

FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2019

COUNTY OF SMYTH, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

COUNTY OF SMYTH, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

COUNTY OF SMYTH, VIRGINIA

BOARD OF SUPERVISORS

	M. Todd Dishner, Chair	
Richard (Rick) K. Blevins, Vice Chair		Charles Atkins
R. Curtis Rhea		Roscoe D. Call
Judy Wyant		Charles Phil Stevenson (Phil)

COUNTY SCHOOL BOARD

	Jesse Choate, Chair	
C.M. "Mac" Buchanan		Roger Frye
Paul Grinstead		Susan Williams
Todd Williams		William Veselik

SOCIAL SERVICES BOARD

	Kim Daughtery, Chair	
Tom Hess		Wanda Sanderson
Norma Teaters		Blake Frazier
Patsy Waddle		Susan Snead

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
	Richard S. Buddington Jr.
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



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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note 28 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 87-89 and 90-107 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.

Supplementary and 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* 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.

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 November 16, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Smyth, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Smyth, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
November 16, 2019

Basic Financial Statements

County of Smyth, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Library	EDA
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,440,585	\$ 87,519	\$ 103,937
Investments	12,555,603	-	12,555,603	1,088,683	50,736	572,552
Investment in Smyth-Washington IFA	478,080	-	478,080	-	-	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	21,946,129	-	21,946,129	-	-	-
Accounts receivable	250,092	339,865	589,957	224,645	-	-
Due from primary government	-	-	-	1,749,546	-	19,251
Due from other governmental units	1,757,057	66,304	1,823,361	1,872,659	-	-
Inventories	-	-	-	49,957	-	-
Prepaid items	181,639	-	181,639	310,019	118,060	-
Accrued interest	-	-	-	-	-	369
Capital assets (net of accumulated depreciation):						
Land	682,440	44,831	727,271	844,463	-	4,823,062
Buildings and improvements	44,661,116	-	44,661,116	5,041,462	-	-
Machinery and equipment	2,917,393	56,664	2,974,057	2,478,256	48,437	-
Utility plant in service	30,299	25,102,972	25,133,271	-	-	-
Construction in progress	-	106,242	106,242	-	-	-
Total assets	\$ 85,459,848	\$ 25,716,878	\$ 111,176,726	\$ 15,100,275	\$ 304,752	\$ 5,519,171
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	\$ 1,285,908	\$ -	\$ 1,285,908	\$ -	\$ -	\$ -
Pension related items	638,341	21,397	659,738	4,059,053	33,917	-
OPEB related items	127,420	3,470	130,890	829,649	8,146	-
Total deferred outflows of resources	\$ 2,051,669	\$ 24,867	\$ 2,076,536	\$ 4,888,702	\$ 42,063	\$ -
LIABILITIES						
Accounts payable	\$ 850,591	\$ 141,679	\$ 992,270	\$ 125,746	\$ 6,657	\$ -
Reconciled overdraft	340,122	-	340,122	-	-	-
Accrued liabilities	-	-	-	4,143,926	17,270	-
Accrued wages and health claims	132,471	-	132,471	-	-	-
Customers' deposits	-	1,914	1,914	-	-	-
Accrued interest payable	347,165	71,791	418,956	-	-	-
Due to component unit	1,768,797	-	1,768,797	-	-	-
Cash bond held in escrow	21,875	-	21,875	-	-	-
Unearned revenue	550,000	-	550,000	-	-	-
Long-term liabilities:						
Due within one year	3,170,952	572,545	3,743,497	343,050	32,483	-
Due in more than one year	44,291,255	10,261,896	54,553,151	43,605,408	319,409	-
Total liabilities	\$ 51,473,228	\$ 11,049,825	\$ 62,523,053	\$ 48,218,130	\$ 375,819	\$ -
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue-property taxes	\$ 18,429,319	\$ -	\$ 18,429,319	\$ -	\$ -	\$ -
Property taxes paid in advance	271,790	-	271,790	-	-	-
Pension related items	1,392,583	90,279	1,482,862	6,867,324	126,305	-
OPEB related items	125,053	2,829	127,882	1,611,000	8,119	-
Total deferred inflows of resources	\$ 20,218,745	\$ 93,108	\$ 20,311,853	\$ 8,478,324	\$ 134,424	\$ -
NET POSITION						
Net investment in capital assets	\$ 8,163,198	\$ 14,609,381	\$ 22,772,579	\$ 8,364,181	\$ 48,437	\$ 4,823,062
Restricted (See note 27)	752,619	-	752,619	789,853	33,832	-
Unrestricted (Deficit)	6,903,727	(10,569)	6,893,158	(45,861,511)	(245,697)	696,109
Total net position	\$ 15,819,544	\$ 14,598,812	\$ 30,418,356	\$ (36,707,477)	\$ (163,428)	\$ 5,519,171

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating		Capital	Primary Government			
			Grants and Contributions	Grants and Contributions		Governmental Activities	Business-type Activities	Total	EDA
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 2,359,637	\$ 10,380	\$ 308,829	\$ -	\$ -	\$ (2,040,428)	\$ -	\$ (2,040,428)	\$ -
Judicial administration	2,167,499	1,095,915	849,316	-	-	(222,268)	-	(222,268)	-
Public safety	8,709,906	365,302	2,389,301	-	-	(5,955,303)	-	(5,955,303)	-
Public works	1,983,495	854,695	8,777	-	-	(1,120,023)	-	(1,120,023)	-
Health and welfare	6,743,163	-	5,224,653	-	-	(1,518,510)	-	(1,518,510)	-
Education	9,176,867	-	-	-	-	(9,176,867)	-	(9,176,867)	-
Parks, recreation, and cultural	729,789	-	-	-	-	(729,789)	-	(729,789)	-
Community development	1,029,016	-	2,985	-	-	(1,026,031)	-	(1,026,031)	-
Interest on long-term debt	962,475	-	-	-	-	(962,475)	-	(962,475)	-
Total governmental activities	\$ 33,861,847	\$ 2,326,292	\$ 8,783,861	\$ -	\$ -	\$ (22,751,694)	\$ -	\$ (22,751,694)	\$ -
Business-type activities:									
Water and sewer	\$ 2,914,947	\$ 2,250,002	\$ -	\$ 265,885	\$ -	\$ -	\$ (399,060)	\$ (399,060)	\$ -
Total primary government	\$ 36,776,794	\$ 4,576,294	\$ 8,783,861	\$ 265,885	\$ -	\$ (22,751,694)	\$ (399,060)	\$ (23,150,754)	\$ -
COMPONENT UNITS:									
School Board	\$ 43,725,490	\$ 1,071,491	\$ 37,720,495	\$ -	\$ -	\$ -	\$ -	\$ (4,933,504)	\$ -
Library	984,315	12,055	894,495	-	-	-	-	(77,765)	-
Economic Development Authority	507,937	-	446,700	-	-	-	-	-	(61,237)
Total component units	\$ 45,217,742	\$ 1,083,546	\$ 39,061,690	\$ -	\$ -	\$ -	\$ -	\$ (4,933,504)	\$ (61,237)
General revenues:									
General property taxes						\$ 16,973,046	\$ -	\$ 16,973,046	\$ -
Other local taxes:									
Local sales and use taxes						2,200,129	-	2,200,129	-
Consumers' utility taxes						654,417	-	654,417	-
Motor vehicle taxes						494,971	-	494,971	-
Restaurant food taxes						52,176	-	52,176	-
Other local taxes						138,662	-	138,662	-
Unrestricted revenues from the use of money and property						355,426	-	355,426	135
Miscellaneous						152,049	-	152,049	82,597
Grants and contributions not restricted to specific programs						2,634,424	-	2,634,424	7,645,359
Transfers						204,031	(204,031)	-	-
Total general revenues and transfers						\$ 23,859,331	\$ (204,031)	\$ 23,655,300	\$ 7,745,327
Change in net position						\$ 1,107,637	\$ (603,091)	\$ 504,546	\$ 11,371
Net position (deficit) - beginning						\$ 14,711,907	\$ 15,201,903	\$ 29,913,810	\$ 2,811,823
Net position (deficit) - ending						\$ 15,819,544	\$ 14,598,812	\$ 30,418,356	\$ (66,394)
									\$ (50,752)
									\$ (97,034)
									\$ (163,428)
									\$ 5,519,171

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

County of Smyth, Virginia
Balance Sheet
Governmental Fund
June 30, 2019

	<u>General</u>
ASSETS	
Investments	\$ 12,555,603
Receivables (net of allowance for uncollectibles):	
Taxes receivable	21,946,129
Accounts receivable	250,092
Due from other governmental units	1,757,057
Prepaid items	181,639
Total assets	<u>\$ 36,690,520</u>
LIABILITIES	
Accounts payable	\$ 850,591
Reconciled overdraft	340,122
Accrued liabilities	132,471
Due to component unit	1,768,797
Cash bond held in escrow	21,875
Unearned revenue	550,000
Total liabilities	<u>\$ 3,663,856</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 21,742,786
Property taxes paid in advance	271,790
Total deferred inflows of resources	<u>\$ 22,014,576</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 181,639
Restricted (See note 27)	752,619
Committed (See note 27)	718,986
Unassigned	9,358,844
Total fund balances	<u>\$ 11,012,088</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,690,520</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 Fund
To the Statement of Net Position
June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	11,012,088
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 682,440	
Buildings and improvements	44,661,116	
Infrastructure	30,299	
Machinery and equipment	<u>2,917,393</u>	48,291,248

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	\$ 3,313,467	
Investment in the Smyth-Washington Industrial Facilities Authority	<u>478,080</u>	3,791,547

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Deferred charge on refunding	\$ 1,285,908	
Pension related items	638,341	
OPEB related items	<u>127,420</u>	2,051,669

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	\$ (28,649,723)	
School construction bonds	(8,843,831)	
Bond premium (to be amortized over life of debt)	(2,548,404)	
Capital leases	(1,372,000)	
Accrued interest payable	(347,165)	
Landfill postclosure liability	(326,831)	
Compensated absences	(968,676)	
Net pension liability	(2,715,130)	
Net OPEB liabilities	<u>(2,037,612)</u>	(47,809,372)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (1,392,583)	
OPEB related items	<u>(125,053)</u>	(1,517,636)

Net position of governmental activities	\$	<u><u>15,819,544</u></u>
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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 Fund
For the Year Ended June 30, 2019

	<u>General</u>
REVENUES	
General property taxes	\$ 17,453,207
Other local taxes	3,540,355
Permits, privilege fees, and regulatory licenses	85,185
Fines and forfeitures	1,078,773
Revenue from the use of money and property	355,426
Charges for services	1,162,334
Miscellaneous	152,049
Recovered costs	532,836
Intergovernmental	11,865,953
Total revenues	<u>\$ 36,226,118</u>
EXPENDITURES	
Current:	
General government administration	\$ 2,468,213
Judicial administration	1,807,747
Public safety	9,186,164
Public works	2,482,529
Health and welfare	7,120,994
Education	7,818,509
Parks, recreation, and cultural	732,090
Community development	235,449
Debt service:	
Principal retirement	2,327,376
Interest and other fiscal charges	1,742,247
Total expenditures	<u>\$ 35,921,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 304,800</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>\$ 204,031</u>
Net change in fund balances	\$ 508,831
Fund balances - beginning	10,503,257
Fund balances - ending	<u><u>\$ 11,012,088</u></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 Fund
to the Statement of Activities
For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental fund	\$	508,831
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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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 895,896	
Depreciation expenses	<u>(2,517,024)</u>	(1,621,128)

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 to School Board		(284,874)
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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	\$ (480,161)	
Change in value of the investment in the Smyth-Washington Industrial Facilities Authority	<u>(806,929)</u>	(1,287,090)

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:		
Increase in accrued landfill closure/postclosure liability	\$ (7,348)	
Principal repayments:		
General obligation bonds	1,047,699	
School construction bonds	663,677	
Capital leases	<u>616,000</u>	2,320,028

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	\$ (121,304)	
Change in accrued interest payable	870	
Change in pension related items	1,303,340	
Change in OPEB related items	(42,270)	
Amortization of bond premium	430,150	
Amortization of deferred charge on refunding	<u>(98,916)</u>	1,471,870

Change in net position of governmental activities	\$	<u>1,107,637</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 Fund
June 30, 2019

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 339,865
Due from other governmental units	66,304
Total current assets	<u>\$ 406,169</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 44,831
Utility plant in service	51,935,369
Machinery and equipment	698,641
Construction in progress	106,242
Accumulated depreciation	(27,474,374)
Total capital assets	<u>\$ 25,310,709</u>
Total noncurrent assets	<u>\$ 25,310,709</u>
Total assets	<u>\$ 25,716,878</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	\$ 21,397
OPEB related items	3,470
Total deferred outflows of resources	<u>\$ 24,867</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 141,679
Customers' deposits	1,914
Accrued interest payable	71,791
Compensated absences - current portion	19,201
Bonds payable - current portion	553,344
Total current liabilities	<u>\$ 787,929</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 6,400
Bonds payable - net of current portion	10,147,984
Net OPEB liabilities	46,093
Net pension liability	61,419
Total noncurrent liabilities	<u>\$ 10,261,896</u>
Total liabilities	<u>\$ 11,049,825</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 90,279
OPEB related items	2,829
Total deferred inflows of resources	<u>\$ 93,108</u>
NET POSITION	
Net investment in capital assets	\$ 14,609,381
Unrestricted (deficit)	(10,569)
Total net position	<u>\$ 14,598,812</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 Fund
For the Year Ended June 30, 2019

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 1,365,854
Sewer revenues	823,518
Connection fees	25,050
Penalties	11,269
Service charges	19,529
Application fees	3,450
Miscellaneous	1,332
Total operating revenues	<u>\$ 2,250,002</u>
OPERATING EXPENSES	
Personnel services	\$ 293,707
Water purchases	355,197
Water and wastewater service	330,982
Automotive expenses	21,297
Office supplies	3,645
Uniforms	2,698
Utilities	51,410
Permits	11,104
Postage	11,704
Telephone	6,235
Maintenance supplies	30,602
Repair and maintenance	31,166
Miscellaneous	1,346
Depreciation	1,535,004
Total operating expenses	<u>\$ 2,686,097</u>
Operating income (loss)	<u>\$ (436,095)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>\$ (228,850)</u>
Income (loss) before capital contributions, construction grants, and transfers	<u>\$ (664,945)</u>
Capital contributions and construction grants	
Federal Grants	\$ 161,957
Other contributions and grants	103,928
Total capital contributions and construction grants	<u>\$ 265,885</u>
Transfers out	<u>(204,031)</u>
Change in net position	<u>\$ (603,091)</u>
Total net position - beginning	15,201,903
Total net position - ending	<u><u>\$ 14,598,812</u></u>

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

County of Smyth, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2019

	Enterprise Fund <u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,217,715
Payments to suppliers	(994,765)
Payments to employees	(419,375)
Net cash provided by (used for) operating activities	<u>\$ 803,575</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>\$ (204,031)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (117,411)
Principal payments on bonds	(415,509)
Contributions in aid of construction	298,234
Interest payments	(370,062)
Net cash provided by (used for) capital and related financing activities	<u>\$ (604,748)</u>
Net increase (decrease) in cash and cash equivalents	\$ (5,204)
Cash and cash equivalents - beginning	5,204
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>\$ (436,095)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 1,535,004
(Increase) decrease in accounts receivable	(32,245)
(Increase) decrease in deferred outflows of resources	(308)
Increase (decrease) in customer deposits	(42)
Increase (decrease) in accounts payable	(137,379)
Increase (decrease) in compensated absences	(15,204)
Increase (decrease) in net OPEB liabilities	(34,147)
Increase (decrease) in net pension liability	(72,853)
Increase (decrease) in deferred inflows of resources	(3,156)
Total adjustments	<u>\$ 1,239,670</u>
Net cash provided by (used for) operating activities	<u><u>\$ 803,575</u></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, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 69,419
Investments	49,198
Receivables:	
Other receivables	550
Total assets	<u>\$ 119,167</u>
LIABILITIES	
Amounts held for social services clients	\$ 119,167
Total liabilities	<u>\$ 119,167</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, 2019

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.

