

**COUNTY OF SMYTH, VIRGINIA  
FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**FINANCIAL AND MANAGEMENT  
SERVICES DEPARTMENT**



# COUNTY OF SMYTH, VIRGINIA

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## INTRODUCTORY SECTION

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**COUNTY OF SMYTH, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2015**

**BOARD OF SUPERVISORS**

Wade H. Blevins, Jr., Chairperson

Ron C. Blevins  
M. Todd Dishner  
G. Blake Frazier

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

Michael L. Carter, Clerk

**COUNTY SCHOOL BOARD**

Jesse Choate, Chairperson

Charles M. Buchanan, Jr.  
Susan B. Williams  
Stephen E. Marion

Paul L. Grinstead  
D. Wayne Carter  
William A. Veselik

Darlene Doyle, Clerk

**SOCIAL SERVICES BOARD**

Joanna Bennett, Chairperson

Judy Hess  
Kim Daugherty  
Barbara Moser

Karen Gillespie  
G. Blake Frazier  
Susan Sneed

Chris Austin, Secretary

**OTHER OFFICIALS**

Judge of the Circuit Court

C. Randall Lowe

Sage B. Johnson

Deanis L. Simmons

John H. Graham

Clerk of the Circuit Court

Judge of the General District Court

V. Blake McKinney

Eric R. Thiessen

Judge of the Juvenile and Domestic Relations Court

Florence A. Powell

Joseph B. Lyle

Kurt J. Pomrenke

Roy F. Evans, Jr.

Commonwealth's Attorney

Commissioner of the Revenue

Jeffrey Richardson

Treasurer

Thomas Burkett

Sheriff

R. David Bradley

Superintendent of Schools

Michael Robinson

Director, Department of Social Services

Chris Austin

County Administrator

Michael L. Carter





## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As described in Note 19 to the financial statements, the County adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. 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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Other Information***

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

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

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 18, 2015



# **BASIC FINANCIAL STATEMENTS**

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## COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION  
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	Total
<b>ASSETS</b>						
Cash and cash equivalents (Note 2)	\$ 6,977,015	\$ -	\$ 6,977,015	\$ 1,585,365	\$ 667,949	\$ 9,230,329
Receivables, net (Note 3)	21,817,806	238,541	22,056,347	-	2,002	22,058,349
Due from primary government (Note 9)	-	-	-	4,051,333	-	4,051,333
Due from other governmental units (Note 4)	1,426,246	234,680	1,660,926	2,422,287	-	4,083,213
Accrued interest	1,704	-	1,704	1,120	198	3,022
Inventories	-	-	-	78,225	-	78,225
Investment in Smyth-Washington Industrial Facilities Authority	-	-	-	-	1,877,419	1,877,419
Prepaid expense	205,182	-	205,182	647,736	-	852,918
Restricted assets:						
Cash and cash equivalents-restricted (Note 2)	12,720,188	-	12,720,188	-	-	12,720,188
Capital assets: (Note 6)						
Non-depreciable	10,496,996	228,930	10,725,926	852,598	4,823,062	16,401,586
Depreciable, net	35,954,753	25,986,702	61,941,455	9,206,803	-	71,148,258
Total assets	89,599,890	26,688,853	116,288,743	18,845,467	7,370,630	142,504,840
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension contributions subsequent to the measurement date (Note 10)	851,226	33,873	885,099	3,601,172	-	4,486,271
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	1,604,993	109,077	1,714,070	145,731	-	1,859,801
Accrued payroll	39,599	-	39,599	4,100,079	-	4,139,678
Accrued interest payable	485,704	19,167	504,871	-	-	504,871
Water deposit liability	-	1,500	1,500	-	-	1,500
Due to component units (Note 9)	4,051,333	-	4,051,333	-	-	4,051,333
Cash bonds held in escrow	45,059	-	45,059	-	-	45,059
Long-term liabilities: (Note 7)						
Net pension liability (Note 10)	5,598,754	222,792	5,821,546	40,780,658	-	46,602,204
Due within one year (Note 7)	2,605,406	416,942	3,022,348	109,984	-	3,132,332
Due in more than one year (Note 7)	48,648,538	10,099,336	58,747,874	1,371,341	-	60,119,215
Total liabilities	63,079,386	10,868,814	73,948,200	46,507,793	-	120,455,993
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes (Note 3)	18,088,446	-	18,088,446	-	-	18,088,446
Net difference between projected and actual investment earnings on pension plan investments (Note 10)	1,887,075	75,093	1,962,168	7,236,634	-	9,198,802
	19,975,521	75,093	20,050,614	7,236,634	-	27,287,248
<b>NET POSITION</b>						
Net investment in capital assets	9,369,305	15,755,398	25,124,703	10,059,401	4,823,062	40,007,166
Unrestricted	(1,973,096)	23,421	(1,949,675)	(41,357,189)	2,547,568	(40,759,296)
Total net position	\$ 7,396,209	\$ 15,778,819	\$ 23,175,028	\$ (31,297,788)	\$ 7,370,630	\$ (752,130)

