

FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2017

COUNTY OF SMYTH, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

COUNTY OF SMYTH, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

COUNTY OF SMYTH, VIRGINIA

BOARD OF SUPERVISORS

M. Todd Dishner, Vice Chair	Wade H. Blevins, Jr., Chair	Charles E. Atkins
Richard (Rick) K. Blevins		Roscoe D. Call
G. Blake Frazier		Charles P. Stevenson (Phil)

COUNTY SCHOOL BOARD

Charles M. "Mac" Buchanan, Jr.	Jesse Choate, Chair	Wayne Carter
Paul L. Grinstead		Susan B. Williams
Todd Williams		William A. Veselik

SOCIAL SERVICES BOARD

Tom Hess	Karen Gillespie, Chair	Wanda Sanderson
Kim Daugherty		G. Blake Frazier
Patsy Waddle		Susan Sneed

OTHER OFFICIALS

Judge of the Circuit Court	C. Randall Lowe
	Sage B. Johnson
	Deanis L. Simmons
Clerk of the Circuit Court	John H. Graham
Judge of the General District Court	V. Blake McKinney
	Eric R. Thiessen
Judge of the Juvenile & Domestic Relations Court	Florence A. Powell
	Joseph B. Lyle
	Kurt J. Pomrenke
Commonwealth's Attorney	Roy F. Evans, Jr.
Commissioner of the Revenue	Jeff Richardson
Treasurer	Tom Burkett
Sheriff	Chip Shuler
Superintendent of Schools	Dr. Dennis Carter
Director of Social Services	Chris Austin
County Administrator	Michael L. Carter

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Counties, Cities, and Towns*, 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, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to OPEB funding and pension on pages 82-84 and 85-89 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Smyth, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the County of Smyth, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Smyth, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 4, 2017

Basic Financial Statements

County of Smyth, Virginia
Statement of Net Position
June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,436,199	\$ 74,979
Investments	11,227,141	-	11,227,141	1,066,218	624,523
Investment in Smyth-Washington IFA	1,415,813	-	1,415,813	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,056,100	-	23,056,100	-	-
Accounts receivable	216,851	334,151	551,002	170,997	-
Due from primary government	-	-	-	1,284,180	116,620
Due from other governmental units	1,300,049	-	1,300,049	2,178,575	-
Inventories	-	-	-	69,129	-
Prepaid items	170,692	-	170,692	682,699	-
Accrued interest	5,347	-	5,347	342	369
Capital assets (net of accumulated depreciation):					
Land	664,940	44,831	709,771	844,463	4,823,062
Buildings and improvements	31,025,773	-	31,025,773	5,449,756	-
Machinery and equipment	3,232,248	37,613	3,269,861	2,535,337	-
Utility plant in service	33,699	23,303,678	23,337,377	-	-
Construction in progress	19,393,203	147,851	19,541,054	-	-
Total assets	\$ 91,741,856	\$ 23,868,124	\$ 115,609,980	\$ 15,717,895	\$ 5,639,553
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ 1,483,740	\$ -	\$ 1,483,740	\$ -	\$ -
Pension contributions subsequent to measurement date	667,279	27,510	694,789	3,479,502	-
Items related to measurement of net pension liability	852,345	37,779	890,124	2,654,043	-
Total deferred outflows of resources	\$ 3,003,364	\$ 65,289	\$ 3,068,653	\$ 6,133,545	\$ -
LIABILITIES					
Accounts payable	\$ 1,230,768	\$ 118,150	\$ 1,348,918	\$ 105,739	\$ -
Accrued liabilities	-	-	-	4,078,288	-
Accrued wages and health claims	184,374	-	184,374	-	-
Customers' deposits	-	1,685	1,685	-	-
Accrued interest payable	355,910	74,606	430,516	-	-
Due to component unit	1,400,800	-	1,400,800	-	-
Cash bond held in escrow	21,875	-	21,875	-	-
Reconciled overdraft	594,011	-	594,011	-	-
Long-term liabilities:					
Due within one year	3,042,854	568,997	3,611,851	407,159	-
Due in more than one year	52,848,632	9,527,728	62,376,360	44,951,018	-
Total liabilities	\$ 59,679,224	\$ 10,291,166	\$ 69,970,390	\$ 49,542,204	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 19,176,024	\$ -	\$ 19,176,024	\$ -	\$ -
Property taxes paid in advance	214,200	-	214,200	-	-
Items related to measurement of net pension liability	1,080,646	43,587	1,124,233	4,644,978	-
Total deferred inflows of resources	\$ 20,470,870	\$ 43,587	\$ 20,514,457	\$ 4,644,978	\$ -
NET POSITION					
Net investment in capital assets	\$ 8,038,644	\$ 13,773,956	\$ 21,812,600	\$ 8,829,556	\$ 4,823,062
Restricted (See note 26)	1,719,619	-	1,719,619	580,341	-
Unrestricted	4,836,863	(175,296)	4,661,567	(41,745,639)	816,491
Total net position	\$ 14,595,126	\$ 13,598,660	\$ 28,193,786	\$ (32,335,742)	\$ 5,639,553

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

County of Smyth, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Governmental Activities	Business-type Activities	Component Units	
			Grants and Contributions	Capital Grants and Contributions			Total	EDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,663,712	\$ 37,877	\$ 292,516	\$ -	\$ (2,333,319)	\$ -	\$ (2,333,319)	\$ -
Judicial administration	1,638,101	829,133	847,840	-	38,872	-	38,872	-
Public safety	8,539,095	317,298	2,220,135	-	(6,001,662)	-	(6,001,662)	-
Public works	2,059,998	1,012,486	19,912	-	(1,027,600)	-	(1,027,600)	-
Health and welfare	6,328,638	-	4,563,911	-	(1,764,727)	-	(1,764,727)	-
Education	8,568,359	-	-	-	(8,568,359)	-	(8,568,359)	-
Parks, recreation, and cultural	764,591	-	-	-	(764,591)	-	(764,591)	-
Community development	327,775	-	-	-	(327,775)	-	(327,775)	-
Interest on long-term debt	1,572,972	-	-	-	(1,572,972)	-	(1,572,972)	-
Total governmental activities	\$ 32,463,241	\$ 2,196,794	\$ 7,944,314	\$ -	\$ (22,322,133)	\$ -	\$ (22,322,133)	\$ -
Business-type activities:								
Water and sewer	\$ 2,927,130	\$ 2,204,954	\$ -	\$ 104,237	\$ -	\$ (617,939)	\$ (617,939)	\$ -
Total primary government	\$ 35,390,371	\$ 4,401,748	\$ 7,944,314	\$ 104,237	\$ (22,322,133)	\$ (617,939)	\$ (22,940,072)	\$ -
COMPONENT UNITS:								
School Board	\$ 43,521,028	\$ 1,248,050	\$ 36,559,759	\$ -	\$ -	\$ -	\$ (5,713,219)	\$ (237,001)
Economic Development Authority	267,916	-	30,915	-	-	-	-	-
Total component units	\$ 43,788,944	\$ 1,248,050	\$ 36,590,674	\$ -	\$ -	\$ -	\$ (5,713,219)	\$ (237,001)
General revenues:								
General property taxes					\$ 16,785,337	\$ -	\$ 16,785,337	\$ -
Other local taxes:								
Local sales and use taxes					2,094,738	-	2,094,738	-
Consumers' utility taxes					665,866	-	665,866	-
Motor vehicle taxes					459,798	-	459,798	-
Restaurant food taxes					56,081	-	56,081	-
Other local taxes					168,312	-	168,312	-
Unrestricted revenues from the use of money and property					227,311	-	227,311	179
Miscellaneous					240,957	-	240,957	73,731
Grants and contributions not restricted to specific programs					2,580,995	-	2,580,995	-
Transfers					451,376	(451,376)	-	-
Total general revenues, special items and transfers					\$ 23,730,771	\$ (451,376)	\$ 23,279,395	\$ 73,910
Change in net position					\$ 1,408,638	\$ (1,069,315)	\$ 339,323	\$ (163,091)
Net position - beginning, as restated					13,186,488	14,667,975	27,854,463	5,802,644
Net position - ending					\$ 14,595,126	\$ 13,598,660	\$ 28,193,786	\$ 5,639,553

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

County of Smyth, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General</u>
ASSETS	
Investments	\$ 11,227,141
Receivables (net of allowance for uncollectibles):	
Taxes receivable	23,056,100
Accounts receivable	216,851
Accrued interest	5,347
Due from other governmental units	1,300,049
Prepaid items	170,692
Total assets	<u>\$ 35,976,180</u>
LIABILITIES	
Accounts payable	\$ 1,230,768
Accrued liabilities	184,374
Due to component unit	1,400,800
Cash bond held in escrow	21,875
Reconciled overdraft	594,011
Total liabilities	<u>\$ 3,431,828</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 22,899,493
Property taxes paid in advance	214,200
Total deferred inflows of resources	<u>\$ 23,113,693</u>
FUND BALANCES	
Nonspendable	
Prepaid items	\$ 170,692
Restricted (See note 26)	1,719,619
Committed (See note 26)	1,108,674
Unassigned	6,431,674
Total fund balances	<u>\$ 9,430,659</u>
Total liabilities, deferred outflows of resources, and fund balances	<u>\$ 35,976,180</u>

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

County of Smyth, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 9,430,659
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 664,940	
Buildings and improvements	31,025,773	
Infrastructure	33,699	
Machinery and equipment	3,232,248	
Construction in progress	<u>19,393,203</u>	54,349,863
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$ 3,723,469	
Investment in the Smyth-Washington Industrial Facilities Authority	<u>1,415,813</u>	5,139,282
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		667,279
Items related to measurement of the net pension liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension expense over future years.		
Deferred outflows of resources	\$ 852,345	
Deferred inflows of resources	<u>(1,080,646)</u>	(228,301)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$ (30,776,754)	
School construction bonds	(10,126,185)	
Deferred charges on refunding (to be amortized as interest expense)	1,483,740	
Bond premium (to be amortized over life of debt)	(3,435,196)	
Capital leases	(2,300,000)	
Loan payable	(1,156,824)	
Accrued interest payable	(355,910)	
Landfill postclosure liability	(313,834)	
Compensated absences	(768,271)	
Net pension liability	(6,283,955)	
Net OPEB obligation	<u>(730,467)</u>	(54,763,656)
Net position of governmental activities		<u>\$ 14,595,126</u>

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

County of Smyth, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>
REVENUES	
General property taxes	\$ 16,516,355
Other local taxes	3,444,795
Permits, privilege fees, and regulatory licenses	113,794
Fines and forfeitures	814,522
Revenue from the use of money and property	227,311
Charges for services	1,268,478
Miscellaneous	240,957
Recovered costs	398,251
Intergovernmental	10,525,309
Total revenues	<u>\$ 33,549,772</u>
EXPENDITURES	
Current:	
General government administration	\$ 2,680,532
Judicial administration	1,601,951
Public safety	8,200,093
Public works	2,364,772
Health and welfare	6,413,303
Education	7,296,634
Parks, recreation, and cultural	764,563
Community development	329,678
Capital projects	5,857,294
Debt service:	
Principal retirement	2,089,810
Interest and other fiscal charges	1,466,236
Total expenditures	<u>\$ 39,064,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,515,094)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 451,376
Issuance of loan payable	1,156,824
Issuance of refunding bonds	20,454,976
Issuance of bridge loan	2,300,000
Payments to refunded bonds escrow agent	(23,036,389)
Total other financing sources (uses)	<u>\$ 1,326,787</u>
Net change in fund balances	\$ (4,188,307)
Fund balances - beginning	13,618,966
Fund balances - ending	<u>\$ 9,430,659</u>

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

County of Smyth, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$	(4,188,307)
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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 capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 6,023,558	
Depreciation expenses	<u>(2,278,528)</u>	3,745,030

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

Transfer of asset from Water and Sewer Fund		439,766
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 268,982	
Change in deferred inflows related to the measurement of the net pension liability	<u>(9,287)</u>	259,695

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred:

Issuance of refunding bonds	\$ (17,980,000)	
Premium on refunding bonds	(2,474,976)	
Deferred charge on advance refunding of bonds	1,483,740	
Issuance of loan payable	(1,156,824)	
Issuance of capital lease	(2,300,000)	
Increase in accrued landfill closure/postclosure liability	(4,028)	
Principal repayments:		
General obligation bonds	1,501,133	
School construction bonds	588,677	
Refunded bonds (face amount)	<u>20,340,000</u>	(2,278)

Pension contribution subsequent to the measurement date will be an decrease in the net pension liability in the next fiscal year and therefore, are not reported in the funds.

(189,766)

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.

Change in compensated absences	\$ (147,717)	
Change in accrued interest payable	35,119	
Change in net pension liability	(365,160)	
Change in deferred outflows related to the measurement of the net pension liability	852,345	
Amortization of bond premium	298,683	
Amortization of refunded bond premium	772,111	
Change in net OPEB obligation	<u>(100,883)</u>	1,344,498

Change in net position of governmental activities	\$	<u>1,408,638</u>
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The notes to the financial statements are an integral part of this statement.