The Smyth County Public Library (“Library”) was originally established as a jointly owned regional library by the counties of Smyth and Bland, Smyth-Bland Regional Library, located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Starting in fiscal year 2018, the Library is no longer regional. 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. As a result, there is a fiscal dependency on the county. The Library issues separate financial statements that can be obtained by contacting the Library at 118 S. Sheffey Street, Marion, VA 24354.

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

A. Financial Reporting Entity (Continued)

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, 2019, the County contributed \$166,022 to the Community Services Board and \$208,848 to the Juvenile Commission. The County does not have any ongoing financial responsibility for these organization.

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

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, 2019, the County contributed \$40,211 to 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, 2019, The County paid fees in the amount of \$2,925,525 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 participating jurisdictions. 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 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 fund:

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. The agency fund includes the Special Welfare 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 \$945,425 at June 30, 2019. The allowance consists of delinquent taxes in the amount of \$806,053 and delinquent water and sewer bills of \$139,372.

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. 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:

Assets	Years
Buildings and improvements	20-40
Machinery and equipment	3-20
Water and wastewater systems	20-40
Infrastructure	30-35

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 and School Board's Retirement Plan and the additions to/deductions from the County's and School Board'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.

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 Balance

The County evaluated its funds at June 30, 2019 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 Balance (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/expenditure) until then. The County has two items that qualifies for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liabilities measurement date. For more detailed information on these items, reference the related notes.

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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 multiple 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 and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

18. Other Postemployment Employee Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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

A. Budgetary information (Continued)

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or categorical 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.
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, 2019, expenditures exceeded appropriations in the following departments: Treasurer, Registrar, Smyth County Basic 911, and Refuse Collection & Disposal.

C. Deficit fund equity

At June 30, 2019, the Library fund reported 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).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 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.

Investments Maturities (in years)			
Investment Type	Fair Value	1 Year	1-5 Years
Certificates of Deposit	\$ 14,216,838	\$ -	\$ 14,216,838

At June 30, 2019, the County's operating account had a reconciled overdraft; however, the certificates of deposit above are held at the same bank and there is no early withdrawal penalty. Funds held in the CD's are used as needed to cover any overdraft amounts, as applicable.

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.

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit- School Board
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 210,887	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	399,116	-
Categorical aid-State sales tax	-	398,618
Categorical aid-Other	329,064	388,000
Non-categorical aid	131,821	-
Categorical aid-Virginia Public Assistance	133,116	-
Categorical aid-Comprehensive Services Act	389,812	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	208,822	-
Categorical aid-Other	20,723	1,086,041
Totals	<u>\$ 1,823,361</u>	<u>\$ 1,872,659</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 5-Component-Unit Contributions and Obligations:

Primary government contributions to component units for the year ended June 30, 2019, consisted of payments to School Board of \$7,763,195 and the Library of \$660,000.

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	<u>\$ 1,768,797</u>	<u>\$ -</u>
Component Unit:		
School Board	\$ -	\$ 1,749,546
EDA	<u>-</u>	<u>19,251</u>
Totals	<u><u>\$ 1,768,797</u></u>	<u><u>\$ 1,768,797</u></u>

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.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 204,031	\$ -
Water and Sewer Fund	-	204,031
Total	<u><u>\$ 204,031</u></u>	<u><u>\$ 204,031</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 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, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
General Obligation Bonds	\$ 29,697,422	\$ -	\$ (1,047,699)	\$ 28,649,723
Unamortized Premiums	2,978,554	-	(430,150)	2,548,404
School Construction Bonds	9,507,508	-	(663,677)	8,843,831
Capital Leases	1,988,000	-	(616,000)	1,372,000
Landfill closure/post-closure liability	319,483	7,348	-	326,831
Compensated absences	847,372	756,833	(635,529)	968,676
Net OPEB liabilities	1,952,948	267,844	(183,180)	2,037,612
Net pension liability	3,262,951	3,449,624	(3,997,445)	2,715,130
Total	\$ 50,554,238	\$ 4,481,649	\$ (7,573,680)	\$ 47,462,207

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

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

Year Ending June 30,	General Obligation Bonds		School Construction Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 901,242	\$ 1,184,676	\$ 868,677	\$ -
2021	919,935	1,147,036	893,677	-
2022	806,883	1,114,276	1,028,677	-
2023	1,627,040	1,059,680	628,677	-
2024	1,717,218	975,775	628,677	-
2025-2029	11,727,405	3,266,611	3,143,385	-
2030-2034	9,620,000	820,761	1,553,385	-
2035-2036	1,330,000	47,570	98,676	-
Totals	\$ 28,649,723	\$ 9,616,385	\$ 8,843,831	\$ -

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds:</u>						
School construction GO Bonds	4.975-5.850%	11/1/2000	2020	\$ 1,836,901	\$ 232,835	\$ 114,649
School construction GO Bonds	4.100-5.600%	11/10/2004	2024	117,994	41,888	6,593
General Obligation bond series 2011A	2.000-5.000%	12/5/2011	2032	26,985,000	1,295,000	395,000
General Obligation bond series 2014C	2.050-5.050%	11/20/2014	2036	10,970,000	9,260,000	250,000
General Obligation bond series 2017	2.000-5.000%	4/26/2017	2032	17,980,000	17,820,000	135,000
Total General Obligation Bonds					\$ 28,649,723	\$ 901,242
<u>Bond Premiums:</u>						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	\$ 17,307	\$ 9,146
Unamortized premium on issuance	n/a	n/a	n/a	n/a	621,688	117,590
Unamortized premium on issuance	n/a	n/a	n/a	n/a	2,337	419
Unamortized premium on issuance	n/a	n/a	n/a	n/a	1,907,072	282,371
Total bond premiums					\$ 2,548,404	\$ 409,526
<u>School Construction QSCB Bonds:</u>						
School construction	0.000%	10/31/2012	2034	2,170,893	\$ 1,578,831	\$ 98,677
School construction	0.000%	12/15/2011	2031	9,500,000	7,265,000	770,000
Total School Construction Bonds					\$ 8,843,831	\$ 868,677
<u>Other Long-term Obligations:</u>						
Capital leases					\$ 1,372,000	\$ 265,000
Landfill closure/post-closure liability					326,831	-
Compensated absences					968,676	726,507
Net pension liability					2,715,130	-
Net OPEB liabilities					2,037,612	-
Total Other Long-term Obligations					\$ 7,420,249	\$ 991,507
Total Long-term Obligations					\$ 47,462,207	\$ 3,170,952

The locality's general obligation and QSCB bonds are subject to the state aid intercept program. Under terms of the program, the County's aid is redirected to bondholders to cure event(s) of default.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 7-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct Borrowings and Placements:				
GO Bonds	\$ 3,939,926	\$ -	\$ (45,667)	\$ 3,894,259
Revenue Bonds	6,414,986	-	(369,842)	6,045,144
Unamortized Premiums	903,479	-	(141,554)	761,925
Compensated absences	40,805	15,400	(30,604)	25,601
Net OPEB liabilities	80,240	5,865	(40,012)	46,093
Net pension liability	134,272	76,888	(149,741)	61,419
Total	\$ 11,513,708	\$ 98,153	\$ (777,420)	\$ 10,834,441

For business-type activities, the net pension liability, net OPEB liabilities, and compensated absences are generally liquidated in the Water and Sewer Fund.

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

Year Ending June 30,	Direct Borrowings and Placements			
	GO Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 42,474	\$ 108,767	\$ 380,081	\$ 249,578
2021	79,364	106,815	400,198	232,305
2022	80,670	104,509	420,318	213,478
2023	84,046	102,133	440,441	193,624
2024	86,385	99,794	455,568	172,869
2025-2029	471,918	458,972	2,594,848	533,165
2030-2034	545,911	384,981	1,082,230	120,713
2035-2039	632,504	298,388	271,460	10,234
2040-2044	733,970	196,922	-	-
2045-2049	497,259	102,394	-	-
2050-2054	345,174	50,614	-	-
2055-2058	294,584	13,092	-	-
Totals	\$ 3,894,259	\$ 2,027,381	\$ 6,045,144	\$ 1,725,966

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 7-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations: (Continued)Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
GO Bonds:						
Rural Development GO Bond	3.250%	2/14/2005	2045	\$ 1,500,000	\$ 1,193,887	\$ 30,698
Rural Development GO Bond	4.000%	2/11/2010	2049	123,500	106,287	1,905
Rural Development GO Bond	2.750%	2/11/2010	2049	121,500	105,590	2,390
Rural Development GO Bond	4.500%	2/13/2009	2048	500,000	449,017	7,481
Rural Development GO Bond	2.125%	6/21/2018	2058	2,044,000	2,039,478	-
Subtotal GO Bonds					<u>\$ 3,894,259</u>	<u>\$ 42,474</u>
Revenue Bonds:						
VRA Revenue Bond	2.500%	10/17/2001	2032	113,300	\$ 70,664	\$ 4,663
VRA Revenue Bond	0.000%	3/5/2004	2034	503,049	257,980	16,768
VRA Revenue Bond	0.000%	11/26/2008	2029	473,000	236,500	23,650
VRA Revenue Bond	3.779-5.125%	5/25/2016	2016	6,420,000	5,480,000	335,000
Unamortized premium on issuance	n/a	n/a	n/a	n/a	761,925	130,789
Subtotal Revenue Bonds					<u>\$ 6,807,069</u>	<u>\$ 510,870</u>
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 25,601	\$ 19,201
Net OPEB liabilities	n/a	n/a	n/a	n/a	46,093	-
Net pension liability	n/a	n/a	n/a	n/a	61,419	-
Total Other Obligations					<u>\$ 133,113</u>	<u>\$ 19,201</u>
Total Long-term Obligations					<u>\$ 10,834,441</u>	<u>\$ 572,545</u>

In the event of default, the lender of the VRA Revenue Bonds may declare the entire unpaid principal and interest on the issuances as due and payable. The locality's general obligation bonds are subject to the state aid intercept program. Under terms of the program, the County's aid is redirected to bondholders to cure event(s) of default.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 8-Long-Term Obligations-Component Units:Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligation transactions of the Component Unit-School Board for the year ended June 30, 2019.

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Net OPEB liabilities	\$ 10,776,000	\$ 1,157,000	\$ (2,538,000)	\$ 9,395,000
Employee retirement incentive plan	23,443	-	(23,443)	-
Compensated absences	452,125	344,369	(339,094)	457,400
Net pension liability	36,796,115	9,223,803	(11,923,860)	34,096,058
Total	\$ 48,047,683	\$ 10,725,172	\$ (14,824,397)	\$ 43,948,458

Details of long-term obligations:

	Balance Component Unit School	Amount Due Within One Year
<u>Other long-term obligations:</u>		
Net OPEB liabilities	\$ 9,395,000	\$ -
Compensated absences	457,400	343,050
Net pension liability	34,096,058	-
Total long-term obligations	\$ 43,948,458	\$ 343,050

The net pension liability, net OPEB liabilities, 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, 2019Note 9-Capital Leases:Primary Government:

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

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

Asset:	Truck	HVAC
Equipment	\$ 137,086	\$ 1,700,000
Less: Accumulated Depreciation	(69,782)	(141,589)
Net	<u>\$ 67,304</u>	<u>\$ 1,558,411</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2019, are as follows:

Year Ending June 30,	Capital Leases
2020	\$ 286,932
2021	286,472
2022	286,928
2023	287,308
2024	<u>287,394</u>
Sub-total	\$ 1,435,034
Less, amount representing interest	<u>(63,034)</u>
Present Value of Lease Agreements	<u>\$ 1,372,000</u>

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Note 10-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County, Smyth County Library ('Component Unit'), 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. 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.

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

Note 10-Pension Plan: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 10-Pension Plan: (Continued)*Employees Covered by Benefit Terms*

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government and Library	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	152	111
Inactive members:		
Vested inactive members	27	11
Non-vested inactive members	32	25
Inactive members active elsewhere in VRS	90	25
Total inactive members	149	61
Active members	189	122
Total covered employees	490	294

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.

The County's and Component Unit's contractually required employer contribution rate for the year ended June 30, 2019 was 8.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$573,323 and \$693,662 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the pension plan from the Component Unit Library were \$33,917 and \$44,065 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 9.42% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Note 10-Pension Plan: (Continued)

Contributions (Continued)

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 \$192,187 and \$208,889 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

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

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 10-Pension Plan: (Continued)*Actuarial Assumptions - General Employees (Continued)*

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Note 10-Pension Plan: (Continued)*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 10-Pension Plan: (Continued)*Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)*

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

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

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue 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.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 39,957,907	\$ 36,560,684	\$ 3,397,223
Changes for the year:			
Service cost	\$ 728,015	\$ -	\$ 728,015
Interest	2,722,028	-	2,722,028
Differences between expected and actual experience	(364,407)	-	(364,407)
Impact in change in proportion	(101,517)	(92,886)	(8,631)
Contributions - employer	-	698,076	(698,076)
Contributions - employee	-	344,780	(344,780)
Net investment income	-	2,680,609	(2,680,609)
Benefit payments, including refunds	(1,940,594)	(1,940,594)	-
Administrative expenses	-	(23,414)	23,414
Other changes	-	(2,372)	2,372
Net changes	\$ 1,043,525	\$ 1,664,199	\$ (620,674)
Balances at June 30, 2018	\$ 41,001,432	\$ 38,224,883	\$ 2,776,549

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 10-Pension Plan: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit Library		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 2,428,954	\$ 2,222,442	\$ 206,512
Changes for the year:			
Service cost	\$ 46,222	\$ -	\$ 46,222
Interest	172,823	-	172,823
Differences between expected and actual experience	(23,136)	-	(23,136)
Impact in change in proportion	101,517	92,886	8,631
Contributions - employer	-	44,321	(44,321)
Contributions - employee	-	21,890	(21,890)
Net investment income	-	170,193	(170,193)
Benefit payments, including refunds	(123,209)	(123,209)	-
Administrative expenses	-	(1,485)	1,485
Other changes	-	(151)	151
Net changes	\$ 174,217	\$ 204,445	\$ (30,228)
Balances at June 30, 2018	\$ 2,603,171	\$ 2,426,887	\$ 176,284

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 10-Pension Plan: (Continued)*Changes in Net Pension Liability (Continued)*

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 13,055,737	\$ 11,580,622	\$ 1,475,115
Changes for the year:			
Service cost	\$ 223,289	\$ -	\$ 223,289
Interest	887,093	-	887,093
Differences between expected and actual experience	(95,917)	-	(95,917)
Contributions - employer	-	208,894	(208,894)
Contributions - employee	-	103,259	(103,259)
Net investment income	-	845,637	(845,637)
Benefit payments, including refunds	(765,955)	(765,955)	-
Administrative expenses	-	(7,525)	7,525
Other changes	-	(743)	743
Net changes	\$ 248,510	\$ 383,567	\$ (135,057)
Balances at June 30, 2018	\$ 13,304,247	\$ 11,964,189	\$ 1,340,058

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

The following presents net pension liability of the County, Component Unit Library, and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's, Component Unit Library's, and 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County - Primary Government Net Pension Liability (Asset)	\$ 7,969,989	\$ 2,776,549	\$ (1,549,964)
Component Unit Library Net Pension Liability (Asset)	\$ 506,018	\$ 176,284	\$ (98,408)
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	\$ 2,742,505	\$ 1,340,058	\$ 148,234

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 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, 2019, the County, Component Unit Library, and Component Unit School Board (nonprofessional) recognized pension expense of \$(798,971), \$(86,343), and \$(87,941), respectively. At June 30, 2019, the County, Component Unit Library, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit - Library		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,024,255	\$ -	\$ 66,667	\$ -	\$ 121,798
Change in assumptions	-	102,257	-	6,216	-	823
Net difference between projected and actual earnings on pension plan investments	-	317,061	-	6,296	-	87,703
Changes in proportion and differences between employer contributions and proportionate share of contributions	86,415	39,289	-	47,126	-	-
Employer contributions subsequent to the measurement date	573,323	-	33,917	-	192,187	-
Total	\$ 659,738	\$ 1,482,862	\$ 33,917	\$ 126,305	\$ 192,187	\$ 210,324

\$573,323, \$33,917, and \$192,187 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Library's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. 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	Component Unit Library	Component Unit School Board (nonprofessional)
2020	\$ (747,375)	\$ (71,857)	\$ (50,447)
2021	(221,808)	(30,547)	(29,997)
2022	(395,227)	(21,867)	(119,647)
2023	(32,037)	(2,034)	(10,233)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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). Additional information related to the plan description is included in the first section of this note.