## COUNTY OF SMYTH, VIRGINIA

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

Program Revenues					Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total
					Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	
Primary Government:										
Governmental activities:										
General government administration	\$ 2,197,454	\$ -	\$ 251,108	\$ -	\$ (1,946,346)	\$ -	\$ (1,946,346)	\$ -	\$ -	\$ (1,946,346)
Judicial administration	1,825,563	280,374	1,147,177	-	(398,012)	-	(398,012)	-	-	(398,012)
Public safety	7,095,586	1,364,850	1,934,384	-	(3,796,352)	-	(3,796,352)	-	-	(3,796,352)
Public works	2,090,129	994,491	9,130	-	(1,086,508)	-	(1,086,508)	-	-	(1,086,508)
Health and welfare	5,267,649	12,873	4,085,802	-	(1,168,974)	-	(1,168,974)	-	-	(1,168,974)
Education	9,687,317	-	-	-	(9,687,317)	-	(9,687,317)	-	-	(9,687,317)
Parks, recreational, and cultural	1,028,674	-	1,735	-	(1,026,939)	-	(1,026,939)	-	-	(1,026,939)
Community development	1,150,411	-	139,473	-	(1,010,938)	-	(1,010,938)	-	-	(1,010,938)
Interest on long-term debt	1,457,368	-	-	-	(1,457,368)	-	(1,457,368)	-	-	(1,457,368)
Total governmental activities	31,800,151	2,652,588	7,568,809	-	(21,578,754)	-	(21,578,754)	-	-	(21,578,754)
Business-type activities:										
Water and sewer	3,641,767	2,112,309	-	171,102	-	(1,358,356)	(1,358,356)	-	-	(1,358,356)
Total business-type activities	3,641,767	2,112,309	-	171,102	-	(1,358,356)	(1,358,356)	-	-	(1,358,356)
Total primary government	\$ 35,441,918	\$ 4,764,897	\$ 7,568,809	\$ 171,102	(21,578,754)	(1,358,356)	(22,937,110)	-	-	(22,937,110)
Component Units:										
School Board	\$ 44,665,366	\$ 1,318,615	\$ 34,844,735	\$ -	-	-	-	(8,502,016)	-	(8,502,016)
Economic Development Authority	871,460	20,000	-	397,938	-	-	-	-	(453,522)	(453,522)
Total component units	\$ 45,536,826	\$ 1,338,615	\$ 34,844,735	\$ 397,938	-	-	-	(8,502,016)	(453,522)	(8,955,538)
General Revenues:										
General property taxes					16,343,883	-	16,343,883	-	-	16,343,883
Sales and use tax					2,016,911	-	2,016,911	-	-	2,016,911
Other local taxes					1,863,354	-	1,863,354	-	-	1,863,354
Intergovernmental revenue, unrestricted					1,920,369	-	1,920,369	-	-	1,920,369
Revenue from use of money and property					242,917	-	242,917	4,553	48,340	295,810
Miscellaneous					224,296	3,566	227,862	5,408	2,001	235,271
Loss on investment in joint venture					-	-	-	-	(27,078)	(27,078)
Payments from Smyth County					-	-	-	8,220,029	185,898	8,405,927
Transfers (Note 5)					(91,709)	275,472	183,763	(85,825)	(97,938)	-
Total general revenues and transfers					22,520,021	279,038	22,799,059	8,144,165	111,223	31,054,447
Change in net position					941,267	(1,079,318)	(138,051)	(357,851)	(342,299)	(838,201)
NET POSITION JULY 1, 2014 AS RESTATED (Note 19)					6,454,942	16,858,137	23,313,079	(30,939,937)	7,712,929	86,071
NET POSITION JUNE 30, 2015					\$ 7,396,209	\$ 15,778,819	\$ 23,175,028	\$ (31,297,788)	\$ 7,370,630	\$ (752,130)

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

## COUNTY OF SMYTH, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**June 30, 2015**

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 19,697,203
Accrued interest	1,704
Receivables, net (Note 3)	21,817,806
Prepaid expense	205,182
Due from other governmental units (Note 4)	1,426,246
Total assets	<u>\$ 43,148,141</u>
<b>LIABILITIES</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 1,604,993
Accrued payroll and related liabilities	39,599
Due to component units	4,051,333
Cash bonds held in escrow	45,059
Total liabilities	<u>5,740,984</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable/unearned revenue (Note 3)	<u>21,534,100</u>
<b>FUND BALANCE</b>	
Fund Balance:	
Nonspendable (Note 18)	205,182
Restricted (Note 18)	12,560,956
Committed (Note 18)	-
Assigned (Note 18)	47,531
Unassigned	3,059,388
Total fund balance	<u>15,873,057</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 43,148,141</u>
<b>Amounts reported for governmental activities in the statement of position are different because:</b>	
Total fund balance	\$ 15,873,057
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	46,451,749
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	3,445,654
Interest on long-term debt is not accrued in the fund statements as it is in the government-wide statements.	(485,704)
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources for 2015 employer contributions	851,226
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(1,887,075)
Net pension liability	(5,598,754)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(51,253,944)</u>
<b>Net position of governmental activities</b>	<u>\$ 7,396,209</u>