County of Smyth, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 334,151
Capital assets:	
Land	\$ 44,831
Utility plant in service	47,237,682
Machinery and equipment	645,541
Construction in progress	147,851
Accumulated depreciation	(24,541,932)
Total capital assets	<u>\$ 23,533,973</u>
Total noncurrent assets	<u>\$ 23,533,973</u>
Total assets	<u>\$ 23,868,124</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	\$ 27,510
Items related to measurement of net pension liability	37,779
Total deferred outflows of resources	<u>\$ 65,289</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 118,150
Customers' deposits	1,685
Accrued interest payable	74,606
Compensated absences - current portion	23,350
Bonds payable - current portion	545,647
Total current liabilities	<u>\$ 763,438</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 7,783
Bonds payable - net of current portion	9,214,370
Net OPEB obligation	51,533
Net pension liability	254,042
Total noncurrent liabilities	<u>\$ 9,527,728</u>
Total liabilities	<u>\$ 10,291,166</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 43,587</u>
NET POSITION	
Net investment in capital assets	\$ 13,773,956
Unrestricted	(175,296)
Total net position	<u><u>\$ 13,598,660</u></u>

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

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 1,267,314
Sewer revenues	867,374
Connection fees	22,290
Penalties	14,863
Service charges	23,423
Application fees	2,700
Miscellaneous	6,990
Total operating revenues	<u>\$ 2,204,954</u>
OPERATING EXPENSES	
Personnel services	\$ 414,006
Water purchases	311,755
Water and wastewater service	365,675
Automotive expenses	23,859
Office supplies	2,579
Uniforms	2,972
Utilities	50,541
Permits	17,895
Postage	5,097
Telephone	5,588
Maintenance supplies	31,413
Repair and maintenance	18,426
County funded projects	33,000
Capital projects	23,543
Miscellaneous	1,372
Depreciation	1,408,264
Total operating expenses	<u>\$ 2,715,985</u>
Operating income (loss)	<u>\$ (511,031)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (211,145)
Total nonoperating revenues (expenses)	<u>\$ (211,145)</u>
Income before capital contributions, construction grants, and transfers	\$ (722,176)
Capital contributions and construction grants	104,237
Transfers in	235,429
Transfers out	<u>(686,805)</u>
Change in net position	\$ (1,069,315)
Total net position - beginning	14,667,975
Total net position - ending	<u><u>\$ 13,598,660</u></u>

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

County of Smyth, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,176,613
Payments to suppliers	(859,821)
Payments to employees	(414,462)
Net cash provided by (used for) operating activities	<u>\$ 902,330</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 235,429
Transfers to other funds	(247,039)
Net cash provided by (used for) noncapital financing activities	<u>\$ (11,610)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (266,029)
Principal payments on bonds	(387,707)
Contributions in aid of construction	104,237
Interest expense	(342,789)
Net cash provided by (used for) capital and related financing activities	<u>\$ (892,288)</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,568)
Cash and cash equivalents - beginning (includes restricted cash of \$1,568)	1,568
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (511,031)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 1,408,264
Loss on disposal of capital assets	56,543
(Increase) decrease in accounts receivable	(28,458)
(Increase) decrease in deferred outflows of resources	(30,641)
Increase (decrease) in customer deposits	117
Increase (decrease) in accounts payable	(22,649)
Increase (decrease) in compensated absences	3,599
Increase (decrease) in net OPEB obligation	7,117
Increase (decrease) in deferred inflows of resources	954
Increase (decrease) in net pension liability	18,515
Total adjustments	<u>\$ 1,413,361</u>
Net cash provided by (used for) operating activities	<u><u>\$ 902,330</u></u>
Noncash investing, capital, and financing activities:	
Transfer of capital assets to general fund at net book value	<u>\$ (439,766)</u>

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

County of Smyth, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 120,125
Total assets	<u>\$ 120,125</u>
LIABILITIES	
Amounts held for social services clients	\$ 120,125
Total liabilities	<u>\$ 120,125</u>

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

COUNTY OF SMYTH, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Smyth, Virginia ("the County") conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Smyth, Virginia (government) is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The Smyth County School Board ("School Board") operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

The Smyth County Economic Development Authority ("EDA") encourages and provides financing for industrial development in the County. The EDA board members are appointed by the Board of Supervisors. The EDA is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the EDA does not have separate taxing powers. The EDA is presented as an enterprise fund type. The EDA does not issue separate financial statements.

Related Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Mount Rogers Community Services Board and Appalachian Juvenile Commission. The governing bodies of these organization are appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2017, the County contributed \$166,022 to the Community Services Board and \$250,644 to the Juvenile Commission. The County does not have any ongoing financial responsibility for these organization.

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

A. Financial Reporting Entity (Continued)

Jointly Governed/Joint Venture Organizations - The County, in conjunction with other localities, participates in supporting the following:

The County of Smyth and the County of Bland established a jointly owned regional library, Smyth-Bland Regional Library, located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. The County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the government-wide statements. For the year ended June 30, 2017, the County contributed \$700,000 to the Regional Library.

The Counties of Smyth and Wythe and the Towns of Marion and Wytheville established the Smyth-Wythe Airport Commission. For the year ended June 30, 2017, the County did not contribute the Airport Commission.

The Counties of Smyth, Buchanan, Dickenson, Lee, Russell, Scott, Washington, Wise, and the City of Norton established the Southwest Virginia Regional Jail Authority for the purpose of constructing and operating a jail facility for the participating localities. For the year ended June 30, 2017, The County paid fees in the amount of \$2,510,068 to the Authority.

The County along with the County of Washington created the Smyth-Washington Regional Industrial Facilities Authority (SWIFA) for the purpose of promoting economic development. This entity is considered a joint venture for the purpose of promoting economic development. This entity is considered a joint venture for the purpose of promoting economic development. In accordance with the Authority's operating agreement, Smyth County will receive 50% of the proceeds of any land sold in the Highlands Business Park (owned by the Authority). As such, the County has recorded an investment in SWIFA in the accompanying statement of net position for one-half of the carrying value of this asset.

B. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. 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.

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

B. Government-wide and fund financial statements

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

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

Agency funds use the accrual basis of accounting, but have no measurement focus as they do not report equity.

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 government 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.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reported as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of 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.

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It is used to account for and report for all financial resources of the general government, except those required to be accounted for and reported in other funds.

The government reports the following major proprietary funds:

The County operates a sewage collection and treatment system and a water distribution system. The activities of the system are accounted for in the Water and Sewer Fund.

Additionally, the government reports the following fund types:

Fiduciary funds account for and report assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare Fund and Carnegie Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

1. Cash and cash equivalents

The government'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. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds". All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

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

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

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$630,824 at June 30, 2017. The allowance consists of delinquent taxes in the amount of \$547,735 and delinquent water and sewer bills of \$83,089.

6. 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.

7. 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. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

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Note 1-Summary of Significant Accounting Policies: (Continued)D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)

8. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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 the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year.

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Machinery and equipment	3-20
Water and wastewater systems	20-40

9. 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 County's Retirement Plan and the additions to/deductions from the County'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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Note 1-Summary of Significant Accounting Policies: (Continued)

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

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

11. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2017 and classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory, or are required to maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation.

Committed -The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The County Board of Supervisors is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

11. Fund equity (Continued)

Assigned -Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The County Board of Supervisors (Board) has by resolution authorized the Treasurer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. At year end the assigned fund balance represents an amount necessary to balance the subsequent year's budget (i.e. budgeted use of reserves).

Unassigned -this category is for any balances that have no restrictions placed upon them; 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 County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

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 debt 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 debt are also included in this component of net position.

13. Net Position Flow Assumption

Sometimes the County 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 County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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

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

14. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The consumption method is used in governmental funds to report prepaid items.

15. Restricted Assets

Restricted assets consist of cash and cash equivalents that are legally restricted for use by enabling state legislation, grant awards or lease agreements.

16. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

17. 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) until then. The County only has two items that qualify for reporting in this category. One item includes certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on this item, reference the pension note.

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

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

17. Deferred Outflows/Inflows of Resources (Continued)

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 County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, taxes levied during the fiscal year but due after June 30th, and property taxes paid in advance. Under the accrual basis, taxes levied during the fiscal year but due after June 30th and property taxes paid in advance are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Water and Sewer Fund, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, School Board appropriations are made at categorical level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.

Note 2-Stewardship, Compliance, and Accountability: (Continued)

A. Budgetary information (Continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2017, expenditures did not exceed appropriations in any departments.

C. Deficit fund equity

At June 30, 2017, there were no funds with negative equity.

Note 3-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).

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 3-Deposits and Investments: (Continued)Interest Rate Risk

The County 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	1-5 Years
SNAP	\$ 3,658	\$ 3,658	\$ -
Certificate of Deposits	12,914,224	505,282	12,408,942
Totals	\$ 12,917,882	\$ 508,940	\$ 12,408,942

Custodial Credit Risk

At year end, the County was not exposed to any custodial credit risk for deposits or investments. The County limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The County policy in regards to investments requires that all investments be held in the County's name.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 3,658

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Note 3-Deposits and Investments: (Continued)External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

The value of the positions in the external investment pools (State Non-Arbitrage Pool) is the same as the value of the pool shares. SNAP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4-Due from Other Governmental Units:

The following amounts represent amounts due from other governments at year-end:

	Primary Government	Component Unit- School Board
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 48,414	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	349,156	-
Categorical aid-State sales tax	-	857,714
Categorical aid-Other	303,349	388,000
Non-categorical aid	152,183	-
Categorical aid-Virginia Public Assistance	117,512	-
Categorical aid-Comprehensive Services Act	131,797	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	197,638	-
Categorical aid-Other	-	932,861
Totals	<u>\$ 1,300,049</u>	<u>\$ 2,178,575</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 5-Component-Unit Contributions and Obligations:

Primary government contributions to component units for the year ended June 30, 2017, consisted of payments to School Board of \$7,240,884.

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 1,400,800	\$ -
Component Unit:		
School Board	\$ -	\$ 1,284,180
EDA	-	116,620
Totals	<u>\$ 1,400,800</u>	<u>\$ 1,400,800</u>

At year end, the Primary Government carries a liability to the Component-Unit School Board for funds necessary to cover liabilities of the School Fund.

At year end, the Primary Government carries a liability to the Component-Unit EDA for funds to be advanced to the EDA.

Note 6-Interfund Transfers and Balance:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. During the fiscal year, the County transferred funds totaling \$11,610 and assets with net book value of \$439,766 to the General Fund from the Water and Sewer Fund.

At year end, there were no interfund balances.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations:Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2017.

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
General Obligation Bonds	\$ 34,637,887	\$ 17,980,000	\$ (21,841,133)	\$ 30,776,754
Unamortized Premiums	2,031,014	2,474,976	(1,070,794)	3,435,196
School Construction Bonds	10,714,862	-	(588,677)	10,126,185
Loan Payable	-	1,156,824	-	1,156,824
Capital Lease	-	2,300,000	-	2,300,000
Landfill closure/post-closure liability	309,806	4,028	-	313,834
Compensated absences	620,554	613,133	(465,416)	768,271
Net OPEB obligation	629,584	117,697	(16,814)	730,467
Net pension liability	5,918,795	3,346,393	(2,981,233)	6,283,955
Total	<u>\$ 54,862,502</u>	<u>\$ 27,993,051</u>	<u>\$ (26,964,067)</u>	<u>\$ 55,891,486</u>

For governmental activities, compensated absences and the landfill closure/post-closure liability are generally liquidated in the General Fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	General Obligation Bonds		School Construction Bonds		Loan Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,079,332	\$ 1,279,065	\$ 618,677	\$ -	\$ -	\$ 27,263
2019	1,047,699	1,224,806	663,677	-	-	28,041
2020	901,242	1,184,675	868,677	-	1,156,824	14,878
2021	919,935	1,147,036	893,677	-	-	-
2022	806,883	1,114,276	1,028,677	-	-	-
2023-2027	10,031,663	4,342,603	3,143,385	-	-	-
2028-2032	13,425,000	1,641,510	2,613,385	-	-	-
2033-2036	2,565,000	186,287	296,030	-	-	-
Totals	<u>\$ 30,776,754</u>	<u>\$ 12,120,258</u>	<u>\$ 10,126,185</u>	<u>\$ -</u>	<u>\$ 1,156,824</u>	<u>\$ 70,182</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
School Construction	4.975-5.850%	11/1/2000	2020	1,836,901	\$ 452,216	\$ 108,093
School Construction	4.100-5.600%	11/10/2004	2024	117,994	54,538	6,239
General Obligation Bond Series 2011A	2.000-5.000%	12/5/2011	2032	26,985,000	2,025,000	420,000
General Obligation Bond Series 2014C	2.050-5.050%	11/20/2014	2036	10,970,000	10,265,000	505,000
General Obligation Bond Series 2017	2.000-5.000%	4/26/2017	2032	17,980,000	17,980,000	40,000
Total General Obligation Bonds					\$ 30,776,754	\$ 1,079,332
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	47,020	16,524
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	910,026	155,345
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	3,174	419
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	2,474,976	284,354
Net General Obligation Bonds					\$ 34,211,950	\$ 1,535,974
School Construction Bonds						
School construction	0.000%	10/31/2012	2034	2,170,893	\$ 1,776,185	\$ 98,677
School construction	0.000%	12/15/2011	2031	9,500,000	8,350,000	520,000
Total School Construction Bonds					\$ 10,126,185	\$ 618,677
Loan Payable	Variable	4/30/2017	2018	1,156,824	\$ 1,156,824	\$ -
Other Obligations:						
Capital lease	n/a	n/a	n/a	n/a	\$ 2,300,000	\$ 312,000
Compensated Absences	n/a	n/a	n/a	n/a	768,271	576,203
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	313,834	-
Net OPEB obligation	n/a	n/a	n/a	n/a	730,467	-
Net pension liability	n/a	n/a	n/a	n/a	6,283,955	-
Total Other Obligations					\$ 10,396,527	\$ 888,203
Total Long-term obligations					\$ 55,891,486	\$ 3,042,854

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)Advanced Refunding:

The County issued a \$17,980,000 general obligation refunding bond with a premium of \$2,474,976 and an interest rate of 2.00-5.00%. The bond was used to advance refund the series 2011A general obligation bond in the amount of \$20,340,000. The net proceeds, along with other funds, were deposited into an irrevocable trust with an escrow agent to provide funds for future debt service payments on the advance refunded bond. As a result, the refunded series 2011A general obligation bond is considered defeased, and the County has removed the liability from the statement of net position. The advance refunding reduced total debt service payments over the next 15 years by \$3,658,409. This results in an economic gain (difference between the present values on the old and new debt) of \$3,665,210.

Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2017.

	Balance July 1, 2016	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2017
GO and Revenue Bonds	\$ 9,093,099	\$ -	\$ (387,707)	\$ 8,705,392
Unamortized premium	1,212,321	-	(157,696)	1,054,625
Compensated absences	27,534	24,250	(20,651)	31,133
Net OPEB Obligation	44,416	8,303	(1,186)	51,533
Net pension liability	235,527	139,041	(120,526)	254,042
Total	<u>\$ 10,612,897</u>	<u>\$ 171,594</u>	<u>\$ (687,766)</u>	<u>\$ 10,096,725</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations: (Continued)

For business-type activities, compensated absences are generally liquidated in the Proprietary Fund. Annual requirements to amortize long-term obligations and the related interest are as follows:

Year Ending June 30,	GO and Revenue Bonds	
	Principal	Interest
2018	\$ 545,647	\$ 347,556
2019	552,556	331,733
2020	553,345	314,791
2021	562,807	296,026
2022	571,392	275,655
2023-2027	2,975,146	1,039,228
2028-2032	2,267,658	474,645
2033-2037	919,851	220,625
2038-2042	426,533	111,907
2043-2047	323,863	37,424
2048-2050	61,219	2,564
Totals	<u>\$ 9,760,017</u>	<u>\$ 3,452,154</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 7-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations: (Continued)Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Revenue Bonds and GO Bonds:						
VRA Revenue Bond	2.500%	10/17/2001	2032	133,300	\$ 79,649	\$ 4,437
VRA Revenue Bond	0.000%	3/5/2004	2034	503,049	291,268	16,769
VRA Revenue Bond	0.000%	11/26/2008	2029	473,000	283,800	23,650
VRA Revenue Bond	3.779-5.125%	5/25/2016	2016	6,420,000	6,115,000	310,000
Rural Development GO Bond	3.250%	2/14/2005	2045	1,500,000	1,252,167	28,769
Rural Development GO Bond	4.000%	2/11/2010	2049	123,500	110,287	1,759
Rural Development GO Bond	2.750%	2/11/2010	2049	121,500	110,203	2,279
Rural Development GO Bond	4.500%	2/13/2009	2048	500,000	463,018	6,838
Total Bonds					<u>\$ 8,705,392</u>	<u>\$ 394,501</u>
Add:						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	<u>1,054,625</u>	<u>151,146</u>
Net Bonds					<u>\$ 9,760,017</u>	<u>\$ 545,647</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 31,133	\$ 23,350
Net OPEB obligation	n/a	n/a	n/a	n/a	51,533	-
Net pension liability	n/a	n/a	n/a	n/a	254,042	-
Total Other Obligations					<u>\$ 336,708</u>	<u>\$ 23,350</u>
Total Long-term obligations					<u>\$ 10,096,725</u>	<u>\$ 568,997</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 8-Long-Term Obligations-Component Units:Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-School Board for the year ended June 30, 2017.