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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. Contributions to the pension plan from the school division were \$3,475,866 and \$3,601,232 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$32,756,000 its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.27854% as compared to 0.28721% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$755,000. 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, 2019Note 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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,800,000
Change in assumptions	391,000	-
Net difference between projected and actual earnings on pension plan investments	-	695,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,162,000
Employer contributions subsequent to the measurement date	3,475,866	-
Total	\$ 3,866,866	\$ 6,657,000

\$3,475,866 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 ending June 30, 2020. 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	
2020	\$ (1,590,000)
2021	(1,660,000)
2022	(2,025,000)
2023	(758,000)
2024	(233,000)

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, 2017, 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, 2018.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 10-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Actuarial Assumptions (Continued)*

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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, 2018, 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	\$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability (Asset)	\$ <u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

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.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 10-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 50,036,000	\$ 32,756,000	\$ 18,453,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit Library				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:												
Primary Government	\$ 659,738	1,482,862	2,776,549	(798,971)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component Unit Library	-	-	-	-	33,917	126,305	176,284	(86,343)	-	-	-	-
School Board Nonprofessional	-	-	-	-	-	-	-	-	192,187	210,324	1,340,058	(87,941)
School Board Professional	-	-	-	-	-	-	-	-	3,866,866	6,657,000	32,756,000	755,000
Totals	\$ 659,738	\$ 1,482,862	\$ 2,776,549	\$ (798,971)	\$ 33,917	\$ 126,305	\$ 176,284	\$ (86,343)	\$ 4,059,053	\$ 6,867,324	\$ 34,096,058	\$ 667,059

Note 11-Other Postemployment Benefits-Health Insurance:

In addition to the pension benefits described in Note 10, the County and Component Unit School Board administer a single-employer defined benefit healthcare plan. The plans provide postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's and School Board's pension plans. The plans do not issue a publicly available financial report.

Benefits Provided

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the County or 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 and School Board. Employees at the County, Library, and School Board are allowed to stay on the plan until death of the employee. The employee pays 100% of the required premium.

Plan Membership

At July 1, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit- School Board
Total active employees with coverage	192	624
Total retirees with coverage	2	51
Total	194	675

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County, Component Unit Library, and Component Unit School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$34,792, \$2,209, and \$336,000, respectively.

Total OPEB Liability

The County's and School Board's total OPEB liability was measured as of July 1, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

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

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Primary Government and Component Unit Library:

Inflation	2.50%
Healthcare Cost Trend Rates	1.68% for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00%.
Salary Increases	2.50% annually
Discount Rate	3.62%

Mortality rates use RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018.

Component Unit School Board:

Inflation	2.50%
Healthcare Cost Trend Rates	(2.10%) for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00%.
Salary Increases	2.50% annually
Discount Rate	3.62%

Mortality rates use RP-2014 Fully Generational Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2018.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 11-Other Postemployment Benefits-Health Insurance: (Continued)*Discount Rate*

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from the Municipal GO AA 20-year curve. The final equivalent single discount rate used for this year's valuation is 3.62% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

Changes in Total OPEB Liability

	Primary Government	Component Unit Library	Component Unit School Board
Balances at June 30, 2018	\$ 1,461,973	\$ 89,028	\$ 5,139,000
Changes for the year:			
Service cost	68,642	4,358	186,000
Interest	53,597	3,403	184,000
Difference between expected and actual experience	(65,821)	(4,179)	(1,123,000)
Changes in assumptions	37,612	2,388	(111,000)
Contributions - employer	(34,792)	(2,209)	(336,000)
Change in proportionate share	(3,567)	3,567	-
Net changes	55,671	7,328	(1,200,000)
Balances at June 30, 2019	\$ 1,517,644	\$ 96,356	\$ 3,939,000

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

The following amounts present the total OPEB liability of the County and Component Unit-Library, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	Rate		
	1% Decrease 2.62%	Current Discount 3.62%	1% Increase 4.62%
County	\$ 1,689,719	\$ 1,517,644	\$ 1,365,316
Component Unit Library	\$ 107,281	\$ 96,356	\$ 86,684
Component Unit School Board	\$ 4,284,000	\$ 3,939,000	\$ 3,621,000

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the County, Component Unit Library, and Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Rate		
	1% Decrease	Healthcare Cost Trend	1% Increase
County	\$ 1,331,465	\$ 1,517,644	\$ 1,738,615
Component Unit Library	\$ 84,535	\$ 96,356	\$ 110,385
Component Unit School Board	\$ 3,520,000	\$ 3,939,000	\$ 4,427,000

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

For the year ended June 30, 2019, the County, Component Unit Library, and Component Unit School Board recognized OPEB expense in the amount of \$123,179, \$7,821, and \$182,000, respectively. At June 30, 2019, the County, Component Unit Library, and Component Unit-School Board, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit-Library		Component Unit-School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 55,478	\$ -	\$ 3,522	\$ -	\$ 947,000
Changes in assumptions	31,030	-	1,970	-	-	94,000
Employer contributions subsequent to the measurement date	34,792	-	2,209	-	336,000	-
Total	\$ 65,822	\$ 55,478	\$ 4,179	\$ 3,522	\$ 336,000	\$ 1,041,000

\$34,792, \$2,209, and \$336,000 was reported as deferred outflows of resources related to OPEB resulting from the County, Component Unit-Library, and Component Unit-School Board, respectively, contributions subsequent to the measurement date will be recognized as reduction of the Total OPEB liability in the fiscal year ended June 30, 2020.

Note 11-Other Postemployment Benefits-Health Insurance: (Continued)*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
(Continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Primary Government	Component Unit-Library	Component Unit- School Board
2020	\$ (3,761)	\$ (239)	\$ (193,000)
2021	(3,761)	(239)	(193,000)
2022	(3,761)	(239)	(193,000)
2023	(3,761)	(239)	(193,000)
2024	(5,643)	(357)	(193,000)
Thereafter	(3,761)	(239)	(76,000)

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

Note 12- Group Life Insurance (GLI) Program (OPEB Plan):*Plan Description*

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Program from the County were \$37,799 and \$36,841 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit Library were \$2,236 and \$2,339 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (non-professional) were \$11,108 and \$11,345 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit-School Board (professional) were \$117,333 and \$116,001 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

Primary Government GLI Program

At June 30, 2019, the entity reported a liability of \$566,061 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 0.03726% as compared to 0.03793% at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$(941). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit Library GLI Program

At June 30, 2019, the entity reported a liability of \$35,939 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Component Unit Library's proportion was 0.00237% as compared to 0.00231% at June 30, 2017.

For the year ended June 30, 2019, the Component Unit Library recognized GLI OPEB expense of \$(60). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (nonprofessional) GLI Program

At June 30, 2019, the Component Unit-School Board (non-professional) reported a liability of \$174,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Component Unit-School Board (non-professional) proportion was 0.01147% as compared to 0.01214% at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**Component Unit School Board (nonprofessional) GLI Program (Continued)*

For the year ended June 30, 2019, the Component-Unit School Board (non-professional) recognized GLI OPEB expense of \$(2,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (professional) GLI Program

At June 30, 2019, the Component Unit-School Board (professional) reported a liability of \$1,782,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Component Unit-School Board (professional) proportion was 0.11732% as compared to 0.12255% at June 30, 2017.

Component Unit School Board (professional) GLI Program

For the year ended June 30, 2019, the Component Unit School Board (professional) recognized GLI OPEB expense of \$(12,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,269	\$ 9,403	\$ 1,731	\$ 597
Net difference between projected and actual earnings on GLI OPEB program investments	-	18,806	-	1,194
Change in assumptions	-	23,508	-	1,493
Changes in proportion	-	20,687	-	1,313
Employer contributions subsequent to the measurement date	37,799	-	2,236	-
Total	\$ 65,068	\$ 72,404	\$ 3,967	\$ 4,597

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 12- Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)*

	Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,000	\$ 3,000	\$ 87,000	\$ 32,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,000	-	58,000
Change in assumptions	-	7,000	-	74,000
Changes in proportion	-	13,000	-	116,000
Employer contributions subsequent to the measurement date	11,108	-	117,333	-
Total	\$ 20,108	\$ 29,000	\$ 204,333	\$ 280,000

\$37,799, \$2,236, \$11,108, and \$117,333 reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit Library, Component Unit School Board (nonprofessional), and Component Unit School Board (professional)'s, respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit Library	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2020	\$ (13,164)	\$ (836)	\$ (6,000)	\$ (50,000)
2021	(13,164)	(836)	(6,000)	(50,000)
2022	(13,164)	(836)	(6,000)	(50,000)
2023	(7,524)	(478)	(4,000)	(34,000)
2024	-	-	-	(11,000)
Thereafter	1,881	120	2,000	2,000

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions*

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Mortality Rates - Teachers**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers - General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

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Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)***Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

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

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

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 12-Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Proportional share of the Group Life Insurance Program Net OPEB Liability			
Primary Government	\$ 740,016	\$ 566,061	\$ 425,016
Component Unit-Library	\$ 46,984	\$ 35,939	\$ 26,984
Component Unit-School Board (nonprofessional)	\$ 228,000	\$ 174,000	\$ 131,000
Component Unit-School Board (professional)	\$ 2,329,000	\$ 1,782,000	\$ 1,338,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the school division to the VRS Teacher Employee HIC Program were \$269,208 and \$274,110 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB

At June 30, 2019, the school division reported a liability of \$3,500,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.27565% as compared to 0.28471% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$250,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB (Continued)

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,000
Change in assumptions	-	31,000
Change in proportion	-	210,000
Employer contributions subsequent to the measurement date	269,208	-
Total	\$ <u>269,208</u>	\$ <u>261,000</u>

\$269,208 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2020	\$ (44,000)
2021	(44,000)
2022	(44,000)
2023	(43,000)
2024	(43,000)
Thereafter	(43,000)

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Actuarial Assumptions*

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Mortality Rates - Teachers**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Actuarial Assumptions (Continued)*

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC
	<u>OPEB Plan</u>
Total Teacher Employee HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	<u>111,639</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Long-Term Expected Rate of Return*

The long-term expected rate of return on the VRS 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 VRS 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:

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

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

Note 13-Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)*Discount Rate*

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 3,909,000	\$ 3,500,000	\$ 3,152,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019**Note 14-Aggregate OPEB Information:**

	Primary Government				Component Unit Library				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:												
Group Life Insurance Program:												
County	\$ 65,068	\$ 72,404	\$ 566,061	\$ (941)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Component Units	-	-	-	-	3,967	4,597	35,939	(60)	-	-	-	-
School Board Nonprofessional	-	-	-	-	-	-	-	-	20,108	29,000	174,000	(2,000)
School Board Professional	-	-	-	-	-	-	-	-	204,333	280,000	1,782,000	(12,000)
Teacher Health Insurance Credit Program	-	-	-	-	-	-	-	-	269,208	261,000	3,500,000	250,000
County Stand-Alone Plan	65,822	55,478	1,517,644	123,179	4,179	3,522	96,356	7,821	-	-	-	-
School Stand-Alone Plan	-	-	-	-	-	-	-	-	336,000	1,041,000	3,939,000	182,000
Totals	\$ 130,890	\$ 127,882	\$ 2,083,705	\$ 122,238	\$ 8,146	\$ 8,119	\$ 132,295	\$ 7,761	\$ 829,649	\$ 1,611,000	\$ 9,395,000	\$ 418,000

Note 15-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 \$22,014,576 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 \$3,313,467 at June 30, 2019.