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

## COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE-GOVERNMENTAL FUND  
For the Year Ended June 30, 2015**

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 16,278,485
Other local taxes	3,880,265
Permits, privilege fees, and regulatory licenses	95,901
Fines and forfeitures	1,280,930
Revenue from use of money and property	242,917
Charges for services	1,236,967
Recovered costs	234,006
Other	224,296
Intergovernmental	<u>9,388,971</u>
Total revenues	<u>32,862,738</u>
<b>EXPENDITURES</b>	
Current operating:	
General government administration	2,160,543
Judicial administration	1,809,226
Public safety	6,746,242
Public works	1,906,816
Health and welfare	5,404,748
Education	8,275,288
Parks, recreation and cultural	976,479
Community development	1,186,002
Capital projects	6,946,025
Debt service:	
Principal retirement	1,970,201
Interest and other fiscal charges	<u>1,408,231</u>
Total expenditures	<u>38,789,801</u>
Excess of expenditures over revenues	<u>(5,927,063)</u>
<b>OTHER FINANCING SOURCES AND USES</b>	
Transfers out	(275,472)
Transfer in	183,763
Bond issuance costs	(108,102)
Premium on bonds	1,272,643
Payment to refunded bond escrow agent	(14,233,704)
Proceeds from refunding bond	<u>10,970,000</u>
Total other financing uses	<u>(2,190,872)</u>
Net change in fund balance	<u>(8,117,935)</u>
<b>FUND BALANCE AT JULY 1, 2014 AS RESTATED (Note 19)</b>	<u>23,990,992</u>
<b>FUND BALANCE AT JUNE 30, 2015</b>	<u><u>\$ 15,873,057</u></u>

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

(Continued)

## COUNTY OF SMYTH, VIRGINIA

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

(Continued)

For the Year Ended June 30, 2015

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

<b>Net change in fund balance - total governmental fund</b>	<b>\$ (8,117,935)</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$6,984,194) exceeds depreciation (\$2,382,579).	4,601,615
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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.	65,398
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and has no effect on net position. Also, governmental funds report the effect of 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.	16,436,170
--	------------

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In government-wide statements, however, issuing debt increases long term liabilities in the statement of net position and does not affect the statement of activities	(12,242,643)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<div style="border-top: 1px solid black;">198,662</div>
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<b>Change in net position of governmental activities</b>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 941,267</div>
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The Notes to Financial Statements are an integral part of this statement

## COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
General property taxes	\$ 16,436,850	\$ 16,436,850	\$ 16,278,485	\$ (158,365)
Other local taxes	3,919,000	3,919,000	3,880,265	(38,735)
Permits, privilege fees, and regulatory licenses	168,165	168,165	95,901	(72,264)
Fines and forfeitures	964,000	1,217,770	1,280,930	63,160
Revenue from use of money and property	304,691	304,691	242,917	(61,774)
Charges for services	1,119,076	1,119,076	1,236,967	117,891
Recovered costs	205,149	205,149	234,006	28,857
Other	246,350	246,350	224,296	(22,054)
Intergovernmental	11,273,756	11,435,958	9,388,971	(2,046,987)
Total revenues	<u>34,637,037</u>	<u>35,053,009</u>	<u>32,862,738</u>	<u>(2,190,271)</u>
<b>EXPENDITURES</b>				
Current Operating:				
General government administration	2,392,012	2,357,804	2,160,543	197,261
Judicial administration	1,765,639	1,927,841	1,809,226	118,615
Public safety	7,063,480	7,329,250	6,746,242	583,008
Public works	1,937,330	1,927,330	1,906,816	20,514
Health and welfare	6,242,635	6,242,635	5,404,748	837,887
Education	7,770,860	7,770,860	8,275,288	(504,428)
Parks, recreation, and cultural	976,479	976,479	976,479	-
Community development	2,374,332	2,406,540	1,186,002	1,220,538
Capital Projects	9,985,341	9,985,341	6,946,025	3,039,316
Debt Service:				
Principal retirement	6,313,391	6,313,391	1,970,201	4,343,190
Interest and other fiscal charges	1,073,043	1,073,043	1,408,231	(335,188)
Total expenditures	<u>47,894,542</u>	<u>48,310,514</u>	<u>38,789,801</u>	<u>9,520,713</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (13,257,505)</u>	<u>\$ (13,257,505)</u>	<u>\$ (5,927,063)</u>	<u>\$ 7,330,442</u>

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

## COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2015

	<u>Business-type Activity</u> <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
<b>ASSETS</b>	
Current assets:	
Receivables, net (Note 3)	\$ 238,541
Due from other governmental units (Note 4)	<u>234,680</u>
Total current assets	<u>473,221</u>
Noncurrent assets:	
Capital assets, net (Note 6)	<u>26,215,632</u>
Total noncurrent assets	<u>26,215,632</u>
Total assets	<u>26,688,853</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions subsequent to the measurement date	<u>33,873</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	109,077
Accrued interest payable	19,167
Water deposit liability	1,500
Bonds payable (Note 7)	404,316
Compensated absences and other post employment benefits (Note 7)	<u>12,626</u>
Total current liabilities	<u>546,686</u>
Noncurrent liabilities:	
Bonds payable (Note 7)	10,055,918
Net pension liability (Note 10)	222,792
Compensated absences and other post employment benefits (Note 7)	<u>43,418</u>
Total noncurrent liabilities	<u>10,322,128</u>
Total liabilities	<u>10,868,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension benefit	<u>75,093</u>
<b>NET POSITION</b>	
Net investment in capital assets	15,755,398
Unrestricted	<u>23,421</u>
Total net position	<u>\$ 15,778,819</u>

