
SMYTH COUNTY PUBLIC LIBRARY

(A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Blacksburg * Charlottesville * Fredericksburg * Louisa * Richmond * Staunton

**SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of the Board
Smyth County Public Library
Marion, Virginia

Report on the Financial Statements

We have audited the accompany financial statements of the governmental activities and the major fund of Smyth County Public Library, a component unit of County of Smyth, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library'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.

Auditors' 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 auditors' 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 and the major fund of Smyth County Public Library, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 15 to the financial statements, in 2018, the Smyth County Public Library adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 16 to the financial statements, in 2018, the Smyth County Public Library restated beginning balances to reflect the requirements of GASB Statement No. 75 and to correct a prior period error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules related to pension and OPEB funding on pages 59-68 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of Smyth County Public Library'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 solely 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 the effectiveness of Smyth County Public Library's 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 Smyth County Public Library's internal control over financial reporting and compliance.

Robinson, Famer, Cox Associates

Blacksburg, Virginia
December 3, 2018

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Basic Financial Statements

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Statement of Net Position
At June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 261,690
Investments	35,660
Prepaid items	110,264
Restricted assets:	
Cash and cash equivalents	18,779
Investments	15,011
Capital assets (net of accumulated depreciation):	
Vehicles and equipment	61,187
Total assets	<u>\$ 502,591</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 44,065
OPEB related items	2,339
Total deferred outflows of resources	<u>\$ 46,404</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,040
Accrued expenses	4,819
Compensated absences (current portion)	58,765
Noncurrent liabilities:	
Compensated absences (net of current portion)	19,588
Net pension liability	206,511
Net OPEB liabilities	123,752
Total liabilities	<u>\$ 414,475</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 226,741
OPEB related items	4,813
Total deferred inflows of resources	<u>231,554</u>
NET POSITION	
Investment in capital assets	\$ 61,187
Restricted for:	
Building fund	18,779
Scholarships fund	15,011
Unrestricted	<u>(192,011)</u>
Total net position (deficit)	<u>\$ (97,034)</u>

The notes to the financial statements are an integral part of this statement.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Regional Library Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Primary Government:					
Governmental activities:					
Parks, recreation, and cultural	\$ <u>1,215,067</u>	\$ <u>16,879</u>	\$ <u>935,812</u>	\$ <u>-</u>	\$ <u>(262,376)</u>
General revenues:					
Unrestricted revenues from use of money and property				\$	2,458
Miscellaneous					<u>48,210</u>
Total general revenues				\$	<u>50,668</u>
Change in net position				\$	<u>(211,708)</u>
Net position, beginning - as restated					<u>114,674</u>
Net position (deficit), ending				\$	<u>(97,034)</u>

The notes to the financial statements are an integral part of this statement.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Balance Sheet
Governmental Fund
At June 30, 2018

ASSETS	<u>General</u>
Current assets:	
Cash and cash equivalents	\$ 261,690
Investments	35,660
Prepaid items	110,264
Total current assets	\$ <u>407,614</u>
Restricted assets:	
Cash and cash equivalents	\$ 18,779
Investments	15,011
Total restricted assets	\$ <u>33,790</u>
Total assets	\$ <u><u>441,404</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,040
Accrued expenses	4,819
Total liabilities	\$ <u>5,859</u>
FUND BALANCE	
Nonspendable - prepaid items	\$ 110,264
Restricted for:	
Building fund	18,779
Scholarships fund	15,011
Unassigned	<u>291,491</u>
Total fund balance	\$ <u>435,545</u>
Total liabilities and fund balance	\$ <u><u>441,404</u></u>

The accompanying notes to financial statements are an integral part of this statement.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
At June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet	\$	435,545	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Vehicles and equipment			61,187
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	44,065	
OPEB related items		<u>2,339</u>	46,404
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability	\$	(206,511)	
Net OPEB liabilities		(123,752)	
Compensated absences		<u>(78,353)</u>	(408,616)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(226,741)	
OPEB related items		<u>(4,813)</u>	(231,554)
Net position of governmental activities	\$		<u>(97,034)</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 5