Assessments for Future Periods - Property taxes due subsequent to June 30, 2019 but levied in the current period totaled \$18,429,319.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$271,790.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 16-Capital Assets:

Capital asset activity for the year ended June 30, 2019 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 664,940	\$ 17,500	\$ -	\$ 682,440
Capital assets, being depreciated:				
Infrastructure	\$ 56,660	\$ -	\$ -	\$ 56,660
Buildings and improvements	71,207,810	-	-	71,207,810
Machinery and equipment	10,363,073	878,396	(435,474)	10,805,995
Total capital assets being depreciated	\$ 81,627,543	\$ 878,396	\$ (435,474)	\$ 82,070,465
Accumulated depreciation:				
Infrastructure	\$ (24,661)	\$ (1,700)	\$ -	\$ (26,361)
Buildings and improvements	(24,655,801)	(1,890,893)	-	(26,546,694)
Machinery and equipment	(7,414,771)	(624,431)	150,600	(7,888,602)
Total accumulated depreciation	\$ (32,095,233)	\$ (2,517,024)	\$ 150,600	\$ (34,461,657)
Total capital assets being depreciated, net	\$ 49,532,310	\$ (1,638,628)	\$ (284,874)	\$ 47,608,808
Governmental activities capital assets, net	\$ 50,197,250	\$ (1,621,128)	\$ (284,874)	\$ 48,291,248

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 16-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	98,653	7,589		106,242
Total capital assets not being depreciated	<u>\$ 143,484</u>	<u>\$ 7,589</u>	<u>\$ -</u>	<u>\$ 151,073</u>
Capital assets, being depreciated:				
Utility system	\$ 51,825,547	\$ 109,822	\$ -	\$ 51,935,369
Machinery and equipment	698,641	-	-	698,641
Total capital assets being depreciated	<u>\$ 52,524,188</u>	<u>\$ 109,822</u>	<u>\$ -</u>	<u>\$ 52,634,010</u>
Accumulated depreciation:				
Utility system	\$ (25,315,184)	\$ (1,517,213)	\$ -	\$ (26,832,397)
Machinery and equipment	(624,186)	(17,791)	-	(641,977)
Total accumulated depreciation	<u>\$ (25,939,370)</u>	<u>\$ (1,535,004)</u>	<u>\$ -</u>	<u>\$ (27,474,374)</u>
Total capital assets being depreciated, net	<u>\$ 26,584,818</u>	<u>\$ (1,425,182)</u>	<u>\$ -</u>	<u>\$ 25,159,636</u>
Business-type activities capital assets, net	<u>\$ 26,728,302</u>	<u>\$ (1,417,593)</u>	<u>\$ -</u>	<u>\$ 25,310,709</u>

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

Governmental activities:

General government administration	\$ 150,779
Judicial administration	522,410
Public safety	516,046
Public works	121,854
Health and welfare	41,126
Education	1,124,013
Parks, recreation, and culture	40,796

Total depreciation expense-governmental activities	<u>\$ 2,517,024</u>
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Business-type activities	<u>\$ 1,535,004</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 16-Capital Assets: (Continued)

Capital asset activity for the School Board for the year ended June 30, 2019 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	\$ 18,026,628	\$ 138,542	\$ -	\$ 18,165,170
Machinery and equipment	8,726,151	840,166	(182,895)	9,383,422
Total capital assets being depreciated	\$ 26,752,779	\$ 978,708	\$ (182,895)	\$ 27,548,592
Accumulated depreciation:				
Buildings and improvements	\$ (12,629,312)	\$ (494,396)	\$ -	\$ (13,123,708)
Machinery and equipment	(6,255,275)	(820,993)	171,102	(6,905,166)
Total accumulated depreciation	\$ (18,884,587)	\$ (1,315,389)	\$ 171,102	\$ (20,028,874)
Total capital assets being depreciated, net	\$ 7,868,192	\$ (336,681)	\$ (11,793)	\$ 7,519,718
Component Unit-School Board capital assets, net	\$ 8,712,655	\$ (336,681)	\$ (11,793)	\$ 8,364,181

Discretely Presented Component Unit - EDA:

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

Note 17-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 18-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 19-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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Note 20-Surety Bonds:

Primary Government:

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

Component Unit - School Board:

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

Note 21-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. \$326,831 was reported as landfill closure and post-closure care liability at June 30, 2019. This amount is based on what it would cost to perform all closure and post-closure in 2019. Actual costs 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 22-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 23-Arbitrage Rebate Compliance:

As of June 30, 2019 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 24-Commitments and Contingencies:

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.

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 25-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, the agreement may be renewed for an additional 40 year period. During fiscal year 2019, the County remitted a total of \$138,949 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.

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 2019, the County remitted a total of \$166,209 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 2019, the County remitted a total of \$7,220 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019Note 26-Litigation:

At June 30, 2019, 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 27-Restricted and Committed Funds and Restricted Net Position:

Governmental Activities/Funds:	Componet Unit	
	General Fund	School Fund
Restricted:		
E-911	\$ 210,357	\$ -
Courthouse construction	186,671	-
Public Safety	251,497	-
Courthouse security	68,584	-
E-summons program	35,510	-
Cafeteria Program	-	789,853
Total restricted balances	<u>\$ 752,619</u>	<u>\$ 789,853</u>
Governmental Funds:		
Committed funds:		
Animal Control	\$ 12,702	\$ -
Public Safety	706,284	-
Total committed funds	<u>\$ 718,986</u>	<u>\$ -</u>

Note 28-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 29-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Note 29-Upcoming Pronouncements: (Continued)

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 16,621,850	\$ 16,621,850	\$ 17,453,207	\$ 831,357
Other local taxes	3,514,600	3,514,600	3,540,355	25,755
Permits, privilege fees, and regulatory licenses	120,200	120,200	85,185	(35,015)
Fines and forfeitures	981,518	1,064,123	1,078,773	14,650
Revenue from the use of money and property	245,704	245,704	355,426	109,722
Charges for services	1,005,076	1,005,076	1,162,334	157,258
Miscellaneous	1,077,700	1,089,542	152,049	(937,493)
Recovered costs	1,064,115	1,370,675	532,836	(837,839)
Intergovernmental	10,420,894	10,420,894	11,865,953	1,445,059
Total revenues	<u>\$ 35,051,657</u>	<u>\$ 35,452,664</u>	<u>\$ 36,226,118</u>	<u>\$ 773,454</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 5,939,047	\$ 5,920,467	\$ 525,365	\$ 5,395,102
County administrator	594,288	582,145	407,991	174,154
Legal department	60,000	74,000	66,330	7,670
Commissioner of revenue	289,389	289,389	286,788	2,601
Assessor	180,000	180,000	181,886	(1,886)
Treasurer	378,298	378,298	412,373	(34,075)
Management information systems	435,453	440,135	430,023	10,112
Electoral board/registrar	193,537	193,537	157,457	36,080
Total general government administration	<u>\$ 8,070,012</u>	<u>\$ 8,057,971</u>	<u>\$ 2,468,213</u>	<u>\$ 5,589,758</u>
Judicial administration:				
Circuit court	\$ 194,941	\$ 193,084	\$ 190,103	\$ 2,981
General district court	7,655	7,655	6,891	764
Juvenile and domestic court	213,248	213,248	211,652	1,596
Clerk of the circuit court	561,626	561,626	542,888	18,738
Law library	1,000	1,000	-	1,000
Victim witness assistance program	103,403	103,403	93,595	9,808
Commonwealth's attorney	847,483	847,483	762,618	84,865
Total judicial administration	<u>\$ 1,929,356</u>	<u>\$ 1,927,499</u>	<u>\$ 1,807,747</u>	<u>\$ 119,752</u>
Public safety:				
Sheriff	\$ 2,936,544	\$ 2,936,109	\$ 2,921,922	\$ 14,187
Central dispatch	2,800	2,800	2,704	96
Volunteer fire department	273,550	273,550	273,550	-
Ambulance and rescue service	158,352	158,352	152,652	5,700
Sheriff - jail	2,925,525	2,925,525	2,925,525	-
Building inspections	324,181	324,181	271,951	52,230
Animal control	431,579	425,565	399,750	25,815
Medical examiner	500	500	540	(40)
Emergency services - civil defense	29,087	29,087	29,562	(475)

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
EXPENDITURES (Continued)				
Public safety: (Continued)				
Sheriff drug asset	\$ 75,000	\$ 75,000	\$ 74,992	\$ 8
Sheriff department dare	10,000	10,000	5,877	4,123
County E-911	736,389	637,594	655,789	(18,195)
Forestry	8,000	8,750	8,746	4
E-911 wireless	91,760	91,760	94,808	(3,048)
Asset forfeiture	438,000	438,000	65,687	372,313
Police activity	1,009,995	1,079,595	1,060,928	18,667
Special investigation	-	11,842	13,509	(1,667)
E-summons	60,000	60,000	56,900	3,100
Commonwealth Attorney asset forfeiture	20,000	32,605	24,972	7,633
Courthouse security	150,000	150,000	145,800	4,200
Total public safety	\$ 9,681,262	\$ 9,670,815	\$ 9,186,164	\$ 484,651
Public works:				
Rye Valley water company	\$ 25,922	\$ 25,922	\$ 25,922	\$ -
Refuse collection and disposal	1,601,268	1,770,383	1,728,883	41,500
Convenience stations	298,845	298,845	289,655	9,190
Courthouse maintenance	169,007	169,885	151,659	18,226
Health department building	82,869	84,221	75,069	9,152
County office building	231,540	229,310	211,341	17,969
Total public works	\$ 2,409,451	\$ 2,578,566	\$ 2,482,529	\$ 96,037
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	2,950	1,250
Welfare administration and programs	4,919,995	4,919,995	4,836,587	83,408
Comprehensive services act	952,750	1,352,750	1,483,076	(130,326)
Other welfare programs	191,336	191,336	191,336	-
Total health and welfare	\$ 6,675,326	\$ 7,075,326	\$ 7,120,994	\$ (45,668)
Education:				
Contribution to Community Colleges	\$ 55,314	\$ 55,314	\$ 55,314	\$ -
Contribution to County School Board	7,821,035	7,821,035	7,763,195	57,840
Total education	\$ 7,876,349	\$ 7,876,349	\$ 7,818,509	\$ 57,840
Parks, recreation, and cultural:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	43,090	43,090	43,090	-
Library administration	660,000	660,000	660,000	-
Total parks, recreation, and cultural	\$ 732,090	\$ 732,090	\$ 732,090	\$ -

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	<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)				
Community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 4,222	\$ 2,678
Community and economic development	161,510	102,805	77,338	25,467
Industrial Development Authorities	658,328	658,328	50,000	608,328
Soil and conservation	27,600	27,600	27,600	-
Extension office	91,524	91,524	76,289	15,235
Total community development	<u>\$ 945,862</u>	<u>\$ 887,157</u>	<u>\$ 235,449</u>	<u>\$ 651,708</u>
Debt service:				
Principal retirement	\$ 1,062,800	\$ 1,062,800	\$ 2,327,376	\$ (1,264,576)
Interest and other fiscal charges	-	-	1,742,247	(1,742,247)
Total debt service	<u>\$ 1,062,800</u>	<u>\$ 1,062,800</u>	<u>\$ 4,069,623</u>	<u>\$ (3,006,823)</u>
Total expenditures	<u>\$ 39,382,508</u>	<u>\$ 39,868,573</u>	<u>\$ 35,921,318</u>	<u>\$ 3,947,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,330,851)</u>	<u>\$ (4,415,909)</u>	<u>\$ 304,800</u>	<u>\$ 4,720,709</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 204,031	\$ 204,031
Issuance of general obligation bonds	5,000,000	5,000,000	-	(5,000,000)
Total other financing sources (uses)	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 204,031</u>	<u>\$ (4,795,969)</u>
Net change in fund balances	\$ 669,149	\$ 584,091	\$ 508,831	\$ (75,260)
Fund balances - beginning	1,530,851	1,615,909	10,503,257	8,887,348
Fund balances - ending	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 11,012,088</u>	<u>\$ 8,812,088</u>

Note 1: GAAP serves as the budgetary basis of accounting

County of Smyth, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 728,015	\$ 747,608	\$ 751,868	\$ 752,948	\$ 745,432
Interest	2,722,028	2,734,891	2,679,557	2,587,924	2,483,851
Changes of benefit terms	-	28,506	-	-	-
Differences between expected and actual experience	(364,407)	(1,406,952)	(1,311,424)	(350,079)	-
Impact in change of proportion	(101,517)	547,126	209,852	-	-
Changes in assumptions	-	(275,572)	-	-	-
Benefit payments, including refunds of employee contributions	(1,940,594)	(1,880,848)	(1,872,458)	(1,910,763)	(1,541,442)
Net change in total pension liability	\$ 1,043,525	\$ 494,759	\$ 457,395	\$ 1,080,030	\$ 1,687,841
Total pension liability - beginning	39,957,907	39,463,148	39,005,753	37,925,723	36,237,882
Total pension liability - ending (a)	\$ 41,001,432	\$ 39,957,907	\$ 39,463,148	\$ 39,005,753	\$ 37,925,723
Plan fiduciary net position					
Impact in change of proportion	\$ (92,886)	\$ 456,481	\$ 176,742	\$ -	\$ -
Contributions - employer	698,076	692,122	888,989	884,699	897,039
Contributions - employee	344,780	364,136	341,581	340,522	348,858
Net investment income	2,680,609	4,030,826	559,765	1,453,396	4,402,828
Benefit payments, including refunds of employee contributions	(1,940,594)	(1,880,848)	(1,872,458)	(1,910,763)	(1,541,442)
Administrative expense	(23,414)	(23,611)	(20,658)	(20,297)	(23,762)
Other	(2,372)	(3,573)	(241)	(306)	1,204
Net change in plan fiduciary net position	\$ 1,664,199	\$ 3,635,533	\$ 73,720	\$ 747,251	\$ 4,084,725
Plan fiduciary net position - beginning	36,560,684	32,925,151	32,851,431	32,104,180	28,019,455
Plan fiduciary net position - ending (b)	\$ 38,224,883	\$ 36,560,684	\$ 32,925,151	\$ 32,851,431	\$ 32,104,180
County's net pension liability (asset) - ending (a) - (b)	\$ 2,776,549	\$ 3,397,223	\$ 6,537,997	\$ 6,154,322	\$ 5,821,543
Plan fiduciary net position as a percentage of the total pension liability	93.23%	91.50%	83.43%	84.22%	84.65%
Covered payroll	\$ 6,922,774	\$ 6,922,002	\$ 6,875,983	\$ 6,849,722	\$ 6,840,025
County's net pension liability (asset) as a percentage of covered payroll	40.11%	49.08%	95.08%	89.85%	85.11%

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 Changes in Net Pension Liability and Related Ratios
Component Unit-Library
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 46,222	\$ 45,446	\$ 56,763	\$ 61,200	\$ 60,615
Interest	172,823	166,250	202,295	210,349	200,731
Changes of benefit terms	-	1,733	-	-	-
Differences between expected and actual experience	(23,136)	(85,527)	(99,007)	(28,455)	-
Impact in change of proportion	101,517	(547,126)	(209,852)	-	-
Changes in assumptions	-	(16,752)	-	-	-
Benefit payments, including refunds of employee contributions	(123,209)	(114,334)	(141,363)	(155,309)	(126,532)
Net change in total pension liability	\$ 174,217	\$ (550,310)	\$ (191,164)	\$ 87,785	\$ 134,814
Total pension liability - beginning	2,428,954	2,979,264	3,170,428	3,082,643	2,946,679
Total pension liability - ending (a)	\$ 2,603,171	\$ 2,428,954	\$ 2,979,264	\$ 3,170,428	\$ 3,081,493
Plan fiduciary net position					
Impact in change of proportion	\$ 92,886	\$ (456,481)	\$ (176,742)	\$ -	\$ -
Contributions - employer	44,321	42,073	67,115	71,909	72,943
Contributions - employee	21,890	22,135	25,785	27,678	28,367
Net investment income	170,193	245,028	42,260	118,131	358,015
Benefit payments, including refunds of employee contributions	(123,209)	(114,334)	(141,363)	(155,309)	(125,342)
Administrative expense	(1,485)	(1,435)	(1,560)	(1,650)	(1,932)
Other	(151)	(217)	(18)	(25)	(988)
Net change in plan fiduciary net position	\$ 204,445	\$ (263,231)	\$ (184,523)	\$ 60,734	\$ 331,063
Plan fiduciary net position - beginning	2,222,442	2,485,673	2,670,196	2,609,462	2,278,399
Plan fiduciary net position - ending (b)	\$ 2,426,887	\$ 2,222,442	\$ 2,485,673	\$ 2,670,196	\$ 2,609,462
Component Unit Library's net pension liability (asset) - ending (a) - (b)	\$ 176,284	\$ 206,512	\$ 493,591	\$ 500,232	\$ 472,031
Plan fiduciary net position as a percentage of the total pension liability	93.23%	91.50%	83.43%	84.22%	84.68%
Covered payroll	\$ 488,528	\$ 427,372	\$ 531,258	\$ 567,731	\$ 555,966
Component Unit Library's net pension liability (asset) as a percentage of covered payroll	36.08%	48.32%	92.91%	88.11%	84.90%