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

## COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2015**

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Water revenues	\$ 1,273,401
Wastewater revenues	781,008
Service charges	34,210
Connection fees	23,690
Miscellaneous	3,566
Total operating revenues	<u>2,115,875</u>
<b>OPERATING EXPENSES</b>	
Salaries and wages	267,309
Employee benefits	118,747
Utilities and communication	74,621
Water and wastewater services	372,841
Water purchases	430,457
Project expenses	497,160
Repairs and maintenance	48,539
Insurance	7,471
Office supplies and miscellaneous	30,834
Depreciation and amortization	1,422,836
Total operating expenses	<u>3,270,815</u>
Operating loss	<u>(1,154,940)</u>
<b>NON-OPERATING EXPENSES</b>	
Interest expense	<u>(370,952)</u>
Total non-operating expenses	<u>(370,952)</u>
Loss before contributions and transfers	(1,525,892)
<b>CAPITAL CONTRIBUTIONS</b>	171,102
<b>TRANSFERS IN</b>	<u>275,472</u>
Change in position	(1,079,318)
<b>NET POSITION JULY 1, 2014 AS RESTATED (Note 19)</b>	<u>16,858,137</u>
<b>NET POSITION JUNE 30, 2015</b>	<u><u>\$ 15,778,819</u></u>

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



## COUNTY OF SMYTH, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2015

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Water and</u> <u>Sewer</u>
<b>OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,987,947
Payments to suppliers	(1,513,389)
Payments to employees	(399,453)
Other receipts	3,566
Net cash provided by operating activities	<u>78,671</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>275,472</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(12,531)
Abandonment of capital asset	297,431
Contributions in aid of construction	113,996
Principal payments on debt	(392,792)
Interest payments on debt	<u>(371,793)</u>
Net cash used in capital and related financing activities	<u>(365,689)</u>
Net change in cash and cash equivalents	(11,546)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	<u>11,546</u>
Ending at June 30	<u>\$ -</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (1,154,940)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,422,836
Increase in accounts receivable	(125,862)
Decrease in accounts payable	(51,466)
Increase in water deposit liability	1,500
Increase in accrued payroll and related liabilities	<u>(13,397)</u>
Net cash provided by operating activities	<u>\$ 78,671</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Imputed interest	<u>\$ 9,124</u>
Capital asset purchases included in accounts payable at year end	<u>\$ 12,330</u>

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

## COUNTY OF SMYTH, VIRGINIA

## STATEMENT OF NET POSITION

## FIDUCIARY FUNDS

June 30, 2015

	<b>Agency Funds</b>	<b>Expendable Trust Fund Employee Retirement Plan</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 129,421	\$ 1,399,571
Accrued interest	2	-
Due from other governmental units	130	-
Total assets	<u>\$ 129,553</u>	<u>\$ 1,399,571</u>
<b>LIABILITIES</b>		
Amounts held for social services clients	\$ 127,866	\$ -
Amounts held for Carnegie fund	1,687	-
Amounts held for participants	-	1,399,571
Total liabilities	<u>\$ 129,553</u>	<u>\$ 1,399,571</u>

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

## COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**EXPENDABLE TRUST FUND**  
**For the Year Ended June 30, 2015**

	<b>Employee Retirement Plan</b>
<b>ADDITIONS</b>	
Plan member contributions	\$ 81,947
Investment income	67,438
Total additions	<u>149,385</u>
<b>DEDUCTIONS</b>	
Withdrawals	27,225
Transfers out	227,394
Life insurance	210
Administrative expenses	7,924
Total deductions	<u>262,753</u>
Change in net positions	(113,368)
Net position - beginning of the year	<u>1,512,939</u>
Net position - end of the year	<u><u>\$ 1,399,571</u></u>

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

## COUNTY OF SMYTH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### Note 1. Summary of Significant Accounting Policies

##### A. The Financial Reporting Entity

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

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

##### **Smyth County School Board**

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

##### **Smyth County Economic Development Authority**

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

The following entities are excluded from the financial statements:

##### **Joint Ventures**

##### *Smyth-Bland Regional Library*

The County in conjunction with Bland County established a jointly owned Regional Library located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Three officers and four trustees are appointed by the County and the County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the Government-Wide statements. During the fiscal year, the County provided \$947,479 to fund operations. Financial statements of the library can be obtained from the library at 118 S. Sheffey Street, Marion, Virginia 24354.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. The Financial Reporting Entity (Continued)**

*Smyth-Wythe Airport Commission*

The County along with the Town of Marion, the Town of Wytheville, and the County of Wythe established the Smyth-Wythe Airport Commission. The County provides funding annually and appoints one member to the governing board. The County along with the Town of Marion appoints an additional member to the board. During the year the County provided \$47,709 to the airport. Complete financial statements of the Airport Commission can be obtained by contacting the Commission at 8223 Lee Highway, Rural Retreat, VA 24368.

*Southwest Virginia Regional Jail Authority*

The Southwest Virginia Regional Jail Authority was created by the County, the City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Washington, and Wise for the purpose of constructing and operating jail facilities for these participating localities. The County paid fees in the amount of \$1,626,294 during 2015 to the Authority.

**Joint Venture – Discretely Presented Component Unit-EDA**

*Smyth-Washington Regional Industrial Facilities Authority*

Smyth County Economic Development Authority and Washington County Industrial Development Authority created the Smyth-Washington Regional Industrial Facilities Authority (the “Authority”) for the purpose of promoting economic development in those counties. The EDA shares equally in the costs and revenue generated from the development of the Glade Highlands Industrial Park. The EDA reports its investment in the Authority as an equity interest. The investment balance in the Authority as of June 30, 2015, was \$1,877,419. Loss on the investment during the 2015 fiscal year was \$27,078. Complete financial statements for the Authority can be obtained at the administrative office located at 1021 Terrace Drive, Marion, VA 24354.

