 2013

COUNTY OF SMYTH, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls
Comprehensive Services Act
Economic Development Fund
Social Services

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Three significant deficiencies** relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Significant deficiencies 08-1 and 13-1 were considered to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **one audit finding relating to major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA Number</u>
IDEA Special Education and Preschool	84.027 & 84.173
Supplemental Nutrition Assistance Program	10.561
Medical Assistance Program	93.778
Temporary Assistance for Needy Families	93.558
Title I	84.010
1003G School Improvement Plan	84.377

8. The **threshold** for distinguishing between Type A and B programs was **\$ 300,000**.
9. The County of Smyth, Virginia was **not determined** to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

08-1: Segregation of Duties (Material Weakness)

Condition: There is a lack of segregation of duties in functions surrounding certain cash accounts, receipts and receivables, disbursements and payables, and capital assets.

Cause: The accounting department is very small and responsibilities are not properly assigned across employees nor are proper reviews occurring of records.

Effect: Not properly segregating duties severely heightens the risk of misappropriation of assets and lack of review reduces the chance of detection.

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (Continued)

08-1: Segregation of Duties (Material Weakness) (Continued)

Recommendation: We recommend management review current policies and procedures and perform a reorganization of duties surrounding the above functions and implement review procedures by a proper level of management.

Management Response: The County concurs.

08-3: Deficiencies in Controls Over the Disbursement Process (Significant Deficiency)

Condition: The disbursement process at the County lacks controls deemed necessary to properly safeguard County assets. The deficiencies include not having a defined purchasing policy, not using purchase orders on all purchases, and lack of properly documented authorization of disbursement.

Criteria: All governmental organizations should develop a formal purchasing policy that defines thresholds for purchase orders, quotes, bids, and required approvals, and defines processes for authorizing, recording, and disbursing. Organizations should use purchase orders and require documented authorizations prior to incurring expenditures. Invoices should be matched with receiving documents and reviewed prior to disbursement and cancelled upon payment.

Effect: County assets are not properly safeguarded through authorizations and documentation resulting in the possibility of improperly disbursed funds. In addition, authorization of many expenditures of County funds is not properly documented.

Recommendation: The County should establish purchasing policies that incorporate necessary controls and follow those procedures to reduce the risk of the misappropriation of funds to an acceptable level.

Management Response: Although the County does not operate a purchase order system, we do require that department heads sign off on all invoices paid. No payment is made without an invoice and all invoices have an initial of the appropriate department head indicating that the invoice is correct and also indicating what account to charge for the disbursement.

13-1: Improper Recording of Revenue (Material Weakness)

Condition: Certain items were improperly recorded as revenue by the Industrial Development Authority Component Unit.

Criteria: Revenues should be recorded in accordance with accounting principles generally accepted in the United States of America.

Effect: This resulted in an overstatement of revenues in the financial statements.

Recommendation: We recommend that revenues be recorded in accordance with the revenue recognition policies of accounting principles generally accepted in the United States of America.

Management Response: The County concurs.

(Continued)

COUNTY OF SMYTH, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

13-2: 1003G School Improvement Plan – CFDA 84.377 Allowable Costs/Costs Principles

Condition: Documentation of employee time and effort was not made by personnel being reimbursed under the School Improvement grant.

Criteria: School Improvement personnel engaged in non-consolidated fund activities who work solely on the School Improvement program are required to furnish a semi-annual certification documenting such information. If the personnel works in part on School Improvement and in part on other activities or cost objectives, the employee must document the portion of time and effort dedicated to each program or cost objective.

Effect: The School Board is not in compliance with federal requirements.

Recommendation: Management should review the school-wide program requirements and implement a process by which documentation of time and effort is made on an individual program basis.

Management Response: Smyth County schools currently documents employee time and effort compliance for Title I. The same process will be utilized to document employee time and effort for the School Improvement grant.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-5: Conflicts of Interest Act

Condition: Statements of economic interests were not filed by two individuals for the year ending June 30, 2011. For the year ending June 30, 2012, two individuals did not file the required financial disclosure statement. There were also individuals who were required to file the disclosure of real estate holdings form and did not. For the year ending June 30, 2013, there were seven instances where the required statements were not filed timely. One individual also incorrectly filed the Financial Disclosure statement instead of the required Statement of Economic Interest.

Criteria: The State and Local Government Conflict of Interests Act requires local governmental officials to file certain disclosure statement forms with the clerk of the governing body annually.

Effect: Statements are not readily available for review to determine there are no conflicts of interests in transactions entered into by the County.

Recommendation: The County should place one individual as the responsible party for contacting officials to remit statements timely.

Management Response: The County has placed one person in charge of the conflict of interest forms; however, that individual has no power to force compliance. The County will now use the Commonwealth Attorney's office to aid in gathering these statements to help ensure compliance.

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

13-3: Annual Review of Program Access

Condition: Within the Department of Social Services, there was no evidence that an annual review of program access had been conducted.

Criteria: The local department must complete a review of all users' access to various benefits programs on an annual basis.

Effect: The County is not in compliance with Virginia Department of Social Services (VDSS) requirements.

Recommendation: All local department users should have their program access reviewed on an annual basis by a member of management to ensure their access aligns with their respective job responsibilities.

Management Response: The County concurs.

13-4: Annual Security Officer Training

Condition: Security officers did not complete the required annual security officer training.

Criteria: All security officers must complete a required training program on an annual basis.

Effect: The County is not in compliance with VDSS requirements.

Recommendation: Management should take steps to ensure that all security officers receive appropriate training progress during the year.

Management Response: The County concurs.

13-5: Virginia Security for Public Deposits Act

Condition: Three deposit accounts at the County were not marked as public funds.

Criteria: All deposit accounts at the County are required to be identified as public funds.

Effect: The County is not in compliance with the Virginia Security for Public Deposits Act.

Recommendation: All deposit accounts should be marked as public funds in accordance with the Virginia Security for Public Deposits Act.

Management Response: The County concurs and has informed the bank to change any accounts not currently marked as public over to public funds.

(Continued)

COUNTY OF SMYTH, VIRGINIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010**

12-1: 21st Century Community Learning Centers – CFDA 84.287 Allowable Costs/Costs Principles

Condition: Documentation of employee time and effort was not made by personnel being reimbursed under the 21st Century grant.

Current Status: This grant was not tested during the current year.

12-2: Energy Efficiency and Conservation – CFDA 81.128 Reporting

Condition: Monthly reports were not submitted to the Department of Mines, Mineral & Energy in all months.

Current Status: This grant was not tested during the current year.