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 Changes in Net Pension Liability and Related Ratios
Component Unit-School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 223,289	\$ 235,070	\$ 250,631	\$ 266,352	\$ 269,417
Interest	887,093	877,621	869,360	858,200	829,370
Differences between expected and actual experience	(95,917)	(191,498)	(191,576)	(206,989)	-
Changes in assumptions	-	(2,989)	-	-	-
Benefit payments, including refunds of employee contributions	(765,955)	(799,816)	(820,987)	(695,293)	(678,546)
Net change in total pension liability	\$ 248,510	\$ 118,388	\$ 107,428	\$ 222,270	\$ 420,241
Total pension liability - beginning	13,055,737	12,937,349	12,829,921	12,607,651	12,187,410
Total pension liability - ending (a)	<u>\$ 13,304,247</u>	<u>\$ 13,055,737</u>	<u>\$ 12,937,349</u>	<u>\$ 12,829,921</u>	<u>\$ 12,607,651</u>
Plan fiduciary net position					
Contributions - employer	\$ 208,894	\$ 211,195	\$ 249,040	\$ 261,267	\$ 259,497
Contributions - employee	103,259	116,397	108,352	114,873	121,131
Net investment income	845,637	1,284,634	184,071	491,896	1,505,249
Benefit payments, including refunds of employee contributions	(765,955)	(799,816)	(820,987)	(695,293)	(678,546)
Administrative expense	(7,525)	(7,718)	(7,019)	(6,949)	(8,292)
Other	(743)	(1,132)	(79)	(103)	79
Net change in plan fiduciary net position	\$ 383,567	\$ 803,560	\$ (286,622)	\$ 165,691	\$ 1,199,118
Plan fiduciary net position - beginning	11,580,622	10,777,062	11,063,684	10,897,993	9,698,875
Plan fiduciary net position - ending (b)	<u>\$ 11,964,189</u>	<u>\$ 11,580,622</u>	<u>\$ 10,777,062</u>	<u>\$ 11,063,684</u>	<u>\$ 10,897,993</u>
School Division's net pension liability - ending (a) - (b)	\$ 1,340,058	\$ 1,475,115	\$ 2,160,287	\$ 1,766,237	\$ 1,709,658
Plan fiduciary net position as a percentage of the total pension liability	89.93%	88.70%	83.30%	86.23%	86.44%
Covered payroll	\$ 2,156,076	\$ 2,163,422	\$ 2,208,654	\$ 2,297,419	\$ 2,393,110
School Division's net pension liability as a percentage of covered payroll	62.15%	68.18%	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's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.27854%	0.28721%	0.29649%	0.30972%	0.32331%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 32,756,000	\$ 35,321,000	\$ 41,550,000	\$ 38,983,000	\$ 39,071,000
Employer's Covered Payroll	22,285,300	22,470,905	22,605,674	23,023,786	23,643,816
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	146.98%	157.19%	183.80%	169.32%	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

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 - Pension Plans
For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 573,323	\$ 573,323	\$ -	\$ 7,234,586	7.92%
2018	693,662	693,662	-	6,922,774	10.02%
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%
2014	897,067	897,067	-	6,840,025	13.11%
Component Unit Library					
2019	\$ 33,917	\$ 33,917	\$ -	\$ 459,327	7.38%
2018	44,065	44,065	-	488,528	9.02%
2017	49,913	49,913	-	427,337	11.68%
2016	67,319	67,319	-	531,326	12.67%
2015	71,942	71,942	-	567,814	12.67%
2014	67,434	67,434	-	555,966	12.13%
Component Unit School Board (nonprofessional)					
2019	\$ 192,187	\$ 192,187	\$ -	\$ 2,116,635	9.08%
2018	208,889	208,889	-	2,156,076	9.69%
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%
Component Unit School Board (professional)					
2019	\$ 3,475,866	\$ 3,475,866	\$ -	\$ 22,434,009	15.49%
2018	3,601,232	3,601,232	-	22,285,300	16.16%
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%

Schedule is intended to show information for 10 years. Prior to 2014, the County information reported in the County's report included participants that are not included in the County's report. Therefore, no additional data is currently available for the County or Component Unit Library. Additional years will be included as they become available.

County of Smyth, Virginia
Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2019

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

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

Largest 10 - Non-Hazardous Duty:

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

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

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

Largest 10 - Hazardous Duty:

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

County of Smyth, Virginia
Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2019

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

County of Smyth, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Primary Government
Healthcare OPEB Plan
For the Years Ended June 30, 2019 and 2018

	2019	2018
Total OPEB liability		
Service cost	\$ 68,642	\$ 66,924
Interest	53,597	50,901
Changes in assumptions	37,612	-
Differences between expected and actual experience	(65,821)	-
Contributions	(34,792)	(16,967)
Change in proportionate share	(3,567)	-
Net change in total OPEB liability	\$ 55,671	\$ 100,858
Total OPEB liability - beginning	1,461,973	1,361,115
Total OPEB liability - ending	\$ 1,517,644	\$ 1,461,973
Covered-employee payroll	\$ 7,298,609	\$ 6,832,907
Primary Government's total OPEB liability (asset) as a percentage of covered-employee payroll	20.79%	21.40%

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

County of Smyth, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Component Unit Library
Healthcare OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 4,358	\$ 4,075
Interest	3,403	3,100
Changes in assumptions	2,388	-
Differences between expected and actual experience	(4,179)	-
Contributions	(2,209)	(1,033)
Change in proportionate share	3,567	-
Net change in total OPEB liability	\$ 7,328	\$ 6,142
Total OPEB liability - beginning	89,028	82,886
Total OPEB liability - ending	\$ 96,356	\$ 89,028
Covered-employee payroll	\$ 463,391	\$ 416,093
Component Unit Library's total OPEB liability (asset) as a percentage of covered-employee payroll	20.79%	21.40%

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

County of Smyth, Virginia
Schedule of Changes in Total OPEB Liability and Related Ratios
Component Unit School Board
Healthcare OPEB Plan
For the Years Ended June 30, 2018 through June 30, 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 186,000	\$ 181,000
Interest	184,000	182,000
Changes in assumptions	(111,000)	-
Differences between expected and actual experience	(1,123,000)	-
Contributions	(336,000)	(299,000)
Net change in total OPEB liability	\$ (1,200,000)	\$ 64,000
Total OPEB liability - beginning	5,139,000	5,075,000
Total OPEB liability - ending	\$ 3,939,000	\$ 5,139,000
Covered-employee payroll	\$ 23,787,000	\$ 24,003,000
School's total OPEB liability (asset) as a percentage of covered-employee payroll	16.56%	21.41%

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

County of Smyth, Virginia
Notes to Required Supplementary Information - Healthcare OPEB Plan
For the Year Ended June 30, 2018

Valuation Date: 7/1/2018
Measurement Date: 7/1/2018

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

Methods and assumptions used to determine OPEB liability:

County and Component Unit-Library:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.50% per year
Healthcare Trend Rate	1.68% for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Fully Generational Mortality Table, with base year 2006, using two dimensional improvement scale MP-2018.

Component Unit-School Board:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.62%
Inflation	2.50% per year
Healthcare Trend Rate	(2.10%) for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Fully Generational Mortality Table, with base year 2006, using two dimensional improvement scale MP-2018.

County of Smyth, Virginia
Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2018	0.03726%	\$ 566,061	\$ 6,922,774	8.18%	51.22%
2017	0.03793%	571,215	6,922,002	8.25%	48.86%
Component Unit Library					
2018	0.00237%	\$ 35,939	\$ 488,528	7.36%	51.22%
2017	0.00231%	34,724	427,337	8.13%	48.86%
Component Unit School Board (Non-Professional)					
2018	0.01147%	\$ 174,000	\$ 2,156,076	8.07%	51.22%
2017	0.01214%	182,000	2,163,422	8.41%	48.86%
Component Unit School Board (Professional)					
2018	0.11732%	\$ 1,782,000	\$ 22,285,300	8.00%	51.22%
2017	0.12255%	1,844,000	22,470,905	8.21%	48.86%

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

County of Smyth, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2017 through June 30, 2019

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					
2019	\$ 37,799	\$ 37,799	\$ -	\$ 7,239,182	0.52%
2018	36,841	36,841	-	6,922,774	0.53%
2017	36,388	36,388	-	6,922,002	0.53%
Component Unit Library					
2019	\$ 2,236	\$ 2,236	\$ -	\$ 459,618	0.49%
2018	2,339	2,339	-	488,528	0.48%
2017	2,212	2,212	-	427,337	0.52%
Component Unit School Board (Nonprofessional)					
2019	\$ 11,108	\$ 11,108	\$ -	\$ 2,136,181	0.52%
2018	11,345	11,345	-	2,156,076	0.53%
2017	11,647	11,647	-	2,163,422	0.54%
Component Unit School Board (Professional)					
2019	\$ 117,333	\$ 117,333	\$ -	\$ 22,563,997	0.52%
2018	116,001	116,001	-	22,285,300	0.52%
2017	117,551	117,551	-	22,470,905	0.52%

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

County of Smyth, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

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

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

County of Smyth, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Smyth, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.27565%	\$ 3,500,000	\$ 22,285,300	15.71%	8.08%
2017	0.28471%	3,611,000	22,470,905	16.07%	7.04%

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

County of Smyth, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2017 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
				(4)	(5)
Component Unit-School Board (Professional)					
2019	\$ 269,208	\$ 269,208	\$ -	\$ 22,434,009	1.20%
2018	274,110	274,110	-	22,285,300	1.23%
2017	249,411	249,411	-	22,470,905	1.11%

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

County of Smyth, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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

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

Component Unit-School Board (Professional):

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

Other Supplementary Information

County of Smyth, Virginia
Combining Statement of Net Position
Proprietary Funds
June 30, 2019

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Accounts receivable, net of allowance for uncollectibles	\$ 212,027	\$ 127,838	\$ 339,865
Due from other governmental units	41,364	24,940	66,304
Internal balances	177,981	(177,981)	-
Total current assets	<u>\$ 431,372</u>	<u>\$ (25,203)</u>	<u>\$ 406,169</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 27,968	\$ 16,863	\$ 44,831
Utility plant in service	32,400,219	19,535,150	51,935,369
Machinery and equipment	435,852	262,789	698,641
Construction in progress	66,280	39,962	106,242
Accumulated depreciation	(17,140,067)	(10,334,307)	(27,474,374)
Total capital assets	<u>\$ 15,790,252</u>	<u>\$ 9,520,457</u>	<u>\$ 25,310,709</u>
Total noncurrent assets	<u>\$ 15,790,252</u>	<u>\$ 9,520,457</u>	<u>\$ 25,310,709</u>
Total assets	<u>\$ 16,221,624</u>	<u>\$ 9,495,254</u>	<u>\$ 25,716,878</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 13,349	\$ 8,048	\$ 21,397
OPEB related items	2,165	1,305	3,470
Total deferred outflows of resources	<u>\$ 15,514</u>	<u>\$ 9,353</u>	<u>\$ 24,867</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 88,387	\$ 53,292	\$ 141,679
Customers' deposits	1,194	720	1,914
Accrued interest payable	44,787	27,004	71,791
Compensated absences - current portion	11,979	7,222	19,201
Bonds payable - current portion	345,207	208,137	553,344
Total current liabilities	<u>\$ 491,554</u>	<u>\$ 296,375</u>	<u>\$ 787,929</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 3,993	\$ 2,407	\$ 6,400
Bonds payable - net of current portion	6,330,886	3,817,098	10,147,984
Net OPEB liabilities	28,755	17,338	46,093
Net pension liability	38,317	23,102	61,419
Total noncurrent liabilities	<u>\$ 6,401,951</u>	<u>\$ 3,859,945</u>	<u>\$ 10,261,896</u>
Total liabilities	<u>\$ 6,893,505</u>	<u>\$ 4,156,320</u>	<u>\$ 11,049,825</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related items	\$ 56,321	\$ 33,958	\$ 90,279
OPEB related items	1,765	1,064	2,829
Total deferred inflows of resources	<u>\$ 58,086</u>	<u>\$ 35,022</u>	<u>\$ 93,108</u>
NET POSITION			
Net investment in capital assets	\$ 9,114,158	\$ 5,495,223	\$ 14,609,381
Unrestricted (deficit)	171,389	(181,958)	(10,569)
Total net position	<u>\$ 9,285,547</u>	<u>\$ 5,313,265</u>	<u>\$ 14,598,812</u>

Note: Information presented herein has been allocated based on a percentage of revenues for services.

County of Smyth, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,365,854	\$ -	\$ 1,365,854
Sewer revenues	-	823,518	823,518
Connection fees	15,628	9,422	25,050
Penalties	7,030	4,239	11,269
Service charges	12,183	7,346	19,529
Application fees	2,152	1,298	3,450
Miscellaneous	831	501	1,332
Total operating revenues	\$ 1,403,678	\$ 846,324	\$ 2,250,002
OPERATING EXPENSES			
Personnel services	\$ 183,231	\$ 110,476	\$ 293,707
Water purchases	221,592	133,605	355,197
Water and wastewater service	206,485	124,497	330,982
Automotive expenses	13,286	8,011	21,297
Office supplies	2,274	1,371	3,645
Uniforms	1,683	1,015	2,698
Utilities	32,072	19,338	51,410
Permits	6,927	4,177	11,104
Postage	7,302	4,402	11,704
Telephone	3,890	2,345	6,235
Maintenance supplies	19,091	11,511	30,602
Repair and maintenance	19,443	11,723	31,166
Miscellaneous	838	508	1,346
Depreciation	957,622	577,382	1,535,004
Total operating expenses	\$ 1,675,736	\$ 1,010,361	\$ 2,686,097
Operating income (loss)	\$ (272,058)	\$ (164,037)	\$ (436,095)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	\$ (142,770)	\$ (86,080)	\$ (228,850)
Income (loss) before capital contributions, construction grants, and transfers	\$ (414,828)	\$ (250,117)	\$ (664,945)
Capital contributions and construction grants			
Federal Grants	\$ 101,038	\$ 60,919	\$ 161,957
Other contributions and grants	64,836	39,092	103,928
Total capital contributions and construction grants	\$ 165,874	\$ 100,011	\$ 265,885
Transfers out	(127,286)	(76,745)	(204,031)
Change in net position	\$ (376,240)	\$ (226,851)	\$ (603,091)
Total net position - beginning	9,661,787	5,540,116	15,201,903
Total net position - ending	\$ 9,285,547	\$ 5,313,265	\$ 14,598,812

Note: Information presented herein has been allocated based on a percentage of revenues for services.