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

Revenues:		General
Revenue from use of money and property	\$	2,458
Fines and fees		16,879
Miscellaneous		48,210
Contributions from participating localities		765,895
Commonwealth of Virginia		169,917
		<u> </u>
Total revenues	\$	<u>1,003,359</u>
Expenditures:		
Parks, Recreation and Cultural:		
Salaries	\$	600,169
Fringe benefits		63,652
Payroll taxes		48,405
Retirement insurance		43,375
Books and related materials		103,392
Contractual services		91,831
Equipment		8,032
Furniture and fixtures		5,218
Repairs and maintenance		4,141
Supplies		42,970
Utilities		31,023
Travel		3,324
Insurance		14,715
Programs and promotions		11,724
Postage		5,653
Amounts returned to locality		219,887
Miscellaneous		623
		<u> </u>
Total expenditures	\$	<u>1,298,134</u>
Excess (deficiency) of revenues over expenditures	\$	(294,775)
Fund balance, beginning of year - as restated		<u>730,320</u>
Fund balance, end of year	\$	<u><u>435,545</u></u>

The notes to financial statements are an integral part of this statement.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Change in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental fund	\$	(294,775)
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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. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 32,731	
Depreciation expense	<u>(10,985)</u>	21,746

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(50,000)
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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.

Pension expense	\$ 104,409	
OPEB expense	(4,067)	
(Increase)/decrease in compensated absences	<u>10,979</u>	<u>111,321</u>

Change in net position of governmental activities	\$	<u>(211,708)</u>
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The notes to the financial statements are an integral part of this statement.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies:

The Smyth County Public Library (the Library) was established to provide library services to the citizens of Smyth County, under the Code of Virginia Sec. 42-1-33-45. The basic operations of the library are financed by financial assistance provided by the governments of Smyth County, the Towns of Marion, Chilhowie, and Saltville, and the Commonwealth of Virginia. The Smyth County Public Library is a part of the Virginia Library System. To become a regional library in the state library system, two or more political subdivisions that qualify under the requirements of the Code of Virginia may voluntarily join together to establish a library and branches. The main branch in Marion, as well as the branches located in Saltville, and Chilhowie constitutes the entity herein reported upon.

The financial statements of Smyth County Public Library conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Library are discussed below.

A. Financial reporting entity

As required by generally accepted accounting principles, these financial statements present the Library.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Financial statement presentation

As a result of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments, the financial statements are required to include a Management's Discussion and Analysis (MD&A) section. This section provides an analysis of the Library's overall financial position and results of operations. The Library has elected to omit Management's Discussion and Analysis.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Library. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library does not have any business-type activities to report.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

C. Government-wide and fund financial statements (Continued)

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Other items not properly included among program revenues are reported instead as *general revenues*.

D. 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 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

D. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for and reports all financial resources of the Library, except those required to be accounted for in other funds. The General Fund is composed of the Operating Fund, the Building Fund and the Book Fund.

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and Cash Equivalents*

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Investments*

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

3. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

4. *Capital Assets (Continued)*

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

<u>Assets</u>	<u>Years</u>
Vehicles	5
Equipment	5-20

5. *Compensated Absences*

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Library accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements.

Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the Library. Sick leave is accrued to full and part time employees to specific maximums. Employees are entitled to accrued vacation leave upon termination at varying amounts based upon years of service. Sick leave will be capped at 160 days or 1,280 hours, and will be paid at one-third of the employee's hourly rate in termination of employment after ten years of service from the Smyth Regional Library System.

6. *Long-term Obligations*

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest 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 during the current period. 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.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

7. *Fund Equity*

The Library reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which 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;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

8. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

9. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Library only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library has one type of item that qualifies for reporting in this category. Certain items related to the measurement of net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

10. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Library's Retirement Plan and the additions to/deductions from the Library's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (Continued)

11. *Other Postemployment Benefits (OPEB)*

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. *Net Position*

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding obligation related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related obligation are also included in this component of net position.

13. *Net Position Flow Assumption*

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

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 1-Summary of Significant Accounting Policies: (Continued)

F. Budgets and Budgetary Accounting

The following procedures are used by the Library in establishing the budgetary data reflected in the financial statements.