**Related Organizations**

*Mount Rogers Community Services Board*

The Mount Rogers Community Services Board was formed to provide mental health services to participating localities. The County provides funding to the board each year and is represented on the Mount Rogers Planning District Commission which oversees this board. The County provided \$166,022 to the board during the 2015 fiscal year.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. The Financial Reporting Entity (Continued)**

*The Appalachian Juvenile Commission*

The Appalachian Juvenile Commission (renamed from Highlands Juvenile Detention Center Commission) was organized in 1984 and is jointly governed by the Counties of Smyth, Washington, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, and Scott, the Cities of Bristol and Norton and the County. The County appoints two members to the governing board; however, the County is not financially accountable to the Commission. The County provided \$248,412 to the Commission in the 2015 fiscal year.

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

The County reports the following major governmental fund:

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

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

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

Additionally, the County reports the following fund category:

**Fiduciary Funds** – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds and the retirement plan is an expendable trust fund.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

**D. Budgetary Information**

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

- ◆ Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- ◆ Public hearings are conducted to obtain citizen comments.
- ◆ Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

(Continued)



**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

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

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

**Cash and Cash Equivalents**

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

**Receivables**

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

**Inventories**

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

(Continued)

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. This item is contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.

In addition to liabilities, the statement of financial position and balance sheet report a separate section for deferred inflows of resources. This separate financial statement element 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 three types of deferred inflows. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year-end and property taxes collected in advance of their due date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item relates to unearned property taxes received in advance of the year in which they are intended to fund operations. This item is a deferred inflow in both the governmental fund balance sheet and the entity wide statement of net position. The third is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Compensated Absences**

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

**Long-term Obligations**

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

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

**Encumbrances**

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

**Estimates**

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Net Position**

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

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

**GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions**

**Purpose**

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

**Components of Fund Balance**

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

**Committed Fund Balance Policy**

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

**Assigned Fund Balance Policy**

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

**Minimum Unassigned Fund Balance Policy**

The County has no minimum fund balance requirement.

**Resource Flow Policy**

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

**Net Position Flow Assumption**

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

**Note 2. Deposits and Investments**

**Deposits**

All cash of the County and the discretely presented component units – School Board and EDA - are maintained in accounts covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 *et seq.* of the *Code of Virginia*. The County has restricted cash and cash equivalents of \$12,720,188 for school projects and courthouse renovations.

**Investments**

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

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

**Note 3. Receivables/Deferred Inflows of Resources**

Receivables at June 30 are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Receivables		
Taxes	\$ 22,296,634	\$ -
Accounts	240,227	299,683
	<hr/>	<hr/>
Gross receivables	22,536,861	299,683
Less:		
Allowance for uncollectibles	(719,055)	(61,142)
	<hr/>	<hr/>
Net total receivables	<u>\$ 21,817,806</u>	<u>\$ 238,541</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 3. Receivables/Deferred Inflows of Resources (Continued)**

A receivable of \$2,002 is reflected in the EDA fund.

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

	<u>Unavailable Revenue</u>	<u>Deferred</u>
Property taxes receivable	\$ 21,311,709	\$ 17,866,055
Prepaid taxes – unearned	222,391	222,391
	<u>\$ 21,534,100</u>	<u>\$ 18,088,446</u>

**Note 4. Due from Other Governmental Units**

Due from other governmental units consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 358,312	\$ -	\$ -
State sales tax	-	-	849,723
Communication tax	96,338	-	-
Categorical aid – shared expenses	224,749	-	-
Comprehensive services act	93,604	-	-
Virginia public assistance funds	106,030	-	-
Other categorical aid	36,922	-	388,000
Non-categorical aid	144,937	-	-
<u>Federal Government:</u>			
Federal public assistance funds	166,836	-	-
CDBG Grant	-	-	-
Title I	-	-	399,922
Title II	-	-	49,674
Title IV-B	-	-	176,543
Pre-School handicapped	-	-	10,000
21 <sup>st</sup> Century Learning	-	-	66,562
Other federal aid	-	-	111,504
<u>Other:</u>			
Other Governmental units	198,518	234,680	370,359
	<u>\$ 1,426,246</u>	<u>\$ 234,680</u>	<u>\$ 2,422,287</u>

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 5. Interfund Transfers**

Interfund transfers are as follows:

<u>Transfer to Fund</u>	<u>Transfer From Fund</u>	<u>Amount</u>
Water and Sewer	General Fund	\$ 275,472
General Fund	School Fund	\$ 85,825
	Economic Development	
General Fund	Authority Fund	\$ 97,938

The general fund provided funds to cover operating and capital costs during the current year. The school fund provided funds to cover bond refinancing costs during the current year. The economic authority fund provided funds to cover capital costs during the current year.