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, 2019

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 1,440,585
Investments	1,088,683
Receivables (net of allowance for uncollectibles):	
Accounts receivable	224,645
Due from primary government	1,749,546
Due from other governmental units	1,872,659
Inventories	49,957
Prepaid items	310,019
Total assets	<u>\$ 6,736,094</u>
LIABILITIES	
Accounts payable	\$ 125,746
Accrued liabilities	4,143,926
Total liabilities	<u>\$ 4,269,672</u>
FUND BALANCE	
Nonspendable	
Prepaid items	\$ 310,019
Inventories	49,957
Restricted	
School cafeterias	789,853
Unassigned	1,316,593
Total fund balances	<u>\$ 2,466,422</u>
Total liabilities and fund balances	<u>\$ 6,736,094</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,466,422
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 844,463
Buildings and improvements	5,041,462
Machinery and equipment	<u>2,478,256</u>
	8,364,181
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 4,059,053
OPEB related items	<u>829,649</u>
	4,888,702
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	\$ (457,400)
Net OPEB liabilities	(9,395,000)
Net pension liability	<u>(34,096,058)</u>
	(43,948,458)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (6,867,324)
OPEB related items	<u>(1,611,000)</u>
	(8,478,324)
Net position of governmental activities	<u>\$ (36,707,477)</u>

County of Smyth, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 17,371
Charges for services	1,071,491
Miscellaneous	82,597
Recovered costs	738,104
Intergovernmental	45,483,690
Total revenues	<u>\$ 47,393,253</u>
EXPENDITURES	
Current:	
Education	\$ 47,907,084
Total expenditures	<u>\$ 47,907,084</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (513,831)</u>
Net change in fund balances	\$ (513,831)
Fund balances - beginning	2,980,253
Fund balances - ending	<u>\$ 2,466,422</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	\$ (513,831)
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	\$ 575,998
Depreciation expenses	<u>(1,197,553)</u> (621,555)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	273,081
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	\$ (5,275)
Change in OPEB related items	653,193
Change in ERIP obligation	23,443
Change in pension related items	<u>3,002,767</u> 3,674,128
Change in net position of governmental activities	<u>\$ 2,811,823</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, 2019

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 5,750	\$ 5,750	\$ 17,371	\$ 11,621
Charges for services	1,825,504	1,825,504	1,071,491	(754,013)
Miscellaneous	86,304	86,304	82,597	(3,707)
Recovered costs	590,775	590,775	738,104	147,329
Intergovernmental	46,263,614	46,498,889	45,483,690	(1,015,199)
Total revenues	<u>\$ 48,771,947</u>	<u>\$ 49,007,222</u>	<u>\$ 47,393,253</u>	<u>\$ (1,613,969)</u>
EXPENDITURES				
Current:				
Education	\$ 51,456,060	\$ 51,691,335	\$ 47,907,084	\$ 3,784,251
Total expenditures	<u>\$ 51,456,060</u>	<u>\$ 51,691,335</u>	<u>\$ 47,907,084</u>	<u>\$ 3,784,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,684,113)</u>	<u>\$ (2,684,113)</u>	<u>\$ (513,831)</u>	<u>\$ 2,170,282</u>
Net change in fund balances	\$ (2,684,113)	\$ (2,684,113)	\$ (513,831)	\$ 2,170,282
Fund balances - beginning	-	-	2,980,253	2,980,253
Fund balances - ending	<u>\$ (2,684,113)</u>	<u>\$ (2,684,113)</u>	<u>\$ 2,466,422</u>	<u>\$ 5,150,535</u>

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, 2019

	<u>EDA Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 103,937
Investments	572,552
Due from primary government	19,251
Accrued interest	369
Total current assets	<u>\$ 696,109</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 4,823,062
Total assets	<u>\$ 5,519,171</u>
NET POSITION	
Investment in capital assets	\$ 4,823,062
Unrestricted	696,109
Total net position	<u><u>\$ 5,519,171</u></u>

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2019

	<u>EDA Fund</u>
OPERATING REVENUES	
Miscellaneous	\$ 10,485
Recovered costs	102,500
Tobacco Commision grant	446,700
Total operating revenues	<u>\$ 559,685</u>
OPERATING EXPENSES	
Grant awards	\$ 602,085
Miscellaneous	8,352
Total operating expenses	<u>\$ 610,437</u>
 Operating income (loss)	 \$ (50,752)
 Total net position - beginning	 <u>5,569,923</u>
Total net position - ending	<u><u>\$ 5,519,171</u></u>

County of Smyth, Virginia
Statement of Cash Flows - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2019

	<u>EDA Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grant revenue	\$ 446,700
Payments for operating expenses	(610,437)
Other receipts	<u>112,985</u>
Net cash provided by (used for) operating activities	<u>\$ (50,752)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from (to) primary government	<u>\$ 47,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	<u>\$ 57,615</u>
Net increase (decrease) in cash and cash equivalents	\$ 54,599
Cash and cash equivalents - beginning	<u>49,338</u>
Cash and cash equivalents - ending	<u><u>\$ 103,937</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (50,752)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (50,752)</u></u>

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 10,085,700	\$ 10,085,700	\$ 10,295,344	\$ 209,644
Public service corporation taxes	1,160,000	1,160,000	1,160,156	156
Personal property taxes	3,071,050	3,071,050	3,329,842	258,792
Mobile home taxes	52,000	52,000	53,012	1,012
Machinery and tools taxes	1,618,100	1,618,100	1,740,918	122,818
Merchant's capital taxes	278,000	278,000	282,823	4,823
Penalties	152,000	152,000	172,208	20,208
Interest	205,000	205,000	418,904	213,904
Total general property taxes	\$ 16,621,850	\$ 16,621,850	\$ 17,453,207	\$ 831,357
Other local taxes:				
Local sales and use taxes	\$ 2,300,000	\$ 2,300,000	\$ 2,200,129	\$ (99,871)
Consumers' utility taxes	562,000	562,000	566,863	4,863
Local consumption tax	108,000	108,000	87,554	(20,446)
Motor vehicle licenses	453,000	453,000	494,971	41,971
Taxes on recordation and wills	-	-	107,380	107,380
Special conveyance tax	28,000	28,000	31,282	3,282
Lodging tax	56,000	56,000	52,176	(3,824)
Special assessments	7,600	7,600	-	(7,600)
Total other local taxes	\$ 3,514,600	\$ 3,514,600	\$ 3,540,355	\$ 25,755
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,500	\$ 7,500	\$ 6,209	\$ (1,291)
Land use application fees	500	500	375	(125)
Transfer fees	800	800	956	156
Building permits and other licenses	93,000	93,000	69,997	(23,003)
Erosion and sediment control	5,400	5,400	6,075	675
Other permits, fees, and licenses	13,000	13,000	1,573	(11,427)
Total permits, privilege fees, and regulatory licenses	\$ 120,200	\$ 120,200	\$ 85,185	\$ (35,015)
Fines and forfeitures:				
Court fines and forfeitures	\$ 981,518	\$ 1,064,123	\$ 1,078,773	\$ 14,650
Revenue from use of money and property:				
Revenue from use of money	\$ 108,630	\$ 108,630	\$ 222,280	\$ 113,650
Revenue from use of property	137,074	137,074	133,146	(3,928)
Total revenue from use of money and property	\$ 245,704	\$ 245,704	\$ 355,426	\$ 109,722
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,076	\$ 2,076	\$ 1,613	\$ (463)
Charges for courthouse maintenance	31,200	31,200	89,757	58,557
Charges for courtroom security	150,000	150,000	157,601	7,601

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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)				
Charges for services: (Continued)				
Miscellaneous jail and inmate fees	\$ 6,800	\$ 6,800	\$ 7,592	\$ 792
Charges for Commonwealth's Attorney	3,000	3,000	4,189	1,189
Charges for sanitation and waste removal	782,800	782,800	848,245	65,445
Charges for law library	9,100	9,100	11,997	2,897
Charges for e-summons	-	-	32,533	32,533
Other charges for services	20,100	20,100	8,807	(11,293)
Total charges for services	\$ 1,005,076	\$ 1,005,076	\$ 1,162,334	\$ 157,258
Miscellaneous	\$ 1,077,700	\$ 1,089,542	\$ 152,049	\$ (937,493)
Recovered costs:				
Rye Valley water salary reimbursement	\$ 25,922	\$ 25,922	\$ 25,993	\$ 71
Insurance recoveries	35,000	35,000	18,801	(16,199)
School resource officer	136,118	136,118	155,171	19,053
Local board of welfare	751,985	1,058,545	50,529	(1,008,016)
Regional jail	-	-	210,887	210,887
Tourism	43,090	43,090	43,097	7
Other recovered costs	72,000	72,000	28,358	(43,642)
Total recovered costs	\$ 1,064,115	\$ 1,370,675	\$ 532,836	\$ (837,839)
Total revenue from local sources	\$ 24,630,763	\$ 25,031,770	\$ 24,360,165	\$ (671,605)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 34,823	\$ 34,823	\$ 35,018	\$ 195
Communications sales and use taxes	552,000	552,000	499,250	(52,750)
Mobile home titling tax	60,000	60,000	49,848	(10,152)
State recordation tax	140,000	140,000	35,343	(104,657)
Personal property tax relief funds	1,804,310	1,804,310	1,804,316	6
Total noncategorical aid	\$ 2,591,133	\$ 2,591,133	\$ 2,423,775	\$ (167,358)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 514,219	\$ 514,219	\$ 484,155	\$ (30,064)
Sheriff	1,725,527	1,725,527	1,709,961	(15,566)
Commissioner of revenue	111,279	111,279	111,410	131
Treasurer	108,770	108,770	108,706	(64)
Registrar/electoral board	49,500	49,500	42,436	(7,064)
Clerk of the Circuit Court	331,950	331,950	354,668	22,718
Total shared expenses	\$ 2,841,245	\$ 2,841,245	\$ 2,811,336	\$ (29,909)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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:				
Public assistance and welfare administration	\$ 1,438,352	\$ 1,438,352	\$ 1,506,714	\$ 68,362
Comprehensive services act	-	-	974,891	974,891
Emergency management grant	201,000	201,000	253,709	52,709
Fire program	74,826	74,826	77,471	2,645
VDOT grants	48,000	48,000	50,330	2,330
Litter control grant	9,000	9,000	8,777	(223)
Victim witness grant	103,403	103,403	3,732	(99,671)
Asset forfeiture funds	-	-	30,352	30,352
School resource officer	114,291	114,291	104,859	(9,432)
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	55,752	26,752
Record preservation grant	18,000	18,000	10,493	(7,507)
Green Valley Court	-	-	2,985	2,985
Other categorical aid	152,400	152,400	46,277	(106,123)
Total other categorical aid	\$ 2,236,272	\$ 2,236,272	\$ 3,126,342	\$ 890,070
Total categorical aid	\$ 5,077,517	\$ 5,077,517	\$ 5,937,678	\$ 860,161
Total revenue from the Commonwealth	\$ 7,668,650	\$ 7,668,650	\$ 8,361,453	\$ 692,803
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 86,400	\$ 86,400	\$ 210,649	\$ 124,249
QSCB federal subsidy	-	-	447,668	447,668
Total noncategorical aid	\$ 86,400	\$ 86,400	\$ 658,317	\$ 571,917
Categorical aid:				
Public assistance and welfare administration	\$ 2,613,344	\$ 2,613,344	\$ 2,743,048	\$ 129,704
Emergency management grant	7,500	7,500	7,500	-
Alcohol impaired driving countermeasures	5,000	5,000	5,771	771
State and community highway safety	40,000	40,000	-	(40,000)
Victim witness grant	-	-	89,864	89,864
Total categorical aid	\$ 2,665,844	\$ 2,665,844	\$ 2,846,183	\$ 180,339
Total revenue from the federal government	\$ 2,752,244	\$ 2,752,244	\$ 3,504,500	\$ 752,256
Total General Fund	\$ 35,051,657	\$ 35,452,664	\$ 36,226,118	\$ 773,454
Total Primary Government	\$ 35,051,657	\$ 35,452,664	\$ 36,226,118	\$ 773,454

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 3,000	\$ 3,000	\$ 17,371	\$ 14,371
Revenue from the use of property	2,750	2,750	-	(2,750)
Total revenue from use of money and property	\$ 5,750	\$ 5,750	\$ 17,371	\$ 11,621
Charges for services:				
Cafeteria sales	\$ 1,261,204	\$ 1,261,204	\$ 430,807	\$ (830,397)
Transportation of pupils	25,000	25,000	28,973	3,973
Tuition and payments from other divisions	539,300	539,300	611,711	72,411
Total charges for services	\$ 1,825,504	\$ 1,825,504	\$ 1,071,491	\$ (754,013)
Miscellaneous:				
Other miscellaneous	\$ 86,304	\$ 86,304	\$ 82,597	\$ (3,707)
Recovered costs:				
Insurance recoveries and rebates	\$ 100,000	\$ 100,000	\$ 9,043	\$ (90,957)
Sale of equipment	20,000	20,000	20,758	758
Famis/Medicaid reimbursement	200,000	200,000	326,117	126,117
E-rate	138,000	138,000	151,392	13,392
Other recovered costs	132,775	132,775	230,794	98,019
Total recovered costs	\$ 590,775	\$ 590,775	\$ 738,104	\$ 147,329
Total revenue from local sources	\$ 2,508,333	\$ 2,508,333	\$ 1,909,563	\$ (598,770)
Intergovernmental:				
Revenue from local governments				
Contribution from County of Smyth, Virginia	\$ 7,821,035	\$ 7,956,310	\$ 7,763,195	\$ (193,115)
Revenue from the Commonwealth:				
Categorical aid:				
At risk four-year olds	\$ 500,023	\$ 500,023	\$ 500,023	\$ -
At risk payments	740,562	740,562	819,353	78,791
Basic school aid	15,877,056	15,877,056	15,794,907	(82,149)
Breakfast after the bell	9,000	9,000	13,867	4,867
CTE	-	-	10,202	10,202
Early reading intervention	104,637	104,637	120,332	15,695
English as a second language	38,435	38,435	24,844	(13,591)
GED funds	23,576	23,576	25,065	1,489
Gifted and talented	163,149	163,149	162,708	(441)
Group life insurance instructional	68,522	68,522	68,337	(185)
Homebound education	6,120	6,120	7,560	1,440
Industry certification	-	-	9,618	9,618
Jobs for grads	21,001	21,001	25,000	3,999
Lottery payments	1,097,948	1,097,948	1,185,002	87,054

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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)				
Mentor teacher program	\$ 2,482	\$ 2,482	\$ 3,921	\$ 1,439
National board certification	7,500	7,500	5,000	(2,500)
Primary class size	691,110	691,110	680,931	(10,179)
Project graduation	10,084	10,084	10,084	-
Regular foster care	120,198	120,198	40,561	(79,637)
Regular tuition-COOP	418,630	418,630	307,025	(111,605)
Remedial education	717,854	717,854	715,915	(1,939)
Remedial summer education	119,639	119,639	92,339	(27,300)
Retirement fringe benefits	2,182,929	2,182,929	2,177,033	(5,896)
School food	35,230	35,230	37,506	2,276
School safety grant	50,000	50,000	68,000	18,000
Share of state sales tax	4,795,569	4,795,569	4,714,124	(81,445)
Small school division enrollment loss	241,110	241,110	241,110	-
Social security fringe benefits	988,681	988,681	986,011	(2,670)
Special education - foster children	1,605,382	1,605,382	1,601,047	(4,335)
Special education - regional programs	-	-	90,463	90,463
Standards of Learning algebra readiness	87,462	87,462	87,617	155
State hospital	2,300	2,300	-	(2,300)
Textbook payment	1,128,549	1,228,549	327,661	(900,888)
Vocational adult education	54,346	54,346	54,272	(74)
Vocational equipment education	-	-	9,752	9,752
Vocational occupational preparedness	-	-	35,542	35,542
Vocational education SOQ payments	724,380	724,380	722,424	(1,956)
VPSA technology grant	388,000	388,000	420,000	32,000
Other state funds	-	-	2,621	2,621
Total categorical aid	\$ 33,021,464	\$ 33,121,464	\$ 32,197,777	\$ (923,687)
Total revenue from the Commonwealth	\$ 33,021,464	\$ 33,121,464	\$ 32,197,777	\$ (923,687)
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ -	\$ -	\$ 352,099	\$ 352,099
School lunch program	2,273,189	2,273,189	1,775,601	(497,588)
Summer food service program	-	-	52,553	52,553
Title I	1,323,074	1,323,074	1,389,366	66,292
Title VI-B, Special education flow-through	1,040,202	1,040,202	1,070,808	30,606
Vocational education	93,017	93,017	87,762	(5,255)
Title VI-B, Special education pre-school	53,402	53,402	54,257	855
Title II	191,708	191,708	195,061	3,353
Forest reserve	-	-	73,248	73,248
Fresh fruits and vegetables	14,000	14,000	86,569	72,569