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Net OPEB obligation	\$ 1,080,000	\$ 346,000	\$ (299,000)	\$ 1,127,000
Employee retirement incentive plan	164,783	-	(98,818)	65,965
Compensated absences	526,166	323,384	(394,625)	454,925
Net pension liability	40,749,237	11,275,089	(8,314,039)	43,710,287
Total	<u>\$ 42,520,186</u>	<u>\$ 11,944,473</u>	<u>\$ (9,106,482)</u>	<u>\$ 45,358,177</u>

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Net OPEB Obligation	n/a	n/a	n/a	n/a	\$ 1,127,000	\$ -
Employee retirement incentive plan	n/a	n/a	n/a	n/a	65,965	65,965
Compensated Absences	n/a	n/a	n/a	n/a	454,925	341,194
Net Pension Liability	n/a	n/a	n/a	n/a	43,710,287	-
Total long-term obligations					<u>\$ 45,358,177</u>	<u>\$ 407,159</u>

Net OPEB obligation, employee retirement incentive plan, and compensated absences of the Component Unit - School Board are liquidated by the School Operating Fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 9-Capital LeasesPrimary Government:

The County entered into a lease agreement for the acquisition of an HVAC system, school buses, and a solid waste truck.

The costs of the assets acquired through the capital lease are as follows:

Asset:	Truck	School Buses	HVAC
Equipment	\$ 137,086	\$ 402,710	\$ 1,700,000
Less: Accumulated Depreciation	(14,948)	(37,292)	(5,589)
Net	<u>\$ 122,138</u>	<u>\$ 365,418</u>	<u>\$ 1,694,411</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Capital Leases
2018	\$ 349,330
2019	350,054
2020	349,695
2021	349,252
2022	348,725
2023-2024	<u>699,020</u>
Sub-total	\$ 2,446,076
Less, amount representing interest	<u>(146,076)</u>
Present Value of Lease Agreements	<u><u>\$ 2,300,000</u></u>

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Note 10-Pension Plan:*Plan Description*

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. 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 whose financial information is not included in the primary government report, participate in the VRS plan through the County of Smyth and the participating entities report their proportionate information on the basis of a cost-sharing plan.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system).

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
<p>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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>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. Employees are eligible for 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.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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. • 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.
<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division 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.

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. 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.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>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.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>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.</p>

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>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.</p> <p><u>Defined Contributions 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) 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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p>

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>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%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>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.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p> <p>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.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>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.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><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.</p> <p>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.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><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:</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (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.</p> <p>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.</p>
<p>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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 10-Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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 County's contractually required contribution rate for the year ended June 30, 2017 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 County were \$694,789 and \$891,693 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

At June 30, 2017, the County reported a liability of \$6,537,997 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. In order to allocate the net pension liability to all the employers included in the plan, the County is required to determine its proportionate share of the net pension. Retirement contributions for the year ended June 30, 2016 and 2015 were used as a basis for allocation to determine the County's proportionate share of the net pension liability at June 30, 2016 and June 30, 2015, respectively. At June 30, 2016 and 2015, the County's proportion was 92.9804% and 92.4828%, respectively.

Note 10-Pension Plan: (Continued)*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the County of Smyth Retirement Plan and the Smyth County Schools Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, 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: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County of Smyth Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, 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.

Note 10-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Note 10-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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 10-Pension Plan: (Continued)*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, 2018, the rate contributed by the employer for the County of Smyth Retirement Plan, Smyth County Schools Retirement Plan, and the VRS Teacher 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, 2018 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension using the discount rate of 7.00%, as well as what the County'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		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability	<u>\$ 11,645,032</u>	<u>\$ 6,537,997</u>	<u>\$ 2,285,461</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2017, the County recognized pension expense of \$386,163. 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, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,124,233
Changes in proportion and difference between employer contributions and proportionate share of contributions	26,488	-
Net difference between projected and actual earnings on pension plan investments	863,636	-
Employer contributions subsequent to the measurement date	694,789	-
Total	<u>\$ 1,584,913</u>	<u>\$ 1,124,233</u>

\$694,789 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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	Primary Government
2018	\$ (429,184)
2019	(409,787)
2020	252,436
2021	352,426

Note 10-Pension Plan: (Continued)Component Unit School Board (nonprofessional)*Plan Description*

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	101
Inactive members:	
Vested inactive members	7
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>24</u>
Total inactive members	54
Active members	<u>127</u>
Total covered employees	<u><u>282</u></u>

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Note 10-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 9.99% 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 Component Unit School Board's nonprofessional employees were \$211,186 and \$249,040 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Pension Plan: (Continued)Component Unit School Board (nonprofessional) (Continued)*Changes in Net Pension Liability*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 12,829,921	\$ 11,063,684	\$ 1,766,237
Changes for the year:			
Service cost	\$ 250,631	\$ -	\$ 250,631
Interest	869,360	-	869,360
Differences between expected and actual experience	(191,576)	-	(191,576)
Contributions - employer	-	249,040	(249,040)
Contributions - employee	-	108,352	(108,352)
Net investment income	-	184,071	(184,071)
Benefit payments, including refunds of employee contributions	(820,987)	(820,987)	-
Administrative expenses	-	(7,019)	7,019
Other changes	-	(79)	79
Net changes	\$ 107,428	\$ (286,622)	\$ 394,050
Balances at June 30, 2016	\$ 12,937,349	\$ 10,777,062	\$ 2,160,287

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Component Unit School Board's (nonprofessional) 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		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional) Net Pension Liability	\$ 3,594,355	\$ 2,160,287	\$ 944,746

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Pension Plan: (Continued)Component Unit School Board (nonprofessional) (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2017, the Component Unit School Board (nonprofessional) recognized pension expense of \$137,237. At June 30, 2017, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 213,978
Net difference between projected and actual earnings on pension plan investments	280,043	-
Employer contributions subsequent to the measurement date	211,186	-
Total	<u>\$ 491,229</u>	<u>\$ 213,978</u>

\$211,186 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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	Component Unit School Board (nonprofessional)
2018	\$ (123,516)
2019	(83,351)
2020	158,151
2021	114,781

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

Additional information related to the plan description, plan contribution requirements, System long-term expected rate of return, and discount rate is included in the first section of this note.

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$3,268,316 and \$3,165,416 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$41,550,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.29649% as compared to 0.30972% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,712,000. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 10-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,347,000
Net difference between projected and actual earnings on pension plan investments	2,374,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,084,000
Employer contributions subsequent to the measurement date	3,268,316	-
Total	\$ 5,642,316	\$ 4,431,000

\$3,268,316 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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	Component Unit School Board (professional)
2018	\$ (1,139,000)
2019	(1,139,000)
2020	272,000
2021	180,000
2022	(231,000)

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, 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:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Note 10-Pension Plan: (Continued)Component Unit School Board (professional) (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
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 10-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Net Pension Liability*

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	30,168,211
Employers' Net Pension Liability (Asset)	\$ <u>14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division'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:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ <u>59,230,000</u>	\$ <u>41,550,000</u>	\$ <u>26,986,000</u>

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11-Other Postemployment Benefits-Health Insurance:

The County and Component-unit School Board recognize the cost of postemployment health care in the year(s) when employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County and School Board's future cash flows.

Primary Government

A. Plan Description

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

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the County and 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. The Plan does not issue a publicly available financial report.

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)Primary Government (Continued)

B. Funding Policy

The County currently funds post-employment health care benefits on a pay-as-you-go basis. The County currently has 184 employees that are eligible for the program. In addition, for retirees of the County, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums
	Pre-Medicare Coverage
Employee	\$ 513.00
Employee plus one	949.00
Family	1,385.00
Advantage 65 (post-Medicare)	169.00

The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation

For 2017, the County's annual contribution of \$18,000 did not equal the annual OPEB cost of \$126,000. The obligation calculation is as follows:

Annual required contribution	\$ 127,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	(28,000)
Annual OPEB cost (expense)	\$ 126,000
Contributions made	18,000
Increase in net OPEB obligation	\$ 108,000
Net OPEB obligation - beginning of year	674,000
Net OPEB obligation - ending of year	<u>\$ 782,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Other Postemployment Benefits-Health Insurance: (Continued)Primary Government (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 115,000	26.96%	\$ 595,000
6/30/2016	119,000	33.61%	674,000
6/30/2017	126,000	14.29%	782,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2016 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,418,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,418,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 7,279,000
UAAL as a percentage of covered payroll	19.48%

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

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)

Primary Government (Continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2016, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 8% graded to 5%, decreasing 0.5% annually. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2016, was 30 years.

Component Unit: School Board

A. Plan Description

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

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the School Board and 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 or eligibility for Medicare coverage. The employee pays 100% of the required premium. The Plan does not issue a publicly available financial report.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Other Postemployment Benefits-Health Insurance: (Continued)Component Unit: School Board: (Continued)

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 721 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Medical Premiums		
	Key Advantage 250	Key Advantage 1000	HDHP
Employee	\$ 715.00	\$ 618.00	\$ 520.00
Employee plus one	1,323.00	1,143.00	962.00
Family	1,931.00	1,669.00	1,404.00

The Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation

For 2017, the Board's annual contribution of \$299,000 did not equal the annual OPEB cost of \$346,000. The obligation calculation is as follows:

Annual required contribution	\$ 348,000
Interest on net OPEB obligation	43,000
Adjustment to annual required contribution	(45,000)
Annual OPEB cost (expense)	\$ 346,000
Contributions made	299,000
Increase in net OPEB obligation	\$ 47,000
Net OPEB obligation - beginning of year	1,080,000
Net OPEB obligation - ending of year	<u>\$ 1,127,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 11-Other Postemployment Benefits-Health Insurance: (Continued)Component Unit: School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 395,000	62.03%	\$ 982,000
6/30/2016	404,000	75.74%	1,080,000
6/30/2017	346,000	86.42%	1,127,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2016 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 4,557,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,557,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 24,051,000
UAAL as a percentage of covered payroll	18.95%

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

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Note 11-Other Postemployment Benefits-Health Insurance: (Continued)

Component Unit: School Board: (Continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2016, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 8% graded to 5%, decreasing 0.5% annually. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2016, was 30 years.

Note 12-Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Terms of the plan(s) are revised annually by the School Board. The plan allows for the annual payment of a percentage (varies by year retirement is initiated) of the employees' salary for a number of years (varies by year retirement is initiated). The School Board reserves the right to amend or terminate the program. Employees are required to work fifteen days per year to receive their payment. At June 30, 2017 the commitment related to the Early Retirement Incentive Program was \$65,965.

Note 13-Unearned and Deferred/Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. Unavailable revenue totaling \$23,113,693 is comprised of the following:

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,723,469 at June 30, 2017.

Assessments for Future Periods - Property taxes due subsequent to June 30, 2017 but levied in the current period totaled \$19,176,024.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$214,200.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 14-Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

Primary Government:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 664,940	\$ -	\$ -	\$ 664,940
Construction in progress	15,520,962	3,872,241	-	19,393,203
Total capital assets not being depreciated	<u>\$ 16,185,902</u>	<u>\$ 3,872,241</u>	<u>\$ -</u>	<u>\$ 20,058,143</u>
Capital assets, being depreciated:				
Infrastructure	\$ 56,660	\$ -	\$ -	\$ 56,660
Buildings and improvements	51,876,465	1,732,619	-	53,609,084
Machinery and equipment	9,262,914	858,464	(101,453)	10,019,925
Total capital assets being depreciated	<u>\$ 61,196,039</u>	<u>\$ 2,591,083</u>	<u>\$ (101,453)</u>	<u>\$ 63,685,669</u>
Accumulated depreciation:				
Infrastructure	\$ (21,261)	\$ (1,700)	\$ -	(22,961)
Buildings and improvements	(21,014,498)	(1,568,813)	-	(22,583,311)
Machinery and equipment	(6,181,115)	(708,015)	101,453	(6,787,677)
Total accumulated depreciation	<u>\$ (27,216,874)</u>	<u>\$ (2,278,528)</u>	<u>\$ 101,453</u>	<u>\$ (29,393,949)</u>
Total capital assets being depreciated, net	<u>\$ 33,979,165</u>	<u>\$ 312,555</u>	<u>\$ -</u>	<u>\$ 34,291,720</u>
Governmental activities capital assets, net	<u>\$ 50,165,067</u>	<u>\$ 4,184,796</u>	<u>\$ -</u>	<u>\$ 54,349,863</u>

Asset additions include assets transferred from the water and sewer fund of \$439,766.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 14-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Construction in progress	428,726	244,342	(525,217)	147,851
Total capital assets not being depreciated	<u>\$ 473,557</u>	<u>\$ 244,342</u>	<u>\$ (525,217)</u>	<u>\$ 192,682</u>
Capital assets, being depreciated:				
Utility system	\$ 47,208,774	\$ 28,908	\$ -	\$ 47,237,682
Machinery and equipment	623,854	21,687	-	645,541
Total capital assets being depreciated	<u>\$ 47,832,628</u>	<u>\$ 50,595</u>	<u>\$ -</u>	<u>\$ 47,883,223</u>
Accumulated depreciation:				
Utility system	\$ (22,554,669)	\$ (1,379,335)	\$ -	\$ (23,934,004)
Machinery and equipment	(578,999)	(28,929)	-	(607,928)
Total accumulated depreciation	<u>\$ (23,133,668)</u>	<u>\$ (1,408,264)</u>	<u>\$ -</u>	<u>\$ (24,541,932)</u>
Total capital assets being depreciated, net	<u>\$ 24,698,960</u>	<u>\$ (1,357,669)</u>	<u>\$ -</u>	<u>\$ 23,341,291</u>
Business-type activities capital assets, net	<u>\$ 25,172,517</u>	<u>\$ (1,113,327)</u>	<u>\$ (525,217)</u>	<u>\$ 23,533,973</u>

Asset deletions include assets transferred to the general fund of \$439,766.