**Note 6. Capital Assets**

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

**Primary Government**

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 652,317	\$ -	\$ -	\$ 652,317
Construction in progress	2,988,614	6,856,065	-	9,844,679
Total capital assets, not depreciated	3,640,931	6,856,065	-	10,496,996
Capital assets, depreciated:				
Infrastructure	56,660	-	-	56,660
Buildings and improvements	51,922,202	6,851	(42,298)	51,886,755
Machinery and equipment	9,118,597	163,577	(111,900)	9,170,274
Total capital assets, depreciated	61,097,459	170,428	(154,198)	61,113,689
Less accumulated depreciation for:				
Infrastructure	(16,401)	(1,699)	-	(18,100)
Buildings and improvements	(17,601,089)	(1,751,557)	-	(19,352,646)
Machinery and equipment	(5,270,767)	(629,323)	111,900	(5,788,190)
Total accumulated depreciation	(22,888,257)	(2,382,579)	111,900	(25,158,936)
Capital assets, depreciated, net	38,209,202	(2,212,151)	(42,298)	35,954,753
Governmental activities capital assets, net	<u>\$ 41,850,133</u>	<u>\$ 4,643,914</u>	<u>\$ (42,298)</u>	<u>\$ 46,451,749</u>

(Continued)



**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 6. Capital Assets (Continued)**

**Primary Government (Continued)**

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Construction in progress	471,400	188,937	(476,238)	184,099
Total capital assets, not depreciated	516,231	188,937	(476,238)	228,930
Capital assets, depreciated:				
Utility system	47,173,262	13,482	-	47,186,744
Machinery and equipment	623,854	-	-	623,854
Capital assets, depreciated	47,797,116	13,482	-	47,810,598
Less: accumulated depreciation for:				
Utility system	(19,910,814)	(1,375,469)	-	(21,286,283)
Machinery and equipment	(490,245)	(47,368)	-	(537,613)
Total accumulated depreciation	(20,401,059)	(1,422,837)	-	(21,823,896)
Capital assets, depreciated, net	27,396,057	(1,409,355)	-	25,986,702
Business-type activities capital assets, net	<u>\$ 27,912,288</u>	<u>\$ (1,220,418)</u>	<u>\$ (476,238)</u>	<u>\$ 26,215,632</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 139,471
Judicial administration	90,834
Public safety	607,320
Public works	58,445
Health and welfare	31,694
Education	1,413,607
Parks, recreation, and cultural	41,208
	<u>2,382,579</u>
Business-type activities:	
Water and Sewer	<u>1,422,837</u>
Total depreciation expense – primary government	<u>\$ 3,805,416</u>

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

Project	Amount Spent to Date	Remaining Commitment
Burwil Construction-Courthouse	\$ 7,100,739	\$ 6,794,042
Moseley-Courthouse Renovations	<u>1,474,840</u>	<u>279,713</u>
Total	<u>\$ 8,575,579</u>	<u>\$ 7,073,755</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 6. Capital Assets (Continued)**

**Primary Government (Continued)**

**Discretely Presented Component Unit – School Board**

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

Discretely Presented Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Construction in progress	<u>21,290</u>	<u>312,308</u>	<u>(325,463)</u>	<u>8,135</u>
Total capital assets, not depreciated	<u>865,753</u>	<u>312,308</u>	<u>(325,463)</u>	<u>852,598</u>
Capital assets, depreciated:				
Buildings and improvements	17,141,077	334,508	-	17,475,585
Machinery and equipment	<u>7,657,686</u>	<u>276,037</u>	<u>(44,500)</u>	<u>7,889,223</u>
Total capital assets, depreciated	<u>24,798,763</u>	<u>610,545</u>	<u>(44,500)</u>	<u>25,364,808</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,699,789)	(476,361)	-	(11,176,150)
Machinery and equipment	<u>(4,463,029)</u>	<u>(563,326)</u>	<u>44,500</u>	<u>(4,981,855)</u>
Total accumulated depreciation	<u>(15,162,818)</u>	<u>(1,039,687)</u>	<u>44,500</u>	<u>(16,158,005)</u>
Capital assets, depreciated, net	<u>9,635,945</u>	<u>(429,142)</u>	<u>-</u>	<u>9,206,803</u>
School Board				
Capital assets, net	<u>\$ 10,501,698</u>	<u>\$ (116,834)</u>	<u>\$ (325,463)</u>	<u>\$ 10,059,401</u>

Total depreciation expense recorded in fiscal year 2015 was \$1,039,687. All depreciation expense of the School Board was charged to the education function.

**Discretely Presented Component Unit – Economic Development Authority**

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

Discretely Presented Component Unit - Economic Development Authority	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	<u>\$ 4,807,757</u>	<u>\$ 15,305</u>	<u>\$ -</u>	<u>\$ 4,823,062</u>

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Long-Term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 38,414,596	\$ 12,242,643	\$ 11,873,146	\$ 38,784,093	\$ 1,860,370
Literary fund loans	4,205,670	-	4,205,670	-	-
School construction bonds	11,375,893	-	357,354	11,018,539	303,677
Total bonds payable	53,996,159	12,242,643	16,436,170	49,802,632	2,164,047
Landfill closure/ post-closure	302,505	4,538	-	307,043	-
Compensated absences	636,644	-	48,165	588,479	441,359
Other post-employment benefits	477,312	107,421	28,943	555,790	-
	<u>\$ 55,412,620</u>	<u>\$ 12,354,602</u>	<u>\$ 16,513,278</u>	<u>\$ 51,253,944</u>	<u>\$ 2,605,406</u>
<b>Business-Type Activities:</b>					
Bonds payable:					
General obligation bonds	\$ 5,178,026	\$ -	\$ 112,792	\$ 5,065,234	\$ 116,316
Revenue bonds	5,675,000	-	280,000	5,395,000	288,000
Total bonds payable	10,853,026	-	392,792	10,460,234	404,316
Compensated absences	19,565	-	2,729	16,834	12,626
Other post-employment benefits	33,688	7,579	2,057	39,210	-
	<u>\$ 10,906,279</u>	<u>\$ 7,579</u>	<u>\$ 397,578</u>	<u>\$ 10,516,278</u>	<u>\$ 416,942</u>
<b>Component Unit</b>					
<b>School Board:</b>					
Compensated absences	\$ 531,225	\$ -	\$ 31,900	\$ 499,325	\$ 109,984
Other post-employment benefits	832,000	395,000	245,000	982,000	-
	<u>\$ 1,363,225</u>	<u>\$ 395,000</u>	<u>\$ 276,900</u>	<u>\$ 1,481,325</u>	<u>\$ 109,984</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Long-Term Debt (Continued)**