1. In January, all departments are advised to gather cost data and develop departmental budgets.
2. During February, the budget committee, composed of Board members, the Library Director and Comptroller, meet to prepare a tentative budget, which is presented to the Board of Trustees.
3. At the March meeting, the tentative budget is adopted.
4. In April, the tentative budget is presented to the members of the County Board of Supervisors who review the budget during the month of May.
5. After final action by the Board of Supervisors, the adjusted budget is returned to the Library's Board of Trustees, and formally adopted.
6. Formal budgetary integration is employed as a management control device during the year for the General Funds.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board.

Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies 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).

Beneficial Interest in Trust:

All investments are stated at fair value. The net appreciation on investments of the donor restricted endowments for the Rose Greer Akers Charitable Trust for the year ended June 30, 2018 was \$149,338. Under the terms of the endowment, and consistent with State statutes, the income from the Rose Greer Akers Charitable Trust shall be paid over at least annually to 13 charitable beneficiaries. The Library is not the custodian of the Trust Funds and has no control over the underlying investments; therefore, income is recorded as it is provided to the Library from the Trustee. During fiscal year 2018, \$7,154 was received from the Trust and recorded as revenue by the Library.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 2-Deposits and Investments: (Continued)

Interest Rate Risk:

The Library has not adopted an investment policy for interest rate risk. Investments subject to interest rate risk are presented below along with their corresponding maturities.

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
Certificate of Deposits	\$ 35,660	\$ 35,660

Custodial Credit Risk:

At year end, the Library was not exposed to any custodial credit risk for deposits or investments. The Library limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act.

Note 3-Long-term Obligations:

The following is a summary of long-term obligation transactions of the Library for the year ended June 30, 2018.

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Net pension liability	\$ 493,384	\$ 215,286	\$ (502,159)	\$ 206,511
Net OPEB liabilities	124,371	7,404	(8,023)	123,752
Compensated absences	89,332	11,354	(22,333)	78,353
Total	\$ 707,087	\$ 234,044	\$ (532,515)	\$ 408,616

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 3-Long-term Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Other Obligations:		
Net OPEB liabilities	\$ 123,752	\$ -
Net pension liability	206,511	-
Compensated absences	<u>78,353</u>	<u>58,765</u>
Total Other Obligations	<u>\$ 408,616</u>	<u>\$ 58,765</u>

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 4-Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ (50,000)	\$ -
 Capital assets, being depreciated:				
Vehicles	\$ 49,099	\$ -	\$ -	\$ 49,099
Equipment	285,877	32,731	-	318,608
Total capital assets being depreciated	\$ 334,976	\$ 32,731	\$ -	\$ 367,707
 Accumulated depreciation:				
Vehicles	\$ (44,554)	\$ (4,544)	\$ -	\$ (49,098)
Equipment	(250,981)	(6,441)	-	(257,422)
Total accumulated depreciation	\$ (295,535)	\$ (10,985)	\$ -	\$ (306,520)
 Total capital assets being depreciated, net	\$ 39,441	\$ 21,746	\$ -	\$ 61,187
 Governmental activities capital assets, net	\$ 89,441	\$ 21,746	\$ (50,000)	\$ 61,187

All depreciation expense was charged to the parks, recreation, and cultural function in the Statement of Activities.

The branch library facility, including land and buildings located in Saltville, Virginia, is the property of the Town of Saltville. In the event the Saltville branch of the Smyth County Public Library wished to terminate its services, all equipment and furnishings, which were supplied by the Town of Saltville, will remain the property of the Saltville Library. All equipment and furnishings supplied by the Smyth County Public Library will be divided, with 25% remaining property of the Saltville Library, and 75% reverting to Smyth County Public Library.

The branch library facility, including land and buildings located in Bland County, Virginia, is the property of the County of Bland. During 2018, the Bland branch of the former Regional Library wished to terminate its services. All equipment and furnishings which were supplied by Bland County reverted back to the Bland Library. All equipment and furnishings supplied by the Smyth County Public Library will be divided, with 75% remaining property of Bland Library, and 25% reverting to Smyth County Public Library.

The branch library facility, including land and buildings located in Chilhowie, Virginia, is the property of the Town of Chilhowie. In the event the Chilhowie branch of the Smyth County Public Library wished to terminate its services, all equipment and furnishings, which were supplied by the Town of Chilhowie, will remain the property of the Chilhowie Library. All equipment and furnishings supplied by the Smyth County Public Library will remain the property of the Smyth County Public Library.

**SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018**

Note 5-Risk Management:

The Library 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 Library carries insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three years.

Note 6-Compensated Absences:

Library employees earn annual leave at various rates. No benefit or pay is received for unused sick leave upon termination. At June 30, 2018 the liability for accrued leave totaled \$78,353.

Note 7-Contributions and Donated Services and Materials:

Unpaid volunteers have made contributions of their time to implement the Library's programs. The value of this contributed time is not reflected in the financial statements as it is not susceptible to objective measurement or valuation.

The Library occupies its present locations at no annual fee. These locations are owned by the County and Town that support the library. The estimated fair rental value of the premises is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Smyth County Public Library are automatically covered by a VRS Retirement Plan upon employment, through the County of Smyth, Virginia. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities participate in the VRS plan through Smyth County and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: - Political subdivision employees* - Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. <u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.	Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of 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.

The Smyth County Public Library's contractually required employer contribution rate for the year ended June 30, 2018 was 10.02% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Smyth County Public Library were \$44,065 and \$49,913 for the years ended June 30, 2018 and June 30, 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Smyth County Public Library reported a liability of \$206,511 for its proportionate share of the net pension liability. The Smyth County Public Library's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. The Smyth County Public Library's proportionate share of the same was calculated using creditable compensation as of June 30, 2017 and 2016 as a basis for allocation. At June 30, 2017 and 2016, the Smyth County Public Library's proportion was 5.7305% and 7.0196%, respectively.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the Smyth County Public Library's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Sensitivity of the Smyth County Public Library's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Smyth County Public Library's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Smyth County Public Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% increase
	(6.00%)	(7.00%)	(8.00%)
Smyth County Public Library's proportionate share of the County Retirement Plan Net Pension Liability (Asset)	\$ 519,322	\$ 206,511	\$ (53,737)

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SMYTH COUNTY PUBLIC LIBRARY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 8-Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Smyth County Public Library recognized pension expense of \$(66,732). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the Smyth County Public Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 110,339
Change in assumptions	-	11,484
Net difference between projected and actual earnings on pension plan investments	-	20,380
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	84,538
Employer contributions subsequent to the measurement date	<u>44,065</u>	<u>-</u>
Total	<u>\$ 44,065</u>	<u>\$ 226,741</u>

\$44,065 reported as deferred outflows of resources related to pensions resulting from the Smyth County Public Library's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30

2019	\$ (117,868)
2020	(64,613)
2021	(23,302)
2022	(20,958)

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. The Library participates in the VRS Group Life Insurance Program through the County of Smyth.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** - The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$2,339 and \$2,212 for the years ended June 30, 2018 and June 30, 2017, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$34,724 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 5.7300% of Smyth County's 0.04024% and 5.7300% of Smyth County's 0.04137% as of June 30, 2017 and June 30, 2016, respectively.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$229 Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 745
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,318
Change in assumptions	-	1,776
Changes in proportion	-	974
Employer contributions subsequent to the measurement date	<u>2,339</u>	<u>-</u>
Total	<u>\$ 2,339</u>	<u>\$ 4,813</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$2,339 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30

2019	\$ (974)
2020	(974)
2021	(974)
2022	(974)
2023	(630)
Thereafter	(287)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

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Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 9-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Smyth County Public Library's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 44,923	\$ 34,724	\$ 26,473

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10-Other Postemployment Benefits-Health Insurance:

In addition to the pension benefits described in Note 8 and the Group Life Insurance benefits described in Note 9, the Library participates in the County of Smyth's Health Insurance Plan. The County administers a single-employer defined benefit healthcare plan. The plan provide postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plan. The plan does not issue a publicly available financial report.

Benefits Provided

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

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the Library for OPEB as the benefits came due during the year ended June 30, 2018 was \$1,033.