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Note 14-Capital Assets: (Continued)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government administration	\$ 141,573
Judicial administration	90,834
Public safety	628,807
Public works	62,116
Health and welfare	29,003
Education	1,284,987
Parks, recreation, and culture	<u>41,208</u>

Total depreciation expense-governmental activities	<u><u>\$ 2,278,528</u></u>
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Business-type activities:

Water and sewer	<u><u>\$ 1,408,264</u></u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 14-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2017 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,531,337	\$ 69,360	\$ -	\$ 17,600,697
Machinery and equipment	8,263,325	297,807	(236,000)	8,325,132
Total capital assets being depreciated	\$ 25,794,662	\$ 367,167	\$ (236,000)	\$ 25,925,829
Accumulated depreciation:				
Buildings and improvements	\$ (11,667,793)	\$ (483,148)	\$ -	\$ (12,150,941)
Machinery and equipment	(5,488,052)	(537,743)	236,000	(5,789,795)
Total accumulated depreciation	\$ (17,155,845)	\$ (1,020,891)	\$ 236,000	\$ (17,940,736)
Total capital assets being depreciated, net	\$ 8,638,817	\$ (653,724)	\$ -	\$ 7,985,093
School Board capital assets, net	\$ 9,483,280	\$ (653,724)	\$ -	\$ 8,829,556

Discretely Presented Component Unit - EDA:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,062	\$ -	\$ -	\$ 4,823,062

Note 15-Investment in the Smyth-Washington Industrial Facilities Authority (SWIFA):

The County entered into a joint venture with Washington County, Virginia for the development of a regional industrial park. Terms of the agreement stipulate that proceeds from the sale of lots in the park share be distributed equally to Washington and Smyth County. As such, the County has recorded an investment in SWIFA on the statement of net position that represents ½ of the current carrying costs of lots in the Highlands Business Park.

Note 16-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The component unit School Board participates with other localities in a public entity risk pool for their coverage of general liability, property and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The School Board pays the Virginia Association of Counties Risk Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, and depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 17-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget's Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

Note 18-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:		
John Graham, Clerk of the Circuit Court	\$	425,000
Tom Burkett, Treasurer		500,000
Jeff Richardson, Commissioner of the Revenue		3,000
Chip Shuler, Sheriff		30,000
All constitutional officers' employees: blanket bond		50,000
Virginia Association of Counties Group		
Self Insurance Risk Pool		
Public Officials Liability - Limit	\$	2,000,000
Defense Cost Limit		100,000
Virginia Liability Risk Management Program		
Social Services Employees	\$	1,000,000

Component Unit - School Board:

Virginia Association of Counties Group		
Self Insurance Risk Pool		
School Leaders	\$	5,000,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017**Note 19-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County closed the landfill in 1995, however, certain monitoring functions will be continued at the landfill for a period of up to 30 years. \$313,834 was reported as landfill closure and post-closure care liability at June 30, 2017. This amount is based on what it would cost to perform all closure and post-closure in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Federal and State regulations require owners of municipal solid waste landfills to demonstrate financial responsibility for closure care, post closure care, and corrective costs arising from the operations of such facilities. The County qualifies to use the State Department of Environmental Quality's financial assurance test in order to demonstrate financial responsibility.

Note 20-Operating Lease:

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

Note 21-Arbitrage Rebate Compliance:

As of June 30, 2017 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 22-Commitments and Contingencies:

The County was involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount</u> <u>Outstanding at</u>		<u>Funding Source</u>
		<u>June 30, 2017</u>		
Mendon Pipeline-Adwolfe Sewer Extension-Phase I	\$ 2,848,524	\$ 1,747,472		Local Funds
King General Contractors-Adwolfe Sewer Extension-Phase I	909,064	642,842		Local Funds
Hurt & Profit-Back of the Dragon	99,950	66,952		Local Funds

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

Note 22-Commitments and Contingencies: (Continued)

The County entered into an agreement with a certain entity to purchase water at an initial rate of \$3.60 per 1,000 gallons for the year ended September 30, 2017 with rates increasing 5% annually. The agreement has an initial five year term with the option to renew for four successive five-year periods.

The County entered into an agreement with a certain Town to purchase up to 256,000 gallons of water per day at a rate of \$20.50 for first 5,000 gallons; a rate of \$3.51/1,000 gallons for the next 495,000 gallons; and a rate of \$2.81/1,000 gallons for anything over 500,000 gallons. This agreement is subject to increases in the Town's commercial rate up to 2% annually. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County. As of July 1, 2017, a new agreement has been signed that establishes a rate of \$3.80 per 1,000 gallons with the rate subject to increases to the Town's rates charged to its customers. The new agreement has an initial five year term.

The County and a certain Town entered into a water purchase agreement in July 2016 for the purchase of a minimum of 21 million gallons of water annually at a rate of \$5.00 per 1,000 gallons. In the event that the Town must purchase water back from the County, the rate is the same. The initial term of the agreement is seven years, from July 1, 2016 through June 30, 2023 and is renewable for intervals of three successive years at the mutual option of the County and the Town. The rate shall remain constant for the first seven year term and will increase or decrease in a percentage equal to the increase or decrease of the Town's residential rates.

Note 23-Intergovernmental Agreements:

Mountain Empire Regional Wastewater Facility

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

The user charge is determined monthly. The initial agreement ends August 2030; however, same may be renewed for an additional 40 year period. During fiscal year 2017, the County remitted a total of \$152,103 to the Town of Marion. As part of the agreement, the Town of Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

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Note 23-Intergovernmental Agreements: (Continued)

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. The Town of Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by the Town of Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year's income or loss derived from the treatment of wastewater. The user charge is determined each month based on a percentage of plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2017, the County remitted a total of \$171,019 to the Town of Chilhowie. As part of the agreement, the Town of Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Saltville-Smyth Regional Wastewater Treatment Facility

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

The term of agreement ends March 2041 and is renewable for a term of 40 years. During the fiscal year 2017, the County remitted a total of \$34,435 to the Town of Saltville in user charges. As part of the agreement, the Town of Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 24-Litigation:

At June 30, 2017, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

Note 25-Subsequent Events:

The Smyth-Bland Regional Library dissolves as of July 1, 2017, with each County operating its own public library system going forward. The Smyth County Public Library will be evaluated for inclusion in the financial statements of Smyth County for fiscal year 2018.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 26-Restricted and Committed Funds and Restricted Net Position:

	General Fund	Component Unit School Fund
Governmental Activities/Funds:		
Restricted:		
E-911	\$ 280,577	\$ -
Courthouse construction	974,007	-
Public Safety	361,151	-
Courthouse security	71,136	-
E-summons program	32,748	-
Cafeteria Program	-	580,341
Total restricted balances	<u>\$ 1,719,619</u>	<u>\$ 580,341</u>
Governmental Funds:		
Committed funds:		
Animal Control	\$ 15,449	\$ -
Public Safety	1,093,225	-
Total committed funds	<u>\$ 1,108,674</u>	<u>\$ -</u>

Note 27-Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017Note 27-Upcoming Pronouncements: (Continued)

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. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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.

Note 28-Restatement of Beginning Net Position:

Beginning net position has been restated as following in the accompanying financial statements:

	Governmental Activities
Net Position, July 1, 2016, as previously reported	\$ 12,264,532
Adjustment:	
Accumulated depreciation	921,956
Net Position, July 1, 2016, as restated	<u>\$ 13,186,488</u>

Required Supplementary Information

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 16,111,000	\$ 16,111,000	\$ 16,516,355	\$ 405,355
Other local taxes	3,285,800	3,285,800	3,444,795	158,995
Permits, privilege fees, and regulatory licenses	115,642	115,642	113,794	(1,848)
Fines and forfeitures	1,020,775	1,020,775	814,522	(206,253)
Revenue from the use of money and property	205,694	205,694	227,311	21,617
Charges for services	1,246,676	1,279,466	1,268,478	(10,988)
Miscellaneous	752,200	752,200	240,957	(511,243)
Recovered costs	255,868	255,868	398,251	142,383
Intergovernmental	12,770,582	12,935,693	10,525,309	(2,410,384)
Total revenues	\$ 35,764,237	\$ 35,962,138	\$ 33,549,772	\$ (2,412,366)
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 884,637	\$ 683,657	\$ 577,914	\$ 105,743
County administrator	962,097	962,097	809,604	152,493
Legal department	75,000	75,000	47,504	27,496
Commissioner of revenue	291,338	291,338	283,992	7,346
Treasurer	372,244	372,244	350,928	21,316
Management information systems	343,462	343,462	343,481	(19)
Electoral board/registrar	285,452	285,452	267,109	18,343
Total general government administration	\$ 3,214,230	\$ 3,013,250	\$ 2,680,532	\$ 332,718
Judicial administration:				
Circuit court	\$ 76,820	\$ 79,820	\$ 78,298	\$ 1,522
General district court	5,730	5,730	6,090	(360)
Juvenile and domestic court	255,044	255,044	254,373	671
Clerk of the circuit court	544,564	544,564	557,653	(13,089)
Law library	1,000	1,000	755	245
Victim witness assistance program	101,375	101,375	89,626	11,749
Commonwealth's attorney	647,904	647,904	615,156	32,748
Total judicial administration	\$ 1,632,437	\$ 1,635,437	\$ 1,601,951	\$ 33,486
Public safety:				
Sheriff	\$ 2,842,331	\$ 2,854,331	\$ 2,764,934	\$ 89,397
Central dispatch	2,800	2,800	2,474	326
Volunteer fire department	243,572	243,572	179,729	63,843
Ambulance and rescue service	135,455	135,455	106,455	29,000
Sheriff - jail	2,065,675	2,510,075	2,510,068	7
Building inspections	383,978	383,978	318,258	65,720
Animal control	434,887	434,887	391,329	43,558
Medical examiner	500	500	460	40
Emergency services - civil defense	22,925	22,925	21,334	1,591
Sheriff school resource officer	86,472	86,472	76,331	10,141
County E-911	472,110	472,110	464,182	7,928
Forrestry	8,000	8,000	7,951	49
E-911 wireless	43,760	74,060	74,141	(81)
Sheriff drug asset	4,000	4,000	-	4,000
Sheriff department dare	5,000	5,000	6,928	(1,928)

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety: (Continued)				
Asset forfeiture	\$ 2,600	\$ 2,600	\$ 58,960	\$ (56,360)
Police activity	773,015	833,015	855,333	(22,318)
Special investigation	9,134	4,134	75	4,059
Sheriff federal drug asset	25,000	25,000	-	25,000
E-summons	60,000	60,000	67,920	(7,920)
Commonwealth Attorney asset forfeiture	200,000	185,181	101,845	83,336
Courthouse security	141,885	195,885	191,386	4,499
Total public safety	\$ 7,963,099	\$ 8,543,980	\$ 8,200,093	\$ 343,887
Public works:				
Rye Valley water company	\$ 26,168	\$ 26,168	\$ 26,168	\$ -
Refuse collection and disposal	1,438,968	1,543,968	1,555,140	(11,172)
County engineer	3,000	3,000	981	2,019
Convenience stations	317,373	317,373	292,325	25,048
Courthouse maintenance	205,152	203,652	188,770	14,882
Health department building	83,904	84,404	79,963	4,441
County office building	277,647	278,647	221,425	57,222
Total public works	\$ 2,352,212	\$ 2,457,212	\$ 2,364,772	\$ 92,440
Health and welfare:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health contribution	166,022	166,022	166,022	-
Board members	4,200	4,200	2,800	1,400
Welfare administration and programs	4,742,517	4,742,517	4,414,184	328,333
Comprehensive services act	860,152	1,085,152	1,057,891	27,261
Other welfare programs	212,721	212,721	331,383	(118,662)
Total health and welfare	\$ 6,426,635	\$ 6,651,635	\$ 6,413,303	\$ 238,332
Education:				
Contribution to Community Colleges	\$ 55,750	\$ 55,750	\$ 55,750	\$ -
Contribution to County School Board	7,656,575	7,656,575	7,240,884	415,691
Total education	\$ 7,712,325	\$ 7,712,325	\$ 7,296,634	\$ 415,691
Parks, recreation, and cultural:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	35,563	35,563	35,563	-
Library administration	700,000	700,000	700,000	-
Total parks, recreation, and cultural	\$ 764,563	\$ 764,563	\$ 764,563	\$ -
Community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 4,624	\$ 2,276
Community and economic development	169,080	169,080	160,317	8,763
Industrial Development Authorities	766,428	766,428	50,046	716,382
Soild and conservation	27,600	27,600	27,600	-
Extension office	88,875	88,875	87,091	1,784
Total community development	\$ 1,058,883	\$ 1,058,883	\$ 329,678	\$ 729,205

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
Capital projects:				
Capital improvements	\$ 2,340,000	\$ 2,340,000	\$ 2,295,796	\$ 44,204
Adwolfe sewer extension	2,000,000	2,000,000	1,843,888	156,112
Courthouse construction	2,500,000	2,500,000	1,697,995	802,005
School construction	-	-	19,615	(19,615)
Total capital projects	<u>\$ 6,840,000</u>	<u>\$ 6,840,000</u>	<u>\$ 5,857,294</u>	<u>\$ 982,706</u>
Debt service:				
Principal retirement	\$ 7,490,810	\$ 7,089,810	\$ 2,089,810	\$ 5,000,000
Interest and other fiscal charges	1,596,414	1,596,414	1,466,236	130,178
Total debt service	<u>\$ 9,087,224</u>	<u>\$ 8,686,224</u>	<u>\$ 3,556,046</u>	<u>\$ 5,130,178</u>
Total expenditures	<u>\$ 47,051,608</u>	<u>\$ 47,363,509</u>	<u>\$ 39,064,866</u>	<u>\$ 8,298,643</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,287,371)</u>	<u>\$ (11,401,371)</u>	<u>\$ (5,515,094)</u>	<u>\$ 5,886,277</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,173,624	\$ 3,173,624	\$ 451,376	\$ (2,722,248)
Issuance of loan payable	5,487,113	5,487,113	1,156,824	(4,330,289)
Issuance of refunding bonds	-	-	20,454,976	20,454,976
Issuance of bridge loan	2,340,000	2,340,000	2,300,000	(40,000)
Sale of capital assets	10,000	10,000	-	(10,000)
Payments to refunded bonds escrow agent	-	-	(23,036,389)	(23,036,389)
Total other financing sources (uses)	<u>\$ 11,010,737</u>	<u>\$ 11,010,737</u>	<u>\$ 1,326,787</u>	<u>\$ (9,683,950)</u>
Net change in fund balances	<u>\$ (276,634)</u>	<u>\$ (390,634)</u>	<u>\$ (4,188,307)</u>	<u>\$ (3,797,673)</u>
Fund balances - beginning	276,634	390,634	13,618,966	13,228,332
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,430,659</u>	<u>\$ 9,430,659</u>

Note 1: GAAP serves as the budgetary basis of accounting

County of Smyth, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2017

Primary Government:

County Health Insurance Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	# Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2016	\$ -	\$ 1,418,000	\$ 1,418,000	0.00%	\$ 7,279,000	19.48%
July 1, 2014	-	1,337,000	1,337,000	0.00%	7,620,165	17.55%
July 1, 2012	-	1,365,000	1,365,000	0.00%	7,298,702	18.70%

Discretely Presented Component Unit:

School Board Health Insurance Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	# Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2016	\$ -	\$ 4,557,000	\$ 4,557,000 #	0.00%	\$ 24,051,000	18.95%
July 1, 2014	-	5,209,000	5,209,000 #	0.00%	25,803,000	20.19%
July 1, 2012	-	4,627,000	4,627,000	0.00%	27,332,248	16.93%

County of Smyth, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
For the Years Ended June 30, 2015 through June 30, 2017

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - County Retirement Plan					
2016	92.9804%	\$ 6,537,997	\$ 6,875,983	95.08%	83.43%
2015	92.4828%	6,154,322	6,849,722	89.85%	84.22%
2014	92.4828%	5,821,546	6,957,845	83.67%	84.65%
Component Unit School Board (professional)					
2016	0.2965%	\$ 41,550,000	\$ 22,605,674	183.80%	68.28%
2015	0.3097%	38,983,000	23,023,786	169.32%	70.68%
2014	0.3233%	39,071,000	23,643,816	165.25%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available.