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Other Long-Term Debt		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 1,784,457	\$ 1,595,475	\$ 303,677	\$ -	\$ 404,316	\$ 351,491
2017	1,656,098	1,460,551	588,677	-	417,980	338,654
2018	1,794,297	1,408,699	618,677	-	428,793	325,338
2019	1,832,664	1,346,206	663,677	-	444,761	311,650
2020	1,721,207	1,281,375	868,677	-	456,890	297,423
2021-2025	10,118,130	5,371,636	3,808,385	-	2,527,523	1,256,162
2026-2030	11,863,818	2,945,352	3,143,385	-	2,897,529	819,744
2031-2035	7,334,838	594,116	1,023,384	-	873,676	486,278
2036-2040	678,584	11,983	-	-	968,640	310,080
2041-2045	-	-	-	-	909,364	102,264
2046-2050	-	-	-	-	130,762	10,905
2051-2055	-	-	-	-	-	-
	<u>\$38,784,093</u>	<u>\$16,015,393</u>	<u>\$11,018,539</u>	<u>\$ -</u>	<u>\$10,460,234</u>	<u>\$ 4,609,989</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<b>General Obligation Bonds:</b>						
Landfill	4.5%	03/26/96	2016	\$ 1,129,000	\$ 41,031	\$ -
School Construction	5.1 – 6.1%	12/21/95	2015	3,430,007	220,368	-
School Construction	4.975 – 5.85	11/01/00	2020	1,836,901	659,448	-
School Construction	4.1-5.6%	11/10/04	2024	117,994	66,532	-
Virginia Resource Authority	2.5%	10/17/01	2032	133,000	-	88,199
Virginia Resource Authority	0% Coupon	03/05/04	2034	503,049	-	324,556
Virginia Resource Authority	0%	11/26/08	2029	473,000	-	331,100
Rural Development Administration	3.250%	02/14/05	2045	1,500,000	-	1,306,784
Rural Development Administration	4.375%	05/26/04	2044	2,735,500	-	2,409,197
Rural Development Administration	4.00%	02/11/10	2049	123,500	-	113,980
Rural Development Administration	2.375%	02/11/10	2049	121,500	-	114,602
Rural Development Administration	4.50%	02/13/09	2048	500,000	-	475,816
General Obligation Bond Series 2011A	2.0-5.0%	12/05/11	2032	26,985,000	24,310,000	-
General Obligation Bond Series 2011B	3%	12/05/11	2016	12,500,000	-	-
General Obligation Bond Series 2014C	2.05 -5.05%	11/20/14	2035	10,970,000	10,970,000	-
General Obligation Refunding Bond Series 2012	3.25%	04/25/12	2030	6,208,000	-	5,395,000
Bond Premiums					36,267,379	10,559,234
Imputed Interest	4%				2,516,714	-
					-	(99,000)
					<u>\$ 38,784,093</u>	<u>\$ 10,460,234</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 7. Long-Term Debt (Continued)**

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>Other Long-Term Debt:</u>						
State Literary Fund Loan	2.0	04/01/99	2019	\$ 893,655	\$ -	\$ -
State Literary Fund Loan	2.0	03/15/99	2019	1,777,000	-	-
State Literary Fund Loan	2.0	10/01/96	2016	125,500	-	-
State Literary Fund Loan	2.0	07/15/98	2018	90,000	-	-
State Literary Fund Loan	2.0	07/15/98	2018	1,240,000	-	-
State Literary Fund Loan	2.0	01/15/98	2018	1,770,000	-	-
State Literary Fund Loan	2.0	03/01/98	2018	557,000	-	-
State Literary Fund Loan	2.0	07/01/97	2017	115,000	-	-
State Literary Fund Loan	2.0	08/01/99	2019	187,873	-	-
State Literary Fund Loan	2.0	04/01/02	2024	2,418,692	-	-
State Literary Fund Loan	2.0	04/01/02	2024	2,146,934	-	-
State Literary Fund Loan	2.0	04/01/02	2022	124,041	-	-
Qualified School Construction Bond	0	10/31/12	2034	2,170,893	1,973,539	-
Qualified School Construction Bond	0	12/15/11	2031	9,500,000	9,045,000	-
					<u>\$ 11,018,539</u>	<u>\$ -</u>

On November 20, 2014, the Board of Supervisors issued \$10,970,000 in a Refunding General Obligation School Bond, Series 2014 through the Virginia Public School Authority (VPSA) with interest rate ranging from 2.05% to 5.05%. The proceeds were deposited with an escrow agent and were used to advance refund the outstanding General Obligation Literary Loan Anticipation Note, Series 2011B and the State Literary Loan Funds issued from 1997 to 2002 with a 2% interest rate. As a result, the refunded debt is considered defeased and the liability for those debts have been removed.