Net OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources

At June 30, 2018, the Library reported a liability of \$89,028, for their proportionate share of the Net OPEB Liability. The Net OPEB Liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of May 1, 2017 and rolled forward to that date. At June 30, 2018 and June 30, 2017, the Library's proportion was 5.74%.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Healthcare Cost Trend Rates	9.20% for fiscal year end 2017, decreasing to 4.10% for fiscal year end 2018, reverting to 7.00% the next year, and then decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increases	2.50% annually
Discount Rate	3.56%

Mortality rates use RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2017.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from the Municipal GO AA 20-year curve. The final equivalent single discount rate used for this year's valuation is 3.56% as of the end of the fiscal year with the expectation that the Library will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)

Changes in Total OPEB Liability

		Total OPEB Liability
Balances at June 30, 2017	\$	82,886
Changes for the year:		
Service cost		4,075
Interest		3,100
Contributions - employer		(1,033)
Net changes		6,142
Balances at June 30, 2018	\$	89,028

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the Library, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Smyth County Public Library	\$ 98,671	\$ 89,028	\$ 80,303

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Library, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8.20%) or one percentage point higher (10.20%) than the current healthcare cost trend rates:

	1% Decrease (8.20%)	Healthcare Cost Trend Rates (9.20%)	1% Increase (10.20%)
Smyth County Public Library	\$ 77,433	\$ 89,028	\$ 102,861

SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Library recognized OPEB expense in the amount of \$7,175. At June 30, 2018, the Library reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Additional disclosures on changes in net OPEB liability and related ratios can be found in the required supplementary information following the notes to the financial statements.

Note 11-Surety Bonds:

All Library employees are covered under Smyth County's Honesty Blanket Bond with the Virginia Association of Counties Group Self-Insurance Risk Pool as surety.

Note 12-Economic Dependency:

The Library received the majority of its funding from the County of Smyth, Virginia, and the Commonwealth of Virginia. The total received is 70% and 17%, respectively.

Note 13-Income Tax Status:

The Smyth County Public Library has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3) and therefore is not subject to income tax. Beginning May 14, 1990, the Library was regarded as a publicly supported organization under the Internal Revenue Code. The Library has determined it has no liability for uncertain tax positions resulting in unrecognized tax benefits. Any unrelated business income may be subject to taxation. As of June 30, 2018, the Library has no obligation for any unrelated business income tax.

Note 14-Litigation:

At June 30, 2018, there were no matters of litigation involving the Library which would materially affect the Library's financial position should any court decisions on pending matters not be favorable to the Library.

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 15-Adoption of Accounting Principles:

The Smyth County Public Library implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Smyth County Public Library implemented Governmental Accounting Standards Board Statement No. 85, Omnibus 2017 during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the restatement disclosed in Note 16.

Note 16-Restatement of Beginning Balances:

	Governmental Funds		
	General Fund	Building Fund	Fiduciary Fund
Fund Balance, as reported at June 30, 2017	\$ 625,388	\$ 238,657	\$ 14,996
Remove Trust balance	(148,721)	-	-
Merge funds not required to be reported separately	253,653	(238,657)	(14,996)
Fund Balance as restated at June 30, 2017	<u>\$ 730,320</u>	<u>\$ -</u>	<u>\$ -</u>

	Governmental Activities
Net Position as reported at June 30, 2017	\$ 370,558
Remove Trust balance	(148,721)
Merge funds not required to be reported separately	14,996
Implementation of GASB No. 75	(122,159)
Net Position as restated at June 30, 2017	<u>\$ 114,674</u>

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SMYTH COUNTY PUBLIC LIBRARY
A COMPONENT UNIT OF COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AT JUNE 30, 2018

Note 17-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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Required Supplementary Information

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Schedule of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018