County of Smyth, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit-School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 250,631	\$ 266,352	\$ 269,417
Interest	869,360	858,200	829,370
Differences between expected and actual experience	(191,576)	(206,989)	-
Benefit payments, including refunds of employee contributions	(820,987)	(695,293)	(678,546)
Net change in total pension liability	\$ 107,428	\$ 222,270	\$ 420,241
Total pension liability - beginning	12,829,921	12,607,651	12,187,410
Total pension liability - ending (a)	<u>\$ 12,937,349</u>	<u>\$ 12,829,921</u>	<u>\$ 12,607,651</u>
Plan fiduciary net position			
Contributions - employer	\$ 249,040	\$ 261,267	\$ 259,497
Contributions - employee	108,352	114,873	121,131
Net investment income	184,071	491,896	1,505,249
Benefit payments, including refunds of employee contributions	(820,987)	(695,293)	(678,546)
Administrative expense	(7,019)	(6,949)	(8,292)
Other	(79)	(103)	79
Net change in plan fiduciary net position	\$ (286,622)	\$ 165,691	\$ 1,199,118
Plan fiduciary net position - beginning	11,063,684	10,897,993	9,698,875
Plan fiduciary net position - ending (b)	<u>\$ 10,777,062</u>	<u>\$ 11,063,684</u>	<u>\$ 10,897,993</u>
School Division's net pension liability - ending (a) - (b)	\$ 2,160,287	\$ 1,766,237	\$ 1,709,658
Plan fiduciary net position as a percentage of the total pension liability	83.30%	86.23%	86.44%
Covered payroll	\$ 2,208,654	\$ 2,297,419	\$ 2,393,110
School Division's net pension liability as a percentage of covered payroll	97.81%	76.88%	71.44%

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.

County of Smyth, Virginia
Schedule of Employer Contributions
For the Years Ended June 30, 2008 through June 30, 2017

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)
Primary Government					
2017	\$ 694,789	\$ 694,789	\$ -	\$ 6,922,002	10.04%
2016	891,693	891,693	-	6,875,983	12.97%
2015	885,099	885,099	-	6,849,722	12.92%
Component Unit School Board (nonprofessional)					
2017	\$ 211,186	\$ 211,186	\$ -	\$ 2,163,422	9.76%
2016	249,040	249,040	-	2,208,654	11.28%
2015	261,267	261,267	-	2,297,419	11.37%
2014	259,497	259,497	-	2,393,110	10.84%
2013	272,884	272,884	-	2,512,741	10.86%
2012	172,531	172,531	-	2,540,961	6.79%
2011	170,753	170,753	-	2,514,769	6.79%
2010	174,576	174,576	-	2,548,556	6.85%
2009	174,531	174,531	-	2,547,894	6.85%
2008	207,053	207,053	-	2,461,988	8.41%
Component Unit School Board (professional)					
2017	\$ 3,268,316	\$ 3,268,316	\$ -	\$ 22,470,905	14.54%
2016	3,165,416	3,165,416	-	22,605,674	14.00%
2015	3,339,265	3,339,265	-	23,023,786	14.50%
2014	2,756,869	2,756,869	-	23,643,816	11.66%
2013	2,764,017	2,764,017	-	23,705,120	11.66%
2012	1,490,705	1,490,705	-	23,549,841	6.33%
2011	928,707	928,707	-	23,631,221	3.93%
2010	1,791,916	1,791,916	-	20,339,566	8.81%
2009	2,271,552	2,271,552	-	25,783,794	8.81%
2008	2,589,256	2,589,256	-	25,138,412	10.30%

Current year contributions are from County and School Board records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Prior to 2015 the County information reported in the County's reported included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County. Additional years will be included as they become available.

County of Smyth, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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, 2016 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

FIDUCIARY FUNDS - AGENCY FUNDS

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

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

County of Smyth, Virginia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Carnegie Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	120,125	\$ -	\$ 120,125
Total assets	<u>\$ 120,125</u>	<u>\$ -</u>	<u>\$ 120,125</u>
LIABILITIES			
Amounts held for social services clients	\$ 120,125	\$ -	\$ 120,125
Total liabilities	<u>\$ 120,125</u>	<u>\$ -</u>	<u>\$ 120,125</u>

County of Smyth, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Agency Funds:				
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 70,677	\$ 109,337	\$ (115,756)	\$ 64,258
Investments	55,302	566	-	55,868
Accrued interest	1	1	(2)	-
Local receivable	2,356	-	(2,356)	-
Total assets	\$ 128,336	\$ 109,904	\$ (118,114)	\$ 120,126
Liabilities:				
Amounts held for social services clients	\$ 128,336	\$ 109,904	\$ (118,114)	\$ 120,126
Carnegie Fund:				
Assets:				
Cash and cash equivalents	\$ 1,687	\$ -	\$ (1,687)	\$ -
Liabilities:				
Amounts held for carnegie fund	\$ 1,687	\$ -	\$ (1,687)	\$ -
Total Assets:				
Cash and cash equivalents	\$ 72,364	\$ 109,337	\$ (117,443)	\$ 64,258
Investments	55,302	566	-	55,868
Accrued interest	1	1	(2)	-
Local receivable	2,356	-	(2,356)	-
Total assets	\$ 130,023	\$ 109,904	\$ (119,801)	\$ 120,126
Total Liabilities:				
Amounts held for others	\$ 130,023	\$ 109,904	\$ (119,801)	\$ 120,126

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for and reports the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the County's General Fund.

County of Smyth, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 1,436,199
Investments	1,066,218
Receivables (net of allowance for uncollectibles):	
Accounts receivable	170,997
Due from primary government	1,284,180
Due from other governmental units	2,178,575
Inventories	69,129
Prepaid items	682,699
Accrued interest	342
Total assets	<u>\$ 6,888,339</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 105,739
Accrued liabilities	4,078,288
Total liabilities	<u>\$ 4,184,027</u>
Fund balances:	
Nonspendable	
Prepaid items	\$ 682,699
Inventories	69,129
Restricted	
School cafeterias	580,341
Unassigned	1,372,143
Total fund balances	<u>\$ 2,704,312</u>
Total liabilities and fund balances	<u>\$ 6,888,339</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,704,312
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	844,463
Buildings and improvements	5,449,756
Machinery and equipment	2,535,337
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	3,479,502
Items related to measurement of the net pension liability are considered deferred outflows or deferred inflows and will be amortized and recognized in pension expense over future years.	
Deferred outflows of resources	2,654,043
Deferred inflows of resources	(4,644,978)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(454,925)
Net OPEB obligation	(1,127,000)
Net ERIP obligation	(65,965)
Net pension liability	(43,710,287)
Net position of governmental activities	<u>\$ (32,335,742)</u>

County of Smyth, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 3,729
Charges for services	1,248,050
Miscellaneous	44,754
Recovered costs	558,566
Intergovernmental	43,800,643
Total revenues	<u>\$ 45,655,742</u>
EXPENDITURES	
Current:	
Education	\$ 44,981,164
Total expenditures	<u>\$ 44,981,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 674,578</u>
Net change in fund balances	\$ 674,578
Fund balances - beginning	2,029,734
Fund balances - ending	<u><u>\$ 2,704,312</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 674,578
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 depreciation exceeded capital outlays in the current period.	
Capital outlays	367,167
Depreciation expenses	(1,020,891)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows related to the measurement of the net pension liability	856,810
Pension contribution subsequent to the measurement date will be an decrease in the net pension liability in the next fiscal year and therefore, are not reported in the funds.	64,709
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.	
Change in compensated absences	71,241
Change in net OPEB obligation	(47,000)
Change in net ERIP obligation	98,818
Change in net pension liability	(2,961,050)
Change in deferred outflows related to the the measurement of the net pension liability	2,654,043
Change in net position of governmental activities	<u><u>\$ 758,425</u></u>

County of Smyth, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Operating Fund			Variance with Final Budget Positive Negative
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 4,050	\$ 4,050	\$ 3,729	\$ (321)
Charges for services	1,798,315	1,798,315	1,248,050	(550,265)
Miscellaneous	70,000	70,000	44,754	(25,246)
Recovered costs	640,000	640,000	558,566	(81,434)
Intergovernmental	44,538,980	44,538,980	43,800,643	(738,337)
Total revenues	\$ 47,051,345	\$ 47,051,345	\$ 45,655,742	\$ (1,395,603)
EXPENDITURES				
Current:				
Education	\$ 46,750,926	\$ 46,750,926	\$ 44,981,164	\$ 1,769,762
Total expenditures	\$ 46,750,926	\$ 46,750,926	\$ 44,981,164	\$ 1,769,762
Excess (deficiency) of revenues over (under) expenditures	\$ 300,419	\$ 300,419	\$ 674,578	\$ 374,159
Net change in fund balances	\$ 300,419	\$ 300,419	\$ 674,578	\$ 374,159
Fund balances - beginning	-	-	2,029,734	2,029,734
Fund balances - ending	\$ 300,419	\$ 300,419	\$ 2,704,312	\$ 2,403,893

DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC
DEVELOPMENT AUTHORITY

MAJOR GOVERNMENTAL FUNDS

Economic Development Authority (EDA) - The EDA operating fund account is an enterprise fund that accounts for the County's Component-unit EDA.

County of Smyth, Virginia
Statement of Net Position - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
June 30, 2017

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 74,979
Investments	624,523
Due from primary government	116,620
Accrued interest	369
Total current assets	<u>\$ 816,491</u>
Capital assets:	
Land	\$ 4,823,062
Total capital assets	<u>\$ 4,823,062</u>
Total noncurrent assets	<u>\$ 4,823,062</u>
Total assets	<u>\$ 5,639,553</u>
NET POSITION	
Investment in capital assets	\$ 4,823,062
Restricted for debt service and bond covenants	
Unrestricted	816,491
Total net position	<u><u>\$ 5,639,553</u></u>

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

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

	Enterprise Fund
OPERATING REVENUES	
Miscellaneous	\$ 73,731
Tobacco Commision grant	30,915
Total operating revenues	<u>\$ 104,646</u>
OPERATING EXPENSES	
Grant awards	\$ 196,369
Miscellaneous	71,547
Total operating expenses	<u>\$ 267,916</u>
Operating income (loss)	<u>\$ (163,270)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 179
Total nonoperating revenues (expenses)	<u>\$ 179</u>
Change in net position	\$ (163,091)
Total net position - beginning	5,802,644
Total net position - ending	<u><u>\$ 5,639,553</u></u>

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

County of Smyth, Virginia
Statement of Cash Flows - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grant revenue	\$ 30,915
Payments for operating expenses	(267,916)
Other receipts	73,731
Net cash provided by (used for) operating activities	<u>\$ (163,270)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from(to) primary government	<u>\$ 129,426</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	<u>\$ 46,569</u>
Net increase (decrease) in cash and cash equivalents	\$ 12,725
Cash and cash equivalents - beginning	62,254
Cash and cash equivalents - ending	<u><u>\$ 74,979</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (163,270)
Net cash provided by (used for) operating activities	<u><u>\$ (163,270)</u></u>