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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 federal government: (Continued)				
Categorical aid: (Continued)				
Language acquisition grant	\$ 1,667	\$ 1,667	\$ 2,346	\$ 679
21st century	130,000	130,000	-	(130,000)
Title VI	75,416	75,416	77,372	1,956
Child and adult care food program	191,000	191,000	161,183	(29,817)
Third meal	-	-	68,429	68,429
Student support and enrichment program	34,440	34,440	76,064	41,624
Total categorical aid	<u>\$ 5,421,115</u>	<u>\$ 5,421,115</u>	<u>\$ 5,522,718</u>	<u>\$ 101,603</u>
Total revenue from the federal government	<u>\$ 5,421,115</u>	<u>\$ 5,421,115</u>	<u>\$ 5,522,718</u>	<u>\$ 101,603</u>
Total School Operating Fund	<u>\$ 48,771,947</u>	<u>\$ 49,007,222</u>	<u>\$ 47,393,253</u>	<u>\$ (1,613,969)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 48,771,947</u>	<u>\$ 49,007,222</u>	<u>\$ 47,393,253</u>	<u>\$ (1,613,969)</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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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	\$ 5,939,047	\$ 5,920,467	\$ 525,365	\$ 5,395,102
General and financial administration:				
County administrator	\$ 594,288	\$ 582,145	\$ 407,991	\$ 174,154
Legal department	60,000	74,000	66,330	7,670
Commissioner of revenue	289,389	289,389	286,788	2,601
Assessor	180,000	180,000	181,886	(1,886)
Treasurer	378,298	378,298	412,373	(34,075)
Management information systems	435,453	440,135	430,023	10,112
Total general and financial administration	\$ 1,937,428	\$ 1,943,967	\$ 1,785,391	\$ 158,576
Board of elections:				
Electoral board/registrar	\$ 193,537	\$ 193,537	\$ 157,457	\$ 36,080
Total general government administration	\$ 8,070,012	\$ 8,057,971	\$ 2,468,213	\$ 5,589,758
Judicial administration:				
Courts:				
Circuit court	\$ 194,941	\$ 193,084	\$ 190,103	\$ 2,981
General district court	7,655	7,655	6,891	764
Juvenile and domestic court	213,248	213,248	211,652	1,596
Clerk of the circuit court	561,626	561,626	542,888	18,738
Law library	1,000	1,000	-	1,000
Victim witness assistance program	103,403	103,403	93,595	9,808
Total courts	\$ 1,081,873	\$ 1,080,016	\$ 1,045,129	\$ 34,887
Commonwealth's attorney:				
Commonwealth's attorney	\$ 847,483	\$ 847,483	\$ 762,618	\$ 84,865
Total judicial administration	\$ 1,929,356	\$ 1,927,499	\$ 1,807,747	\$ 119,752
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,936,544	\$ 2,936,109	\$ 2,921,922	\$ 14,187
Central dispatch	2,800	2,800	2,704	96
Total law enforcement and traffic control	\$ 2,939,344	\$ 2,938,909	\$ 2,924,626	\$ 14,283
Fire and rescue services:				
Volunteer fire department	\$ 273,550	\$ 273,550	\$ 273,550	\$ -
Ambulance and rescue service	158,352	158,352	152,652	5,700
Total fire and rescue services	\$ 431,902	\$ 431,902	\$ 426,202	\$ 5,700
Correction and detention:				
Sheriff - jail	\$ 2,925,525	\$ 2,925,525	\$ 2,925,525	\$ -
Development services:				
Building inspection	\$ 324,181	\$ 324,181	\$ 271,951	\$ 52,230

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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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	\$ 431,579	425,565	\$ 399,750	\$ 25,815
Medical examiner	500	500	540	(40)
Emergency services - civil defense	29,087	29,087	29,562	(475)
Sheriff school resource officer	-	-	-	-
County E-911	736,389	637,594	655,789	(18,195)
Forestry	8,000	8,750	8,746	4
E-911 wireless	91,760	91,760	94,808	(3,048)
Sheriff drug asset	75,000	75,000	74,992	8
Sheriff department dare	10,000	10,000	5,877	4,123
Asset forfeiture	438,000	438,000	65,687	372,313
Police activity	1,009,995	1,079,595	1,060,928	18,667
Special investigation	-	11,842	13,509	(1,667)
E-summons	60,000	60,000	56,900	3,100
Commonwealth Attorney asset forfeiture	20,000	32,605	24,972	7,633
Courthouse security	150,000	150,000	145,800	4,200
Total other protection	\$ 3,060,310	\$ 3,050,298	\$ 2,637,860	\$ 412,438
Total public safety	\$ 9,681,262	\$ 9,670,815	\$ 9,186,164	\$ 484,651
Public works:				
Water and sewer:				
Rye Valley water company	\$ 25,922	\$ 25,922	\$ 25,922	\$ -
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,601,268	\$ 1,770,383	\$ 1,728,883	\$ 41,500
Convenience stations	298,845	298,845	289,655	9,190
Total sanitation and waste removal	\$ 1,900,113	\$ 2,069,228	\$ 2,018,538	\$ 50,690
Maintenance of general buildings and grounds:				
Courthouse maintenance	\$ 169,007	\$ 169,885	\$ 151,659	\$ 18,226
Health department building	82,869	84,221	75,069	9,152
County office building	231,540	229,310	211,341	17,969
Total maintenance of general buildings and grounds	\$ 483,416	\$ 483,416	\$ 438,069	\$ 45,347
Total public works	\$ 2,409,451	\$ 2,578,566	\$ 2,482,529	\$ 96,037
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, 2019

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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	\$ 2,950	\$ 1,250
Welfare administration and programs	4,919,995	4,919,995	4,836,587	83,408
Comprehensive services act	952,750	1,352,750	1,483,076	(130,326)
Other welfare programs	191,336	191,336	191,336	-
Total welfare	<u>\$ 6,068,281</u>	<u>\$ 6,468,281</u>	<u>\$ 6,513,949</u>	<u>\$ (45,668)</u>
Total health and welfare	<u>\$ 6,675,326</u>	<u>\$ 7,075,326</u>	<u>\$ 7,120,994</u>	<u>\$ (45,668)</u>
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 55,314	\$ 55,314	\$ 55,314	\$ -
Contribution to County School Board	7,821,035	7,821,035	7,763,195	57,840
Total education	<u>\$ 7,876,349</u>	<u>\$ 7,876,349</u>	<u>\$ 7,818,509</u>	<u>\$ 57,840</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	43,090	43,090	43,090	-
Total parks and recreation	<u>\$ 72,090</u>	<u>\$ 72,090</u>	<u>\$ 72,090</u>	<u>\$ -</u>
Library:				
Library administration	\$ 660,000	\$ 660,000	\$ 660,000	\$ -
Total parks, recreation, and cultural	<u>\$ 732,090</u>	<u>\$ 732,090</u>	<u>\$ 732,090</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 4,222	\$ 2,678
Community and economic development	161,510	102,805	77,338	25,467
Industrial Development Authorities	658,328	658,328	50,000	608,328
Total planning and community development	<u>\$ 826,738</u>	<u>\$ 768,033</u>	<u>\$ 131,560</u>	<u>\$ 636,473</u>
Environmental management:				
Soild and conservation	\$ 27,600	\$ 27,600	\$ 27,600	\$ -
Cooperative extension program:				
Extension office	\$ 91,524	\$ 91,524	\$ 76,289	\$ 15,235
Total community development	<u>\$ 945,862</u>	<u>\$ 887,157</u>	<u>\$ 235,449</u>	<u>\$ 651,708</u>
Debt service:				
Principal retirement	\$ 1,062,800	\$ 1,062,800	\$ 2,327,376	\$ (1,264,576)
Interest and other fiscal charges	-	-	1,742,247	(1,742,247)
Total debt service	<u>\$ 1,062,800</u>	<u>\$ 1,062,800</u>	<u>\$ 4,069,623</u>	<u>\$ (3,006,823)</u>
Total General Fund	<u>\$ 39,382,508</u>	<u>\$ 39,868,573</u>	<u>\$ 35,921,318</u>	<u>\$ 3,947,255</u>
Total Primary Government	<u>\$ 39,382,508</u>	<u>\$ 39,868,573</u>	<u>\$ 35,921,318</u>	<u>\$ 3,947,255</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

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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	\$ 1,452,675	\$ 1,427,675	\$ 1,419,480	\$ 8,195
Instruction costs:				
Instructional costs	\$ 27,802,067	\$ 27,902,067	\$ 34,916,929	\$ (7,014,862)
Operating costs:				
Pupil transportation	\$ 2,629,108	\$ 2,599,108	\$ 2,590,939	\$ 8,169
Operation and maintenance of school plant	5,827,926	5,988,201	4,546,472	1,441,729
School food service	3,700,578	3,730,578	3,061,936	668,642
Facilities	2,692,573	2,692,573	2,202	2,690,371
Technology	7,351,133	7,351,133	1,369,126	5,982,007
Total operating costs	\$ 22,201,318	\$ 22,361,593	\$ 11,570,675	\$ 10,790,918
Total School Operating Fund	\$ 51,456,060	\$ 51,691,335	\$ 47,907,084	\$ 3,784,251
Total Discretely Presented Component Unit - School Board	\$ 51,456,060	\$ 51,691,335	\$ 47,907,084	\$ 3,784,251

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets										
Restricted	\$ 8,163,198	\$ 7,410,590	\$ 8,038,644	\$ 8,244,411	\$ 9,369,305	\$ 9,020,728	\$ 9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475
Unrestricted	752,619	1,480,166	1,719,619	668,635	-	-	-	-	-	-
Total governmental activities net position	6,903,727	5,821,151	4,836,863	3,351,486	(1,973,096)	4,988,505	4,115,583	4,037,414	10,205,224	7,438,060
	\$ 15,819,544	\$ 14,711,907	\$ 14,595,126	\$ 12,264,532	\$ 7,396,209	\$ 14,009,233	\$ 13,769,634	\$ 12,787,424	\$ 12,903,334	\$ 14,283,535
Business-type activities										
Net investment in capital assets										
Restricted	\$ 14,609,381	\$ 15,469,911	\$ 13,773,956	\$ 14,867,097	\$ 15,755,398	\$ 17,059,262	\$ 18,053,445	\$ 18,674,951	\$ 19,522,775	\$ 19,024,141
Unrestricted	(10,569)	(268,008)	(175,296)	(199,122)	23,421	79,075	172,073	290,087	314,120	126,899
Total business-type activities net position	\$ 14,598,812	\$ 15,201,903	\$ 13,598,660	\$ 14,667,975	\$ 15,778,819	\$ 17,138,337	\$ 18,225,518	\$ 18,965,038	\$ 19,836,895	\$ 19,151,040
Primary government										
Net investment in capital assets										
Restricted	\$ 22,772,579	\$ 22,880,501	\$ 21,812,600	\$ 23,111,508	\$ 25,124,703	\$ 26,079,990	\$ 27,707,496	\$ 27,424,961	\$ 22,220,885	\$ 25,869,616
Unrestricted	752,619	1,480,166	1,719,619	668,635	-	-	-	-	-	-
Total primary government net position	6,893,158	5,553,143	4,661,567	3,152,364	(1,949,675)	5,067,580	4,287,656	4,327,501	10,519,344	7,564,959
	\$ 30,418,356	\$ 29,913,810	\$ 28,193,786	\$ 26,932,507	\$ 23,175,028	\$ 31,147,570	\$ 31,995,152	\$ 31,752,462	\$ 32,740,229	\$ 33,434,575