General Fund:	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Revenue from local sources:				
Contributions from participating localities:				
Smyth County	\$ 700,000	\$ 700,000	\$ 700,000	\$ -
Town of Saltville	22,100	22,100	22,100	-
Town of Chilhowie	22,100	22,100	5,525	(16,575)
Town of Marion	38,270	38,270	38,270	-
Use of money and property	-	-	2,458	2,458
E-Rate	-	-	24,336	24,336
Fines and fees	-	-	16,879	16,879
Miscellaneous revenue	-	-	23,874	23,874
Total revenue from local sources	\$ 782,470	\$ 782,470	\$ 833,442	\$ 50,972
Revenue from the Commonwealth:				
Categorical aid:				
Commonwealth of Virginia	\$ 169,917	\$ 169,917	\$ 169,917	\$ -
Total operating revenues	\$ 952,387	\$ 952,387	\$ 1,003,359	\$ 50,972
Expenditures:				
Parks, Recreation and Cultural:				
Salaries	\$ 561,580	\$ 561,580	600,169	\$ (38,589)
Fringe benefits	45,900	45,900	63,652	(17,752)
Payroll taxes	64,060	64,060	48,405	15,655
Retirement insurance	46,700	46,700	43,375	3,325
Books and related materials	105,732	105,732	103,392	2,340
Contractual services	68,835	68,835	91,831	(22,996)
Equipment	8,650	8,650	8,032	618
Furniture and fixtures	5,150	5,150	5,218	(68)
Repairs and maintenance	8,800	8,800	4,141	4,659
Supplies	30,100	30,100	42,970	(12,870)
Utilities	65,380	65,380	31,023	34,357
Travel	4,000	4,000	3,324	676
Insurance	11,800	11,800	14,715	(2,915)
Programs and promotions	5,400	5,400	11,724	(6,324)
Postage	4,300	4,300	5,653	(1,353)
Amounts returned to locality	-	-	219,887	(219,887)
Miscellaneous	1,000	1,000	623	377
Total expenditures	\$ 1,037,387	\$ 1,037,387	\$ 1,298,134	\$ (260,747)
Net change in fund balance	\$ (85,000)	\$ (85,000)	\$ (294,775)	\$ (209,775)
Fund balance, beginning of year - as restated	85,000	85,000	730,320	645,320
Fund balance, end of year	\$ -	\$ -	\$ 435,545	\$ 435,545

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Schedule of Authority's Proportionate Share of Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2018

Smyth County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

Date (1)	Proportion of the Net Pension Liability (NP) (2)	Proportionate Share of the NP (3)	Covered Payroll (4)	Proportionate Share of the NP as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2017	5.7305%	\$ 206,512	\$ 427,372	48.32%	91.50%
2016	7.0196%	493,591	531,258	92.91%	96.47%
2015	7.5172%	500,232	567,731	88.11%	84.22%
2014	7.5172%	473,182	555,966	85.11%	84.65%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Schedule of Employer Contributions - Pension Plan
For the Years Ended June 30, 2015 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 44,065	\$ 44,065	\$ -	\$ 488,528	9.02%
2017	49,913	49,913	-	427,337	11.68%
2016	67,319	67,319	-	531,326	12.67%
2015	71,942	71,942	-	567,814	12.67%
2014	67,434	67,434	-	555,966	12.13%

Schedule is intended to show information for 10 years. Information prior to 2014 is not available. However, additional years will be included as they become available.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Notes to Required Supplementary Information - Pension Plan
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

SMYTH COUNTY PUBLIC LIBRARY
 A Component Unit of County of Smyth, Virginia
 Schedule of Smyth County Public Library's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Smyth County, Virginia's Pension Plan (a cost-sharing multiple employer plan administered by the VRS)

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2017	0.0023% \$	\$ 34,724	427,337	8.13%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2017 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 2,339	\$ 2,339	\$ -	\$ 488,528	0.48%
2017	2,212	2,212	-	427,372	0.52%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

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SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Health Insurance Plan
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 4,075
Interest	3,100
Contributions	<u>(1,033)</u>
Net change in total OPEB liability	\$ 6,142
Total OPEB liability - beginning	82,886
Total OPEB liability - ending	<u>\$ 89,028</u>
 Covered-employee payroll	 \$ N/A
 Smyth County Public Library's total OPEB liability (asset) as a percentage of covered-employee payroll	 N/A

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

SMYTH COUNTY PUBLIC LIBRARY
A Component Unit of County of Smyth, Virginia
Notes to Required Supplementary Information - Health Insurance OPEB Plan
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
 Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56%
Inflation	2.50% per year
Healthcare Trend Rate	9.20% for fiscal year end 2017, decreasing 4.10% for fiscal year 2018, reverting to 7.00% the next year, and then decreasing 0.50% per year to an ultimate rate of 5.00%.
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Fully Generational Mortaility Table, with base year 2006, using two-dimensional improvement scale MP-2017.

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COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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
Smyth County Public Library
Marion, Virginia**

We have audited, in accordance with the 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 the *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 and the major fund of Smyth County Public Library, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Smyth County Public Library'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 Smyth County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of Smyth County Public Library's internal control.

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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smyth County Public Library's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Blacksburg, Virginia
December 3, 2018