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

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,952,700	\$ 9,952,700	\$ 10,133,851	\$ 181,151
Public service corporation taxes	1,035,000	1,035,000	1,107,476	72,476
Personal property taxes	2,839,200	2,839,200	3,104,989	265,789
Mobile home taxes	54,500	54,500	50,993	(3,507)
Machinery and tools taxes	1,725,600	1,725,600	1,482,610	(242,990)
Merchant's capital taxes	244,000	244,000	252,700	8,700
Penalties	110,000	110,000	156,652	46,652
Interest	150,000	150,000	227,084	77,084
Total general property taxes	\$ 16,111,000	\$ 16,111,000	\$ 16,516,355	\$ 405,355
Other local taxes:				
Local sales and use taxes	\$ 2,100,200	\$ 2,100,200	\$ 2,094,738	\$ (5,462)
Consumers' utility taxes	568,000	568,000	582,164	14,164
Local consumption tax	88,600	88,600	83,702	(4,898)
Motor vehicle licenses	422,000	422,000	459,798	37,798
Taxes on recordation and wills	-	-	88,539	88,539
Special conveyance tax	32,000	32,000	26,353	(5,647)
Lodging tax	45,000	45,000	56,081	11,081
Special assessments	30,000	30,000	53,420	23,420
Total other local taxes	\$ 3,285,800	\$ 3,285,800	\$ 3,444,795	\$ 158,995
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 11,000	\$ 11,000	\$ 7,470	\$ (3,530)
Land use application fees	500	500	600	100
Transfer fees	800	800	839	39
Building permits and other licenses	70,000	70,000	80,083	10,083
Erosion and sediment control	3,042	3,042	8,100	5,058
Other permits, fees, and licenses	30,300	30,300	16,702	(13,598)
Total permits, privilege fees, and regulatory licenses	\$ 115,642	\$ 115,642	\$ 113,794	\$ (1,848)
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,020,775	\$ 1,020,775	\$ 814,522	\$ (206,253)
Total fines and forfeitures	\$ 1,020,775	\$ 1,020,775	\$ 814,522	\$ (206,253)
Revenue from use of money and property:				
Revenue from use of money	\$ 51,620	\$ 51,620	\$ 106,847	\$ 55,227
Revenue from use of property	154,074	154,074	120,464	(33,610)
Total revenue from use of money and property	\$ 205,694	\$ 205,694	\$ 227,311	\$ 21,617
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,076	\$ 2,076	\$ 6,091	\$ 4,015
Charges for courthouse maintenance	80,000	80,000	76,856	(3,144)
Charges for courtroom security	155,000	155,000	137,775	(17,225)
Miscellaneous jail and inmate fees	6,000	13,000	9,023	(3,977)
Charges for Commonwealth's Attorney	4,200	4,200	4,121	(79)
Charges for sanitation and waste removal	966,000	966,000	1,003,786	37,786
Charges for law library	6,800	6,800	9,651	2,851
Charges for e-summones	0	0	-	-
Other charges for services	26,600	52,390	21,175	(31,215)
Total charges for services	\$ 1,246,676	\$ 1,279,466	\$ 1,268,478	\$ (10,988)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous	\$ 752,200	\$ 752,200	\$ 240,957	\$ (511,243)
Recovered costs:				
Rye Valley water salary reimbursement	\$ 26,040	\$ 26,040	\$ 23,987	\$ (2,053)
Insurance recoveries	74,672	74,672	57,950	(16,722)
School resource officer	84,000	84,000	157,327	73,327
Local board of welfare	11,000	11,000	32,877	21,877
Library VRS reimbursement	-	-	5,618	5,618
Regional jail	-	-	29,268	29,268
Tourism	35,556	35,556	35,562	6
Other recovered costs	24,600	24,600	55,662	31,062
Total recovered costs	\$ 255,868	\$ 255,868	\$ 398,251	\$ 142,383
Total revenue from local sources	\$ 22,993,655	\$ 23,026,445	\$ 23,024,463	\$ (1,982)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 37,850	\$ 37,850	\$ 34,557	\$ (3,293)
Communications sales and use taxes	540,000	540,000	555,523	15,523
Mobile home titling tax	40,000	40,000	39,201	(799)
State recordation tax	157,000	157,000	31,326	(125,674)
Personal property tax relief funds	1,804,310	1,804,310	1,804,316	6
Total noncategorical aid	\$ 2,579,160	\$ 2,579,160	\$ 2,464,923	\$ (114,237)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 483,031	\$ 483,031	\$ 476,507	\$ (6,524)
Sheriff	1,659,612	1,659,612	1,633,500	(26,112)
Commissioner of revenue	109,679	109,679	108,864	(815)
Treasurer	108,027	108,027	106,216	(1,811)
Registrar/electoral board	83,724	83,724	41,896	(41,828)
Clerk of the Circuit Court	293,615	293,615	322,757	29,142
Total shared expenses	\$ 2,737,688	\$ 2,737,688	\$ 2,689,740	\$ (47,948)
Other categorical aid:				
Public assistance and welfare administration	\$ 1,392,841	\$ 1,392,841	\$ 1,382,371	\$ (10,470)
Comprehensive services act	623,179	795,599	745,938	(49,661)
Emergency management grant	43,000	73,300	43,509	(29,791)
Fire program	68,000	68,000	72,632	4,632
VDOT grants	40,000	40,000	43,710	3,710
Litter control grant	9,000	9,000	6,912	(2,088)
Victim witness grant	101,375	101,375	42,586	(58,789)
Asset forfeiture funds	-	-	40,650	40,650
Tobacco commission grant	90,000	90,000	-	(90,000)
School resource officer	103,884	103,884	72,306	(31,578)
Circuit court clerk grant	18,000	18,000	-	(18,000)
Court technology trust fund grant	30,000	30,000	-	(30,000)
Two for life grant	29,000	29,000	24,274	(4,726)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Record preservation grant	\$ -	\$ -	\$ 48,576	\$ 48,576
National forest	1,800	1,800	750	(1,050)
Other categorical aid	40,500	40,500	35,540	(4,960)
Total other categorical aid	<u>\$ 2,590,579</u>	<u>\$ 2,793,299</u>	<u>\$ 2,559,754</u>	<u>\$ (233,545)</u>
Total categorical aid	<u>\$ 5,328,267</u>	<u>\$ 5,530,987</u>	<u>\$ 5,249,494</u>	<u>\$ (281,493)</u>
Total revenue from the Commonwealth	<u>\$ 7,907,427</u>	<u>\$ 8,110,147</u>	<u>\$ 7,714,417</u>	<u>\$ (395,730)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 85,000	\$ 85,000	\$ 116,072	\$ 31,072
Categorical aid:				
Public assistance and welfare administration	\$ 2,530,655	\$ 2,530,655	\$ 2,435,602	\$ (95,053)
Emergency management grant	7,500	7,500	7,500	-
State and community highway safety	40,000	40,000	15,568	(24,432)
Victim witness grant	-	-	47,041	47,041
Federal asset forfeiture	200,000	162,391	176,109	13,718
Rural development grant	2,000,000	2,000,000	10,000	(1,990,000)
CDBG	-	-	3,000	3,000
Total categorical aid	<u>\$ 4,778,155</u>	<u>\$ 4,740,546</u>	<u>\$ 2,694,820</u>	<u>\$ (2,045,726)</u>
Total revenue from the federal government	<u>\$ 4,863,155</u>	<u>\$ 4,825,546</u>	<u>\$ 2,810,892</u>	<u>\$ (2,014,654)</u>
Total General Fund	<u>\$ 35,764,237</u>	<u>\$ 35,962,138</u>	<u>\$ 33,549,772</u>	<u>\$ (2,412,366)</u>
Total Primary Government	<u>\$ 35,764,237</u>	<u>\$ 35,962,138</u>	<u>\$ 33,549,772</u>	<u>\$ (2,412,366)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,300	\$ 1,300	\$ 3,729	\$ 2,429
Revenue from the use of property	2,750	2,750	-	(2,750)
Total revenue from use of money and property	<u>\$ 4,050</u>	<u>\$ 4,050</u>	<u>\$ 3,729</u>	<u>\$ (321)</u>
Charges for services:				
Cafeteria sales	\$ 1,234,015	\$ 1,234,015	\$ 595,435	\$ (638,580)
Transportation of pupils	25,000	25,000	20,160	(4,840)
Tuition and payments from other divisions	539,300	539,300	632,455	93,155
Total charges for services	<u>\$ 1,798,315</u>	<u>\$ 1,798,315</u>	<u>\$ 1,248,050</u>	<u>\$ (550,265)</u>
Miscellaneous:				
Other miscellaneous	\$ 70,000	\$ 70,000	\$ 44,754	\$ (25,246)
Total miscellaneous	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 44,754</u>	<u>\$ (25,246)</u>

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Insurance recoveries and rebates	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Sale of school buses	-	-	11,855	11,855
Sale of equipment	20,000	20,000	5,251	(14,749)
Famis/Medicaid reimbursement	250,000	250,000	270,958	20,958
E-rate	138,000	138,000	116,675	(21,325)
Other recovered costs	132,000	132,000	153,827	21,827
Total recovered costs	<u>\$ 640,000</u>	<u>\$ 640,000</u>	<u>\$ 558,566</u>	<u>\$ (81,434)</u>
Total revenue from local sources	<u>\$ 2,512,365</u>	<u>\$ 2,512,365</u>	<u>\$ 1,855,099</u>	<u>\$ (657,266)</u>
Intergovernmental:				
Revenue from local governments				
Contribution from County of Smyth, Virginia	<u>\$ 7,656,575</u>	<u>\$ 7,656,575</u>	<u>\$ 7,240,884</u>	<u>\$ (415,691)</u>
Revenue from the Commonwealth:				
Categorical aid:				
At risk four-year olds	\$ 496,120	\$ 496,120	\$ 496,120	\$ -
At risk payments	760,859	760,859	759,411	(1,448)
Basic school aid	15,481,149	15,481,149	15,544,765	63,616
Breakfast after the bell	9,000	9,000	9,135	135
CTE	-	-	11,805	11,805
Early reading intervention	95,007	95,007	89,871	(5,136)
English as a second language	23,394	23,394	25,937	2,543
GED funds	23,576	23,576	25,254	1,678
Gifted and talented	163,023	163,023	162,713	(310)
Group life insurance instructional	67,926	67,926	67,797	(129)
Homebound education	8,467	8,467	5,112	(3,355)
Industry certification	-	-	8,296	8,296
Jobs for grads	21,000	21,000	25,000	4,000
Lottery payments	178,034	178,034	178,171	137
Mentor teacher program	2,937	2,937	3,370	433
National board certification	7,500	7,500	7,500	-
Primary class size	951,359	951,359	905,339	(46,020)
Project graduation	-	-	20,635	20,635
Regular foster care	70,947	70,947	36,350	(34,597)
Regular tuition-COOP	329,025	329,025	346,248	17,223
Remedial education	733,602	733,602	732,211	(1,391)
Remedial summer education	115,044	115,044	100,861	(14,183)
Retirement fringe benefits	2,047,972	2,047,972	2,044,088	(3,884)
School food	33,297	33,297	29,845	(3,452)
School safety grant	50,000	50,000	28,466	(21,534)
Share of state sales tax	4,924,248	4,924,248	4,847,223	(77,025)
Small school division enrollment loss	-	-	191,886	191,886
Social security fringe benefits	995,117	995,117	993,230	(1,887)
Special education - foster children	1,579,282	1,579,282	1,576,287	(2,995)
Special education - regional programs	-	-	72,134	72,134
Standards of Learning algebra readiness	86,966	86,966	89,674	2,708
State hospital	11,736	11,736	7,802	(3,934)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Supplemental support	\$ 245,094	\$ 245,094	\$ -	\$ (245,094)
Textbook payment	846,966	846,966	372,139	(474,827)
Vocational adult education	67,222	67,222	20,571	(46,651)
Vocational equipment education	-	-	11,171	11,171
Vocational occupational preparedness	-	-	22,604	22,604
Vocational education SOQ payments	849,076	849,076	847,466	(1,610)
VPSA technology grant	418,000	418,000	417,224	(776)
Other state funds	-	-	17,923	17,923
Total categorical aid	<u>\$ 31,692,945</u>	<u>\$ 31,692,945</u>	<u>\$ 31,151,634</u>	<u>\$ (541,311)</u>
Total revenue from the Commonwealth	<u>\$ 31,692,945</u>	<u>\$ 31,692,945</u>	<u>\$ 31,151,634</u>	<u>\$ (541,311)</u>
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ -	\$ -	\$ 451,963	\$ 451,963
School lunch program	1,910,243	1,910,243	1,341,875	(568,368)
Title I	1,350,000	1,350,000	1,267,807	(82,193)
Title VI-B, Special education flow-through	1,039,293	1,039,293	1,054,646	15,353
Vocational education	86,104	86,104	82,211	(3,893)
Title VI-B, Special education pre-school	52,153	52,153	53,096	943
Title II	245,000	245,000	325,014	80,014
Forest reserve	77,000	77,000	10,715	(66,285)
Fresh fruits and vegetables	22,000	22,000	22,574	574
Language acquisition grant	1,667	1,667	2,026	359
21st century	270,000	270,000	211,184	(58,816)
Title VI	100,000	100,000	213,254	113,254
Child and adult care food program	36,000	36,000	72,694	36,694
Third meal	-	-	231,967	231,967
Child nutrition discretionary grants	-	-	67,099	67,099
Total categorical aid	<u>\$ 5,189,460</u>	<u>\$ 5,189,460</u>	<u>\$ 5,408,125</u>	<u>\$ 218,665</u>
Total revenue from the federal government	<u>\$ 5,189,460</u>	<u>\$ 5,189,460</u>	<u>\$ 5,408,125</u>	<u>\$ 218,665</u>
Total School Operating Fund	<u>\$ 47,051,345</u>	<u>\$ 47,051,345</u>	<u>\$ 45,655,742</u>	<u>\$ (1,395,603)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 47,051,345</u>	<u>\$ 47,051,345</u>	<u>\$ 45,655,742</u>	<u>\$ (1,395,603)</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 884,637	\$ 683,657	\$ 577,914	\$ 105,743
General and financial administration:				
County administrator	\$ 962,097	\$ 962,097	\$ 809,604	\$ 152,493
Legal department	75,000	75,000	47,504	27,496
Commissioner of revenue	291,338	291,338	283,992	7,346
Treasurer	372,244	372,244	350,928	21,316
Management information systems	343,462	343,462	343,481	(19)
Total general and financial administration	\$ 2,044,141	\$ 2,044,141	\$ 1,835,509	\$ 208,632
Board of elections:				
Electoral board/registrar	\$ 285,452	\$ 285,452	\$ 267,109	\$ 18,343
Total general government administration	\$ 3,214,230	\$ 3,013,250	\$ 2,680,532	\$ 332,718
Judicial administration:				
Courts:				
Circuit court	\$ 76,820	\$ 79,820	\$ 78,298	\$ 1,522
General district court	5,730	5,730	6,090	(360)
Juvenile and domestic court	255,044	255,044	254,373	671
Clerk of the circuit court	544,564	544,564	557,653	(13,089)
Law library	1,000	1,000	755	245
Victim witness assistance program	101,375	101,375	89,626	11,749
Total courts	\$ 984,533	\$ 987,533	\$ 986,795	\$ 738
Commonwealth's attorney:				
Commonwealth's attorney	\$ 647,904	\$ 647,904	\$ 615,156	\$ 32,748
Total judicial administration	1,632,437	1,635,437	1,601,951	33,486
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,842,331	\$ 2,854,331	\$ 2,764,934	\$ 89,397
Central dispatch	2,800	2,800	2,474	326
Total law enforcement and traffic control	\$ 2,845,131	\$ 2,857,131	\$ 2,767,408	\$ 89,723
Fire and rescue services:				
Volunteer fire department	\$ 243,572	\$ 243,572	\$ 179,729	\$ 63,843
Ambulance and rescue service	135,455	135,455	106,455	29,000
Total fire and rescue services	\$ 379,027	\$ 379,027	\$ 286,184	\$ 92,843
Correction and detention:				
Sheriff - jail	\$ 2,065,675	\$ 2,510,075	\$ 2,510,068	\$ 7
Development services:				
Building inspection	\$ 383,978	\$ 383,978	\$ 318,258	\$ 65,720