Table 2

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
General government administration	\$ 2,359,637	\$ 2,108,251	\$ 2,663,712	\$ 2,522,032	\$ 2,197,454	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323
Judicial administration	\$ 2,167,499	\$ 2,085,710	\$ 1,638,101	\$ 1,591,793	\$ 1,825,563	\$ 1,682,907	\$ 1,493,566	\$ 1,442,451	\$ 1,438,437	\$ 1,405,720
Public safety	\$ 8,709,906	\$ 8,492,659	\$ 8,539,095	\$ 7,610,041	\$ 7,095,586	\$ 7,142,779	\$ 6,668,145	\$ 6,606,593	\$ 6,073,909	\$ 5,840,409
Public works	\$ 1,983,495	\$ 2,148,119	\$ 2,059,998	\$ 2,548,965	\$ 2,090,129	\$ 2,056,232	\$ 2,122,689	\$ 2,085,140	\$ 3,197,528	\$ 1,977,527
Health and welfare	\$ 6,743,163	\$ 6,735,510	\$ 6,328,638	\$ 6,281,076	\$ 5,267,649	\$ 5,662,739	\$ 5,601,627	\$ 5,069,915	\$ 5,252,653	\$ 5,438,893
Education	\$ 9,176,867	\$ 9,328,944	\$ 8,568,359	\$ 6,682,117	\$ 9,687,317	\$ 9,565,569	\$ 8,487,813	\$ 8,016,040	\$ 9,247,181	\$ 7,835,194
Parks, recreation, and cultural	\$ 729,789	\$ 770,828	\$ 764,591	\$ 1,292,528	\$ 1,028,674	\$ 1,027,887	\$ 1,007,108	\$ 1,019,793	\$ 1,012,568	\$ 1,083,058
Community development	\$ 1,029,016	\$ 368,790	\$ 327,775	\$ 334,389	\$ 1,150,411	\$ 1,476,366	\$ 1,195,480	\$ 1,266,069	\$ 1,310,375	\$ 1,324,655
Interest on long-term debt	\$ 962,475	\$ 1,019,376	\$ 1,572,972	\$ 1,219,313	\$ 1,457,368	\$ 1,414,721	\$ 1,505,797	\$ 1,009,693	\$ 253,607	\$ 287,397
Total governmental activities	\$ 33,861,847	\$ 33,058,187	\$ 32,463,241	\$ 30,082,254	\$ 31,800,151	\$ 32,461,323	\$ 30,697,841	\$ 28,759,424	\$ 29,780,664	\$ 27,389,176
Business-type activities										
Water and sewer	\$ 2,914,947	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163
Total business-type activities	\$ 2,914,947	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163
Total primary government expenses	\$ 36,776,794	\$ 36,002,498	\$ 35,390,371	\$ 33,198,864	\$ 35,441,918	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669	\$ 33,071,390	\$ 30,516,339
Program Revenues										
Governmental activities										
Charges for services	\$ 10,380	\$ 17,828	\$ 37,877	\$ 32,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government administration	\$ 1,095,915	\$ 942,952	\$ 829,133	\$ 1,096,273	\$ 280,374	\$ 195,270	\$ 176,714	\$ 163,113	\$ 178,057	\$ 177,857
Judicial administration	\$ 365,302	\$ 336,387	\$ 317,298	\$ 356,496	\$ 1,364,850	\$ 1,039,261	\$ 819,844	\$ 850,353	\$ 800,787	\$ 791,428
Public safety	\$ 854,695	\$ 821,118	\$ 1,012,486	\$ 1,025,428	\$ 994,491	\$ 916,345	\$ 967,251	\$ 1,415,524	\$ 826,827	\$ 766,143
Public works										
Health and welfare	\$ 8,783,861	\$ 8,265,629	\$ 7,944,314	\$ 7,722,207	\$ 12,873	\$ 11,531	\$ 13,602	\$ 11,369	\$ 20,993	\$ 54,743
Operating grants and contributions					\$ 7,568,809	\$ 7,861,211	\$ 7,405,851	\$ 6,915,771	\$ 7,003,283	\$ 7,058,063
Capital grants and contributions							\$ 145,000	\$ -	\$ 25,000	\$ 1,199,255
Total governmental activities program revenues	\$ 11,110,153	\$ 10,383,914	\$ 10,141,108	\$ 10,232,848	\$ 10,221,397	\$ 10,023,618	\$ 9,528,262	\$ 9,356,130	\$ 8,854,947	\$ 10,047,489
Business-type activities										
Charges for services	\$ 2,250,002	\$ 2,195,392	\$ 2,204,954	\$ 2,021,625	\$ 2,112,309	\$ 1,922,430	\$ 2,008,325	\$ 1,881,076	\$ 1,859,391	\$ 1,684,425
Water and sewer	\$ 265,885	\$ 2,530,983	\$ 104,237	\$ 59,975	\$ 171,102	\$ -	\$ 155,463	\$ 172,048	\$ 1,299,201	\$ 1,012,032
Capital grants and contributions	\$ 2,515,887	\$ 4,726,375	\$ 2,309,191	\$ 2,081,600	\$ 2,283,411	\$ 1,922,430	\$ 2,163,788	\$ 2,053,124	\$ 3,158,592	\$ 2,696,457
Total business-type activities program revenues	\$ 13,626,040	\$ 15,110,289	\$ 12,450,299	\$ 12,314,448	\$ 12,504,808	\$ 11,946,048	\$ 11,692,050	\$ 11,409,254	\$ 12,013,539	\$ 12,743,946
Total primary government program revenues										
Net (expense) revenue										
Governmental activities	\$ (22,751,694)	\$ (22,674,273)	\$ (22,322,133)	\$ (19,849,406)	\$ (21,578,754)	\$ (22,437,705)	\$ (21,169,579)	\$ (19,403,294)	\$ (20,925,717)	\$ (17,341,687)
Business-type activities	\$ (399,060)	\$ 1,782,064	\$ (617,939)	\$ (1,035,010)	\$ (1,358,356)	\$ (1,382,183)	\$ (1,163,739)	\$ (1,286,121)	\$ (132,134)	\$ (430,706)
Total primary government net expense	\$ (23,150,754)	\$ (20,892,209)	\$ (22,940,072)	\$ (20,884,416)	\$ (22,937,110)	\$ (23,819,888)	\$ (22,333,318)	\$ (20,689,415)	\$ (21,057,851)	\$ (17,772,393)

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

General Fund	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Non-spendable	\$ 181,639	\$ 184,089	\$ 170,692	\$ 165,535	\$ 205,182	\$ 181,436	\$ 180,909	\$ 51,925	\$ 65,811	\$ -
Reserved/Restricted	752,619	1,480,166	1,719,619	7,053,698	12,560,956	21,335,807	25,697,568	39,125,509	3,665,624	327,213
Committed	718,986	945,049	1,108,674	1,241,351	47,531	71,786	62,900	58,485	69,019	-
Assigned	-	-	-	-	-	-	-	-	100,491	-
Unreserved/Unassigned	9,358,844	7,893,953	6,431,674	5,158,382	3,059,388	2,914,839	3,614,881	4,932,136	5,559,366	6,426,347
Total general fund	\$ 11,012,088	\$ 10,503,257	\$ 9,430,659	\$ 13,618,966	\$ 15,873,057	\$ 24,503,868	\$ 29,556,258	\$ 44,168,055	\$ 9,460,311	\$ 6,753,560

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
General property taxes	\$ 17,453,207	\$ 17,124,424	\$ 16,516,355	\$ 16,947,861	\$ 16,278,485	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456
Other local taxes	3,540,355	3,529,183	3,444,795	3,370,056	3,880,265	3,706,500	3,739,754	3,684,150	3,563,510	3,602,074
Permits, privilege fees, and licenses	85,185	129,113	113,794	135,421	95,901	161,986	124,647	127,045	73,903	106,118
Fines and forfeitures	1,078,773	928,528	814,522	1,082,497	1,280,930	888,941	714,666	726,131	730,320	686,447
Revenue from use of money and property	355,426	269,998	227,311	138,545	242,917	219,217	335,497	289,596	193,732	460,995
Charges for services	1,162,334	1,060,644	1,268,478	1,292,723	1,236,967	1,065,606	1,010,630	1,033,161	923,651	864,853
Recovered costs	532,836	848,829	398,251	301,480	234,006	260,219	335,169	760,405	368,489	456,267
Other	152,049	258,209	240,957	160,814	224,296	240,188	218,097	210,723	229,645	272,431
Intergovernmental	11,865,953	11,376,635	10,525,309	10,250,080	9,388,971	9,705,113	9,292,314	8,580,386	8,592,450	10,121,606
Total revenues	\$ 36,226,118	\$ 35,525,563	\$ 33,549,772	\$ 33,679,477	\$ 32,862,738	\$ 32,780,572	\$ 31,632,628	\$ 29,706,509	\$ 29,047,615	\$ 29,850,247
Expenditures										
General government administration	\$ 2,468,213	\$ 2,637,943	\$ 2,680,532	\$ 2,274,638	\$ 2,160,543	\$ 2,412,477	\$ 2,735,775	\$ 2,140,645	\$ 1,859,579	\$ 2,065,201
Judicial administration	1,807,747	1,683,976	1,601,951	1,554,655	1,809,226	1,690,506	1,438,614	1,405,780	1,394,442	1,357,675
Public safety	9,186,164	8,814,969	8,200,093	7,625,091	6,746,242	6,676,032	6,718,463	6,408,287	6,091,332	7,394,977
Public works	2,482,529	2,190,945	2,364,772	2,322,184	1,906,816	2,019,165	2,051,755	2,090,119	2,075,657	1,991,431
Health and welfare	7,120,994	7,027,227	6,413,303	6,359,049	5,404,748	5,679,174	5,563,404	5,073,079	5,231,583	5,418,921
Education	7,818,509	7,984,685	7,296,634	5,378,772	8,275,288	8,040,810	7,638,606	7,131,034	8,299,224	6,886,448
Parks, recreation, and cultural	732,090	772,090	764,563	914,558	976,479	976,479	955,046	968,916	963,066	1,030,216
Community development	235,449	258,773	329,678	339,554	1,186,002	1,176,400	1,091,483	1,321,245	1,427,807	1,476,745
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
Debt service:										
Principal retirement	2,327,376	2,010,009	2,089,810	1,933,169	1,970,201	4,190,481	1,966,989	6,033,554	1,018,164	1,006,630
Interest and other fiscal charges	1,742,247	1,801,007	1,466,236	1,628,640	1,408,231	1,585,060	1,654,575	891,381	270,749	302,630
Total expenditures	\$ 35,921,318	\$ 35,181,624	\$ 39,064,866	\$ 35,923,439	\$ 38,789,801	\$ 37,541,846	\$ 48,084,259	\$ 44,486,999	\$ 30,527,491	\$ 29,612,841
Excess of revenues over (under) expenditures	\$ 304,800	\$ 343,939	\$ (5,515,094)	\$ (2,243,962)	\$ (5,927,063)	\$ (4,761,274)	\$ (16,451,631)	\$ (14,780,490)	\$ (1,479,876)	\$ 237,406
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	204,031	161,140	451,376	-	183,763	-	-	-	-	-
Transfers out	-	-	-	(22,848)	(275,472)	(291,116)	(469,443)	(409,228)	(816,973)	(519,581)
Total other financing sources (uses)	\$ 204,031	\$ 161,140	\$ 1,326,787	\$ (10,129)	\$ (2,190,872)	\$ (291,116)	\$ 1,701,450	\$ 49,836,248	\$ 4,186,627	\$ (519,581)
Net change in fund balance	\$ 508,831	\$ 505,079	\$ (4,188,307)	\$ (2,254,091)	\$ (8,117,935)	\$ (5,052,390)	\$ (14,750,181)	\$ 35,055,758	\$ 2,706,751	\$ (282,175)
Debt service as a percentage of noncapital expenditures	13.82%	13.27%	10.91%	11.89%	10.61%	16.77%	11.38%	20.69%	4.50%	4.53%

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
2019	\$ 1,411,606,660	\$ 416,103,125	\$ 159,999,308	1,987,709,093
2018	1,404,431,009	404,465,636	162,591,936	1,971,488,581
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

(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
2019	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2018	0.74	2.30	1.55	0.40	1.55
2017	0.74	2.30	1.55	0.40	1.55
2016	0.74	2.30	1.55	0.40	1.55
2015	0.74	2.30	1.55	0.40	1.55
2014	0.74	2.30	1.55	0.40	1.55
2013	0.74	2.30	1.55	0.40	1.55
2012	0.69	2.25	1.55	0.40	1.55
2011	0.69	2.25	1.55	0.40	1.20
2010	0.69	2.25	1.55	0.40	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
2019	\$ 19,257,511	\$ 18,115,351	94.07%	\$ 1,046,031	\$ 19,161,382	99.50%	\$ 4,268,180	22.16%
2018	19,036,228	17,522,360	92.05%	917,454	18,439,814	96.87%	4,577,264	24.05%
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%

(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	Other									
	General Obligation Bonds					Governmental Activities Debt	Business-type Activities	Total Debt		
	Governmental		Business-type		Total	Per Capita	Revenue Bonds	Total		
	General	General	General	Obligation Bonds	Other Debt			Primary Government	Per Capita	
	Obligation Bonds	Obligation Bonds	Obligation Bonds							
2019	\$ 31,198,127	\$ 6,807,069	\$ 38,005,196	\$ 1,224	\$ 10,215,831	\$ 3,894,259	\$ 52,115,286	\$ 1,678		
2018	32,675,976	7,318,465	39,994,441	1,288	11,495,508	3,939,926	55,429,875	1,784		
2017	34,211,950	7,824,343	42,036,293	1,305	13,583,009	1,935,674	57,554,976	1,787		
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		

Table 9

County of Smyth, Virginia
Population
Last Ten Fiscal Years

Fiscal Year	Population
2019	31,062
2018	31,062
2017	31,062
2016	32,208
2015	32,208
2014	32,208
2013	32,208
2012	32,208
2011	32,208
2010	31,738

Source: United State Bureau of Census

COMPLIANCE SECTION



ROBINSON, FARMER, COX ASSOCIATES, PLLC
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, 2019, 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 November 16, 2019.

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.

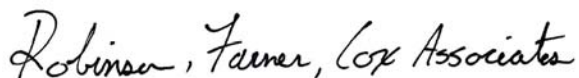
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Blacksburg, Virginia

November 16, 2019



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, 2019. 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, 2019.

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 a 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.



Blacksburg, Virginia
November 16, 2019

COUNTY OF SMYTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass through payments from:			
<i>Department of Social Services:</i>			
SNAP Program Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118/0040118	\$ 521,502
<i>Department of Education:</i>			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	43841	73,248
Child Nutrition Cluster:			
School Breakfast Program	10.553	40253	\$ 352,099
<i>Department of Education:</i>			
National School Lunch Program	10.555	40254	\$ 1,600,783
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note C)	10.555	unavailable	174,818
Total National School Lunch Program			\$ 1,775,601
Summer Food Service Program for Children	10.559	60302/60303	52,553
Total Child Nutrition Cluster			2,180,253
Child and Adult Care Food Program	10.558	70027/70028	161,183
Fresh Fruit and Vegetable Program	10.582	40252	86,569
Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research and Development Projects	10.592	40622	68,429
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	0060115	11,625
Total Department of Agriculture			\$ 3,102,809
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through payments from:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950117	\$ 2,853
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	0400118/0400119	448,859
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119	254
Low Income Home Energy Assistance	93.568	0600419	70,229
Social Services Block Grant	93.667	1000118/1000119	427,904
Chafee Foster Care Independence Program	93.674	9150118	5,483
Children's Health Insurance Program	93.767	0540118/0540119	12,581
Medicaid Cluster:			
Medical Assistance Program	93.778	1200118/1200119	584,057
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118	507
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118/0760119	69,364
Foster Care - Title IV E	93.658	1100118/1100119	354,381
Adoption Assistance	93.659	1120118/1120119	230,458
Adoption and Legal Guardianship Incentive Payments	93.603	1130116/1130117	2,991
Total Department of Health and Human Services			\$ 2,209,921
DEPARTMENT OF HOMELAND SECURITY:			
Pass through payments from:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	unavailable	\$ 7,500
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	unavailable	\$ 5,771

COUNTY OF SMYTH, VIRGINIA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE:			
Pass through payments from:			
Office of Victims of Crime			
Crime Victim Assistance	16.575	unavailable	\$ 89,864
DEPARTMENT OF EDUCATION:			
Pass through payments from:			
Department of Education:			
Career and Technical Education -- Basic Grants to States	84.048	61095	\$ 87,762
Supporting Effective Instruction State Grant	84.367	61480	195,061
English Language Acquisition State Grants	84.365	unavailable	2,346
Title I Grants to Local Educational Agencies	84.010	42901	1,389,366
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	40371	\$ 1,070,808
Special Education - Preschool Grants	84.173	62521	54,257
Total Special Education Cluster (IDEA)			1,125,065
Rural Education	84.358	43481	77,372
Student Support and Enrichment Program	84.424	60281	76,064
Total Department of Education			\$ 2,953,036
Total Expenditures of Federal Awards			\$ 8,368,901

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 award activity of the County of Smyth, Virginia under programs of the federal government for the year ended June 30, 2019. 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 identifying number are presented where available.
- (3) The County did not elect the 10% de minimis 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, 2019 the outstanding balance of these loans was: \$ 3,894,259

Note E--Subrecipients

The County did not have any subrecipients for the year ended June 30, 2019.

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	\$ 11,865,953
Less: Revenue from the Commonwealth	(8,361,453)
Less: Payment in Lieu of Taxes	(210,649)
Less: QSCB interest subsidy	(447,668)
Component Unit School Board:	
School Operating Fund - Intergovernmental	45,483,690
Less: Revenue from local governments	(7,763,195)
Less: Revenue from the Commonwealth	(32,197,777)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 8,368,901

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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
84.027/84.173	Special Education Cluster
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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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.