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 434,887	\$ 434,887	\$ 391,329	\$ 43,558
Medical examiner	500	500	460	40
Emergency services - civil defense	22,925	22,925	21,334	1,591
Sheriff school resource officer	86,472	86,472	76,331	10,141
County E-911	472,110	472,110	464,182	7,928
Forrestry	8,000	8,000	7,951	49
E-911 wireless	43,760	74,060	74,141	(81)
Sheriff drug asset	4,000	4,000	-	4,000
Sheriff department dare	5,000	5,000	6,928	(1,928)
Asset forfeiture	2,600	2,600	58,960	(56,360)
Police activity	773,015	833,015	855,333	(22,318)
Special investigation	9,134	4,134	75	4,059
Sheriff federal drug asset	25,000	25,000	-	25,000
E-summons	60,000	60,000	67,920	(7,920)
Commonwealth Attorney asset forfeiture	200,000	185,181	101,845	83,336
Courthouse security	141,885	195,885	191,386	4,499
Total other protection	\$ 2,289,288	\$ 2,413,769	\$ 2,318,175	\$ 95,594
Total public safety	\$ 7,963,099	\$ 8,543,980	\$ 8,200,093	\$ 343,887
Public works:				
Water and sewer:				
Rye Valley water company	\$ 26,168	\$ 26,168	\$ 26,168	\$ -
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,438,968	\$ 1,543,968	\$ 1,555,140	\$ (11,172)
County engineer	3,000	3,000	981	2,019
Convenience stations	317,373	317,373	292,325	25,048
Total sanitation and waste removal	\$ 1,759,341	\$ 1,864,341	\$ 1,848,446	\$ 15,895
Maintenance of general buildings and grounds:				
Courthouse maintenance	\$ 205,152	\$ 203,652	\$ 188,770	\$ 14,882
Health department building	83,904	84,404	79,963	4,441
County office building	277,647	278,647	221,425	57,222
Total maintenance of general buildings and grounds	\$ 566,703	\$ 566,703	\$ 490,158	\$ 76,545
Total public works	\$ 2,352,212	\$ 2,457,212	\$ 2,364,772	\$ 92,440
Health and welfare:				
Health:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health and mental retardation:				
Mental health contribution	\$ 166,022	\$ 166,022	\$ 166,022	\$ -

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Board members	\$ 4,200	\$ 4,200	\$ 2,800	\$ 1,400
Welfare administration and programs	4,742,517	4,742,517	4,414,184	328,333
Comprehensive services act	860,152	1,085,152	1,057,891	27,261
Other welfare programs	212,721	212,721	331,383	(118,662)
Total welfare	<u>\$ 5,819,590</u>	<u>\$ 6,044,590</u>	<u>\$ 5,806,258</u>	<u>\$ 238,332</u>
Total health and welfare	<u>\$ 6,426,635</u>	<u>\$ 6,651,635</u>	<u>\$ 6,413,303</u>	<u>\$ 238,332</u>
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 55,750	\$ 55,750	\$ 55,750	\$ -
Contribution to County School Board	7,656,575	7,656,575	7,240,884	415,691
Total education	<u>\$ 7,712,325</u>	<u>\$ 7,712,325</u>	<u>\$ 7,296,634</u>	<u>\$ 415,691</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	35,563	35,563	35,563	-
Total parks and recreation	<u>\$ 64,563</u>	<u>\$ 64,563</u>	<u>\$ 64,563</u>	<u>\$ -</u>
Library:				
Library administration	\$ 700,000	\$ 700,000	\$ 700,000	\$ -
Total parks, recreation, and cultural	<u>\$ 764,563</u>	<u>\$ 764,563</u>	<u>\$ 764,563</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 4,624	\$ 2,276
Community and economic development	169,080	169,080	160,317	8,763
Industrial Development Authorities	766,428	766,428	50,046	716,382
Total planning and community development	<u>\$ 942,408</u>	<u>\$ 942,408</u>	<u>\$ 214,987</u>	<u>\$ 727,421</u>
Environmental management:				
Soild and conservation	\$ 27,600	\$ 27,600	\$ 27,600	\$ -
Cooperative extension program:				
Extension office	\$ 88,875	\$ 88,875	\$ 87,091	\$ 1,784
Total community development	<u>\$ 1,058,883</u>	<u>\$ 1,058,883</u>	<u>\$ 329,678</u>	<u>\$ 729,205</u>
Capital projects:				
Capital improvements	\$ 2,340,000	\$ 2,340,000	\$ 2,295,796	\$ 44,204
Adwolfe sewer extension	2,000,000	2,000,000	1,843,888	156,112
Courthouse construction	2,500,000	2,500,000	1,697,995	802,005
School construction	-	-	19,615	(19,615)
Total capital projects	<u>\$ 6,840,000</u>	<u>\$ 6,840,000</u>	<u>\$ 5,857,294</u>	<u>\$ 982,706</u>
Debt service:				
Principal retirement	\$ 7,490,810	\$ 7,089,810	\$ 2,089,810	\$ 5,000,000
Interest and other fiscal charges	1,596,414	1,596,414	1,466,236	130,178
Total debt service	<u>\$ 9,087,224</u>	<u>\$ 8,686,224</u>	<u>\$ 3,556,046</u>	<u>\$ 5,130,178</u>
Total General Fund	<u>\$ 47,051,608</u>	<u>\$ 47,363,509</u>	<u>\$ 39,064,866</u>	<u>\$ 8,298,643</u>
Total Primary Government	<u>\$ 47,051,608</u>	<u>\$ 47,363,509</u>	<u>\$ 39,064,866</u>	<u>\$ 8,298,643</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,429,837	\$ 1,419,837	\$ 1,370,282	\$ 49,555
Instruction costs:				
Instructional costs	\$ 34,133,548	\$ 34,133,548	\$ 33,327,688	\$ 805,860
Operating costs:				
Pupil transportation	\$ 2,230,381	\$ 2,210,381	\$ 2,079,800	\$ 130,581
Operation and maintenance of school plant	4,319,795	4,319,795	4,198,697	121,098
School food service	3,274,555	3,304,555	2,674,775	629,780
Facilities	5,000	5,000	1,993	3,007
Technology	1,357,810	1,357,810	1,327,929	29,881
Total operating costs	\$ 11,187,541	\$ 11,197,541	\$ 10,283,194	\$ 914,347
Total School Operating Fund	\$ 46,750,926	\$ 46,750,926	\$ 44,981,164	\$ 1,769,762
Total Discretely Presented Component Unit - School Board	\$ 46,750,926	\$ 46,750,926	\$ 44,981,164	\$ 1,769,762

Note: Appropriations to the School Board are enforced at the categorical level only.

STATISTICAL INFORMATION

Table 1

County of Smyth, Virginia
Net Position by Component
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 8,038,644	\$ 8,244,411	\$ 9,369,305	\$ 9,020,728	\$ 9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508	\$ 3,581,230
Restricted	1,719,619	668,635	-	-	-	-	-	-	-	-
Unrestricted	4,836,863	3,351,486	(1,973,096)	4,988,505	4,115,583	4,037,414	10,205,224	7,438,060	7,465,890	8,115,162
Total governmental activities net position	\$ 14,595,126	\$ 12,264,532	\$ 7,396,209	\$ 14,009,233	\$ 13,769,634	\$ 12,787,424	\$ 12,903,334	\$ 14,283,535	\$ 12,386,398	\$ 11,696,392
Business-type activities										
Net investment in capital assets	\$ 13,773,956	\$ 14,867,097	\$ 15,755,398	\$ 17,059,262	\$ 18,053,445	\$ 18,674,951	\$ 19,522,775	\$ 19,024,141	\$ 19,010,037	\$ 19,417,943
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(175,296)	(199,122)	23,421	79,075	172,073	290,087	314,120	126,899	50,238	327,387
Total business-type activities net position	\$ 13,598,660	\$ 14,667,975	\$ 15,778,819	\$ 17,138,337	\$ 18,225,518	\$ 18,965,038	\$ 19,836,895	\$ 19,151,040	\$ 19,060,275	\$ 19,745,330
Primary government										
Net investment in capital assets	\$ 21,812,600	\$ 23,111,508	\$ 25,124,703	\$ 26,079,990	\$ 27,707,496	\$ 27,424,961	\$ 22,220,885	\$ 25,869,616	\$ 23,930,545	\$ 22,999,173
Restricted	1,719,619	668,635	-	-	-	-	-	-	-	-
Unrestricted	4,661,567	3,152,364	(1,949,675)	5,067,580	4,287,656	4,327,501	10,519,344	7,564,959	7,516,128	8,442,549
Total primary government net position	\$ 28,193,786	\$ 26,932,507	\$ 23,175,028	\$ 31,147,570	\$ 31,995,152	\$ 31,752,462	\$ 32,740,229	\$ 33,434,575	\$ 31,446,673	\$ 31,441,722

Table 2

County of Smyth, Virginia
Change in Net Position by Component
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
General government administration	\$ 2,663,712	\$ 2,522,032	\$ 2,197,454	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740
Judicial administration	1,638,101	1,591,793	1,825,563	1,682,907	1,493,566	1,442,451	1,438,437	1,405,720	1,383,156	1,322,884
Public safety	8,539,095	7,610,041	7,095,586	7,142,779	6,668,145	6,606,593	6,073,909	5,840,409	5,500,772	5,391,050
Public works	2,059,998	2,548,965	2,090,129	2,056,232	2,122,689	2,085,140	3,197,528	1,977,527	1,911,028	1,737,587
Health and welfare	6,328,638	6,281,076	5,267,649	5,662,739	5,601,627	5,069,915	5,252,653	5,438,893	5,982,328	5,933,667
Education	8,568,359	6,682,117	9,687,317	9,565,569	8,487,813	8,016,040	9,247,181	7,835,194	7,747,394	10,260,678
Parks, recreation, and cultural	764,591	1,292,528	1,028,674	1,027,887	1,007,108	1,019,793	1,012,568	1,083,058	1,161,738	1,085,631
Community development	327,775	334,389	1,150,411	1,476,366	1,195,480	1,266,069	1,310,375	1,324,655	1,682,985	1,666,394
Interest on long-term debt	1,572,972	1,219,313	1,457,368	1,414,721	1,505,797	1,009,693	253,607	287,397	309,053	349,358
Total governmental activities	\$ 32,463,241	\$ 30,082,254	\$ 31,800,151	\$ 32,461,323	\$ 30,697,841	\$ 28,759,424	\$ 29,780,664	\$ 27,389,176	\$ 27,979,204	\$ 29,772,989
Business-type activities										
Water and sewer	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163	\$ 3,163,633	\$ 3,114,840
Total business-type activities	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163	\$ 3,163,633	\$ 3,114,840
Total primary government expenses	\$ 35,390,371	\$ 33,198,864	\$ 35,441,918	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669	\$ 33,071,390	\$ 30,516,339	\$ 31,142,837	\$ 32,887,829
Program Revenues										
Governmental activities										
Charges for services	\$ 37,877	\$ 32,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government administration	829,133	1,096,273	280,374	195,270	176,714	163,113	178,057	177,857	137,056	106,231
Judicial administration	317,298	356,496	1,364,850	1,039,261	819,844	850,353	800,787	791,428	409,169	296,931
Public safety	1,012,486	1,025,428	994,491	916,345	967,251	1,415,524	826,827	766,143	644,738	690,295
Public works	-	-	12,873	11,531	13,602	11,369	20,993	54,743	81,851	108,244
Health and welfare	7,944,314	7,722,207	7,568,809	7,861,211	7,405,851	6,915,771	7,003,283	7,058,063	7,713,727	7,570,255
Operating grants and contributions	-	-	-	-	145,000	-	25,000	1,199,255	1,311,013	102,528
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	\$ 10,141,108	\$ 10,232,848	\$ 10,221,397	\$ 10,023,618	\$ 9,528,262	\$ 9,356,130	\$ 8,854,947	\$ 10,047,489	\$ 10,297,554	\$ 8,874,484
Business-type activities										
Charges for services	\$ 2,204,954	\$ 2,021,625	\$ 2,112,309	\$ 1,922,430	\$ 2,008,325	\$ 1,881,076	\$ 1,859,391	\$ 1,684,425	\$ 1,558,151	\$ 1,425,665
Water and sewer	104,237	59,975	171,102	-	155,463	172,048	1,299,201	1,012,032	564,829	476,526
Capital grants and contributions	\$ 2,309,191	\$ 2,081,600	\$ 2,283,411	\$ 1,922,430	\$ 2,163,788	\$ 2,053,124	\$ 3,158,592	\$ 2,696,457	\$ 2,122,980	\$ 1,902,191
Total business-type activities program revenues	\$ 12,450,299	\$ 12,314,448	\$ 12,504,808	\$ 11,946,048	\$ 11,692,050	\$ 11,409,254	\$ 12,013,539	\$ 12,743,946	\$ 12,420,534	\$ 10,776,675
Total primary government program revenues	\$ 22,591,407	\$ 22,547,296	\$ 22,726,205	\$ 21,969,666	\$ 21,220,312	\$ 20,765,384	\$ 20,867,928	\$ 22,791,435	\$ 22,718,088	\$ 19,651,159
Net (expense) revenue	\$ 12,978,036	\$ 12,348,442	\$ 17,284,287	\$ 14,803,672	\$ 17,797,047	\$ 18,383,289	\$ 17,213,461	\$ 17,777,289	\$ 17,777,289	\$ 17,777,289
Governmental activities										
Business-type activities	\$ (617,939)	\$ (1,035,010)	\$ (1,358,356)	\$ (1,382,183)	\$ (1,163,739)	\$ (1,286,121)	\$ (132,134)	\$ (430,706)	\$ (1,040,653)	\$ (1,212,649)
Total primary government net expense	\$ (22,940,072)	\$ (20,884,416)	\$ (22,937,110)	\$ (23,819,888)	\$ (22,333,318)	\$ (20,689,415)	\$ (21,057,851)	\$ (17,772,393)	\$ (18,722,303)	\$ (22,111,154)

County of Smyth, Virginia
Fund Balance - Governmental Fund
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Non-spendable	\$ 170,692	\$ 165,535	\$ 205,182	\$ 181,436	\$ 180,909	\$ 51,925	\$ 65,811	\$ -	\$ -	\$ -
Reserved/Restricted	1,719,619	7,053,698	12,560,956	21,335,807	25,697,568	39,125,509	3,665,624	327,213	271,965	158,967
Committed	1,108,674	1,241,351	47,531	71,786	62,900	58,485	69,019	-	-	-
Assigned	-	-	-	-	-	-	100,491	-	-	-
Unreserved/Unassigned	6,431,674	5,158,382	3,059,388	2,914,839	3,614,881	4,932,136	5,559,366	6,426,347	6,763,770	7,602,076
Total general fund	\$ 9,430,659	\$ 13,618,966	\$ 15,873,057	\$ 24,503,868	\$ 29,556,258	\$ 44,168,055	\$ 9,460,311	\$ 6,753,560	\$ 7,035,735	\$ 7,761,043

Note: The county implemented GASB 54 during the fiscal year ending June 30, 2011. As such, fund balance classifications have been changed to include amounts that are restricted, assigned, committed, and nonspendable as reported above for years ending on June 30, 2011 and thereafter.

Table 4

County of Smyth, Virginia
Changes in Fund Balance, Governmental Fund
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
General property taxes	\$ 16,516,355	\$ 16,947,861	\$ 16,278,485	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792
Other local taxes	3,444,795	3,370,056	3,880,265	3,706,500	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160	3,570,670
Permits, privilege fees, and licenses	113,794	135,421	95,901	161,986	124,647	127,045	73,903	106,118	73,893	89,988
Fines and forfeitures	814,522	1,082,497	1,280,930	888,941	714,666	726,131	730,320	686,447	332,601	200,981
Revenue from use of money and property	227,311	138,545	242,917	219,217	335,497	289,596	193,732	460,995	306,665	558,089
Charges for services	1,268,478	1,292,723	1,236,967	1,065,606	1,010,630	1,033,161	923,651	864,853	706,364	724,269
Recovered costs	398,251	301,480	234,006	260,219	335,169	760,405	368,489	456,267	474,954	477,831
Other	240,957	160,814	224,296	240,188	218,097	210,723	229,645	272,431	295,065	167,518
Intergovernmental	10,525,309	10,250,080	9,388,971	9,705,113	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838	9,638,440
Total revenues	\$ 33,549,772	\$ 33,679,477	\$ 32,862,738	\$ 32,780,572	\$ 31,632,628	\$ 29,706,509	\$ 29,047,615	\$ 29,850,247	\$ 29,151,431	\$ 27,765,578
Expenditures										
General government administration	\$ 2,680,532	\$ 2,274,638	\$ 2,160,543	\$ 2,412,477	\$ 2,735,775	\$ 2,140,645	\$ 1,859,579	\$ 2,065,201	\$ 2,272,484	\$ 1,951,748
Judicial administration	1,601,951	1,554,655	1,809,226	1,690,506	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907	1,298,991
Public safety	8,200,093	7,625,091	6,746,242	6,676,032	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660	5,474,643
Public works	2,364,772	2,322,184	1,906,816	2,019,165	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849	1,796,938
Health and welfare	6,413,303	6,359,049	5,404,748	5,679,174	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197	5,937,048
Education	7,296,634	5,378,772	8,275,288	8,040,810	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029	9,299,298
Parks, recreation, and cultural	764,563	914,558	976,479	976,479	955,046	968,916	963,066	1,030,216	1,106,836	1,040,590
Community development	329,678	339,554	1,186,002	1,176,400	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806	1,836,396
Capital projects	5,857,294	5,593,129	6,946,025	3,095,262	16,269,549	11,022,959	1,895,888	681,967	236,725	284,836
Debt service:										
Principal retirement	2,089,810	1,933,169	1,970,201	4,190,481	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399	1,003,216
Interest and other fiscal charges	1,466,236	1,628,640	1,408,231	1,585,060	1,654,575	891,381	270,749	302,630	334,029	365,079
Total expenditures	\$ 39,064,866	\$ 35,923,439	\$ 38,789,801	\$ 37,541,846	\$ 48,084,259	\$ 44,486,999	\$ 30,527,491	\$ 29,612,841	\$ 29,531,921	\$ 30,288,783
Excess of revenues over (under) expenditures	\$ (5,515,094)	\$ (2,243,962)	\$ (5,927,063)	\$ (4,761,274)	\$ (16,451,631)	\$ (14,780,490)	\$ (1,479,876)	\$ 237,406	\$ (380,490)	\$ (2,523,205)
Other Financing Sources (Uses)										
Issuance of bonds	\$ -	\$ -	\$ 10,970,000	\$ -	\$ 2,170,893	\$ 48,985,000	\$ 5,003,600	\$ -	\$ -	\$ -
Issuance of loan payable	1,156,824	-	-	-	-	-	-	-	-	-
Issuance of refunding bonds	20,454,976	-	-	-	-	-	-	-	-	-
Issuance of bridge loan	2,300,000	-	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(23,036,389)	-	(14,233,704)	-	-	-	-	-	-	-
Bond issuance costs	-	-	(108,102)	-	-	(86,000)	-	-	-	-
Premium on bonds	-	-	1,272,643	-	-	1,840,039	-	-	-	-
Underwriter's discount on bonds	-	-	-	-	-	(493,563)	-	-	-	-
Sale of capital assets	-	12,719	-	-	-	-	-	-	-	-
Transfers in	451,376	-	183,763	-	-	-	-	-	-	-
Transfers out	-	(22,848)	(275,472)	(291,116)	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)	(5,307)
Total other financing sources (uses)	\$ 1,326,787	\$ (10,129)	\$ (2,190,872)	\$ (291,116)	\$ 1,701,450	\$ 49,836,248	\$ 4,186,627	\$ (519,581)	\$ (344,818)	\$ (5,307)
Net change in fund balance	\$ (4,188,307)	\$ (2,254,091)	\$ (8,117,935)	\$ (5,052,390)	\$ (14,750,181)	\$ 35,055,758	\$ 2,706,751	\$ (282,175)	\$ (725,308)	\$ (2,528,512)
Debt service as a percentage of noncapital expenditures	10.91%	11.89%	10.61%	16.77%	11.38%	20.69%	4.50%	4.53%	4.60%	4.56%

Table 5

County of Smyth, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (2)	Public Service Companies (3)	Total
2017	\$ 1,400,794,341	\$ 388,325,907	\$ 154,952,331	1,944,072,579
2016	1,390,638,146	379,128,098	144,137,642	1,913,903,886
2015	1,398,811,514	384,132,517	136,867,929	1,919,811,960
2014	1,429,094,226	401,053,105	124,002,508	1,954,149,839
2013	1,444,667,238	360,243,649	129,520,200	1,934,431,087
2012	1,420,768,624	351,413,101	119,374,517	1,891,556,242
2011	1,415,159,070	351,573,398	121,374,173	1,888,106,641
2010	1,200,972,525	364,320,155	83,886,362	1,649,179,042
2009	1,192,258,091	387,895,958	87,327,987	1,667,482,036
2008	1,182,446,544	375,631,251	86,246,420	1,644,324,215

(1) Real estate is assessed at 100% of fair market value.

(2) Personal property is assessed at 100% of fair market value as of January 1, 1995.

(3) Assessed by the State Corporation Commission.

Table 6

County of Smyth, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools		Merchant's Capital	Interstate Commerce
2017	\$	0.74	\$	2.30	\$	1.55
2016		0.74		2.30		1.55
2015		0.74		2.30		1.55
2014		0.74		2.30		1.55
2013		0.74		2.30		1.55
2012		0.69		2.25		1.55
2011		0.69		2.25		1.20
2010		0.69		2.25		1.20
2009		0.63		2.25		1.20
2008		0.63		2.25		1.20

(1) Per \$100 of assessed value.

Table 7

County of Smyth, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017	\$ 18,780,259	\$ 17,638,468	93.92%	\$ 758,265	\$ 18,396,733	97.96%	\$ 4,379,621	23.32%
2016	18,454,479	17,359,495	94.07%	1,201,066	18,560,561	100.57%	4,093,425	22.18%
2015	18,517,112	15,175,265	81.95%	815,738	15,991,003	86.36%	4,430,581	23.93%
2014	18,532,906	15,564,710	83.98%	659,241	16,223,951	87.54%	4,126,146	22.26%
2013	18,035,837	14,839,925	82.28%	686,541	15,526,466	86.09%	3,800,525	21.07%
2012	16,472,150	13,522,831	82.10%	616,523	14,139,354	85.84%	3,206,313	19.47%
2011	14,543,200	13,549,846	93.17%	489,730	14,039,576	96.54%	2,747,133	18.89%
2010	13,420,595	12,566,068	93.63%	436,121	13,002,189	96.88%	2,331,515	17.37%
2009	12,593,867	11,897,779	94.47%	489,314	12,387,093	98.36%	2,007,598	15.94%
2008	12,164,434	11,625,491	95.57%	421,584	12,047,075	99.04%	1,899,238	15.61%

(1) Exclusive of penalties and interest.

Levy includes amounts collectible from the State under the PPTRA program and motor vehicle license fees

Table 8

County of Smyth, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds										Other		Business-type Activities		Total Debt	
	Governmental		Business-type		Total		Percentage of		Governmental		Business-type		Total			
	Obligation Bonds		Obligation Bonds		Obligation Bonds		Actual Value of Taxable Property		Activities Debt		Revenue Bonds		Primary Government	Per Capita		
2017	\$ 34,211,950	\$ 7,824,343	\$ 42,036,293	\$ -	\$ -	1,353	\$ 13,583,009	\$ 1,935,674	\$ 57,554,976	\$ 1,853						
2016	36,668,901	7,119,340	43,788,241	-	-	1,360	10,714,862	1,973,759	56,476,862	1,754						
2015	36,267,379	5,065,234	41,332,613	-	-	1,283	11,018,539	5,395,000	57,746,152	1,793						
2014	26,608,260	5,178,026	31,786,286	-	-	987	25,911,563	5,675,000	63,372,849	1,968						
2013	27,886,530	5,287,434	33,173,964	-	-	1,030	28,823,774	5,946,000	67,943,738	2,110						
2012	29,152,383	5,393,536	34,545,919	-	-	1,073	27,354,017	6,208,000	68,107,936	2,115						
2011	7,549,801	11,859,427	19,409,228	-	-	603	6,005,153	-	25,414,381	789						
2010	2,913,233	12,154,042	15,067,275	-	-	475	6,656,286	-	21,723,561	684						
2009	3,268,724	12,136,059	15,404,783	-	-	481	7,307,425	-	22,712,208	709						
2008	3,613,270	11,462,817	15,076,087	-	-	470	7,975,860	-	23,051,947	719						

Table 9

County of Smyth, Virginia
Population

Last Ten Fiscal Years

Fiscal Year	Population
2017	31,062
2016	32,208
2015	32,208
2014	32,208
2013	32,208
2012	32,208
2011	32,208
2010	31,738
2009	32,050
2008	32,050

Source: United State Bureau of Census

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 of Supervisors
County of Smyth, Virginia
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 Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Smyth, Virginia's basic financial statements, and have issued our report thereon dated December 4, 2017.

Internal Control over Financial Reporting

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia

December 4, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Smyth, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Smyth, Virginia's major federal programs for the year ended June 30, 2017. County of Smyth, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Smyth, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Smyth, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Smyth, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 4, 2017

COUNTY OF SMYTH, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	NA	\$ 10,000
Pass through payments from:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116/0040116	431,308
Department of Education:			
Schools and Roads - Grants to States	10.665	43841	10,715
Child Nutrition Cluster:			
School Breakfast Program (Child Nutrition Cluster)	10.553	40591	\$ 451,963
Department of Education:			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	\$ 1,167,697
State Department of Agriculture:			
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	unavailable	174,178
Total National School Lunch Program			\$ 1,341,875
Total Child Nutrition Cluster			1,793,838
Child and Adult Care Food Program	10.558	unavailable	304,661
Fresh Fruit and Vegetable Program	10.582	unavailable	22,574
Child Nutrition Discretionary Grants Limited Availability	10.579	unavailable	67,099
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	0060115	27,008
Total Department of Agriculture			\$ 2,667,203
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through payments from:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950114/0950115	\$ 762
Temporary Assistance for Needy Families	93.558	0400115/0400116	452,332
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	1,543
Low Income Home Energy Assistance	93.568	0600415/0600416	51,338
Social Services Block Grant	93.667	1000115/1000116	354,831
Chafee Foster Care Independence Program	93.674	9150115/9150116	2,432
Children's Health Insurance Program	93.767	05401150540116	17,935
Medical Assistance Program	93.778	1200115/1200116	557,194
Chafee Education and Training Vouchers Program	93.599	9160114/9160115	1,565
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116	800
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	76,904
Foster Care - Title IV E	93.658	1100115/1100116	279,277
Adoption Assistance	93.659	1120115/1120116	179,723
Adoption and Legal Guardianship Incentive Payments	93.603	unavailable	650
Total Department of Health and Human Services			\$ 1,977,286
DEPARTMENT OF HOMELAND SECURITY:			
Pass through payments from:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	158	\$ 7,500
Homeland Security Grant Program	97.067	unavailable	9,166
Total Department of Homeland Security			\$ 16,666
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	50326	\$ 1,717
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	unavailable	4,685
Total Department of Transportation			\$ 6,402
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass through payments from:			
Office of Community Planning and Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	unavailable	\$ 3,000
DEPARTMENT OF TREASURY:			
Direct payments:			
Treasury Forfeiture Fund	21.000	NA	\$ 176,109

COUNTY OF SMYTH, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**DEPARTMENT OF JUSTICE:**

Pass through payments from:

Office of Victims of Crime

Crime Victim Assistance

16.575

unavailable

\$ 47,041

DEPARTMENT OF EDUCATION:

Pass through payments from:

Department of Education:

Career and Technical Education -- Basic Grants to States

84.048

61095

\$ 82,211

Supporting Effective Instruction State Grant

84.367

61480

325,014

English Language Acquisition State Grants

84.365

unavailable

2,026

Title I Grants to Local Educational Agencies

84.010

42901

1,267,807

Special Education - Grants to States (Special Education Cluster - IDEA)

84.027

73071

\$ 1,054,646

Special Education - Preschool Grants (Special Education Cluster - IDEA)

84.173

62521

53,096

1,107,742

Total Special Education Cluster

Twenty-First Century Community Learning Centers

84.287

unavailable

211,184

Rural Education

84.358

unavailable

213,254

Total Department of Education

\$ 3,209,238

Total Expenditures of Federal Awards

\$ 8,102,945

Notes to Schedule of Expenditures of Federal Awards

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Smyth, Virginia under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Smyth, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Smyth, Virginia.

Note B--Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(2) Pass-through entity indentifying number are presented where available.

(3) The County did not elect the 10% de minimus indirect cost rate because they only request direct costs for reimbursement

Note C--Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D--Outstanding Balance of Federal Loans

The County has received federal funding through loans. At June 30, 2017 the outstanding balance of these loans was:

\$ 1,935,675

Note E--Subrecipients

The County did not have any subrecipients for the year ended June 30, 2017.

Note F--Relationship to the Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Primary government:

General Fund - Intergovernmental

\$ 10,586,775

Less: Revenue from the Commonwealth

(7,775,883)

Less: Payment in Lieu of Taxes

(116,072)

Component Unit School Board:

School Operating Fund - Intergovernmental

43,800,643

Less: Revenue from local governments

(7,240,884)

Less: Revenue from the Commonwealth

(31,151,634)

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 8,102,945

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.667	Social Services Block Grant
93.778	Medical Assistance Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017 (Continued)

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.