**Note 8. Landfill Closure and Post-Closure Care Costs**

The County owns a closed landfill and operates a transfer station. Although the landfill closed in 1995, state and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for ten years after closure. During the fiscal year 2006, the County performed gas remediation activities and the post-closure period was projected to continue for an additional five years. The \$307,043 reported as landfill closure and post-closure care liability at June 30, 2015 represents the post-closure activities for the additional three year period required after the maintenance and monitoring period has ended and closure costs for the transfer station. The amounts are based on what it would cost to perform all closure and post-closure care in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

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

**School Board**

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

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Money in an amount equal to the proceeds received is then provided to the School Board to pay for capital expenditures. Any unspent money at year-end is transferred to the County.
2. The primary government’s budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments as payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be \$47,018,578. That amount is obtained as follows:

Expenditures of School Board – Component Unit (Exhibit B-2)	\$ 44,983,993
Principal and other debt service expenditures included in primary government	<u>2,034,585</u>
Total expenditures for school activities	<u>\$ 47,018,578</u>

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

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

**Economic Development Authority**

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

**Note 10. Pension Plan**

**County and School Non-professional Employees**

**Plan Description**

All full-time, salaried permanent (professional) employees of the County and School Board are automatically covered by VRS Retirement Plan upon employment. The plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The County and School Board's Retirement Plan is a multiple-employer cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>

(Continued)



**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.</p>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

		<p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component:</u></b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b>  For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP)</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b>  Same as Plan 1</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b><u>Defined Benefit Component:</u></b>  Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>  Not applicable.</p> <p><b><u>Eligibility:</u></b>  Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b>  Same as Plan 1 and Plan 2.</p>
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**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivision (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

(Continued)



**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported services</li> <li>• The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>
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**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>County Number</u></b>	<b><u>School Board Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>127</u>	<u>101</u>
Inactive members:		
Vested inactive members	27	4
Non-vested Inactive members	34	22
Inactive members active elsewhere in VRS	<u>91</u>	<u>15</u>
Total inactive members	152	41
Active members	<u>188</u>	<u>137</u>
Total covered employees	<u>467</u>	<u>279</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10. Pension Plan (Continued)**

**County and School Non-professional Employees (Continued)**

**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 County and School Board by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The contractually required contribution rates for the year ended June 30, 2015 as a percentage of covered employee compensation were as follows. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

<u>County</u>	<u>School Non-professional</u>
12.94%	11.40%

These rates, when combined with employee contributions, were 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 were as follows for the years ended June 30, 2015 and June 30, 2014, respectively.

	<u>County</u>	<u>School Non-professional</u>
2015	\$ 1,326,841	\$ 376,381
2014	\$ 1,346,823	\$ 390,307

**Net Pension Liability**

The County and School Board's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the County and School Board's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Actuarial Assumptions – General Employees (continued)**

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and provision for future mortality improvement

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Actuarial Assumptions – General Employees (continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

**Largest 10 – Non-LEOS:**

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

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

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

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

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

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Actuarial Assumptions – Public Safety Employees (continued)**

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10- Pension Plan (continued)**

- 
- **County and School Non-professional Employees (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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
			<u>2.50%</u>
Inflation			
* Expected arithmetic nominal return			<u>8.33%</u>

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Discount Rate**

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

**Changes in Net Pension Liability for County**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at June 30, 2013	\$ 39,184,561	\$ 30,297,854	\$ 8,886,707
Changes for the year:			
Service Cost	806,047	-	806,047
Interest	2,684,582	-	2,684,582
Differences between expected and actual experience	-	-	-
Contributions - employer	-	969,982	(969,982)
Contributions - employee	-	377,225	(377,225)
Net investment income	-	4,760,843	(4,760,843)
Benefit payments, including refunds of employee contributions	(1,666,784)	(1,666,784)	-
Administrative expenses	-	(25,694)	25,694
Other changes	-	251	(251)
Net changes	1,823,845	4,415,823	(2,591,978)
Balance at June 30, 2014	\$ 41,008,406	\$ 34,713,677	\$ 6,294,729

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Changes in Net Pension Liability for School Non-Professional**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at June 30, 2013	\$ 12,187,410	\$ 9,698,875	\$ 2,488,535
Changes for the year:			
Service Cost	269,417	-	269,417
Interest	829,370	-	829,370
Differences between expected and actual experience	-	-	-
Contributions - employer	-	259,497	(259,497)
Contributions - employee	-	121,131	(121,131)
Net investment income	-	1,505,249	(1,505,249)
Benefit payments, including refunds of employee contributions	(678,546)	(678,546)	-
Administrative expenses	-	(8,292)	8,292
Other changes	-	79	(79)
Net changes	420,241	1,199,118	(778,877)
Balance at June 30, 2014	\$ 12,607,651	\$ 10,897,993	\$ 1,709,658

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

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

(Continued)



**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate (continued)**

	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
County	<u>\$ 11,699,956</u>	<u>\$ 6,294,729</u>	<u>\$ 1,806,283</u>
	<u>(6.00%)</u>	<u>Rate (7.00%)</u>	<u>(8.00%)</u>
School Non-Professional	<u>\$ 3,150,866</u>	<u>\$ 1,709,658</u>	<u>\$ 492,528</u>

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

For the year ended June 30, 2015, the County and School Non-Professional Employees recognized pension expense of \$499,659 and \$150,254, respectively. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
County:		
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,962,168
Employer contributions subsequent to the measurement date	\$ 885,099	
Total	<u>\$ 885,099</u>	<u>\$ 1,962,168</u>

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 10-Pension Plan (continued)**

**County and School Non-professional Employees (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
School Non-Professional:		
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	669,634
Employer contributions subsequent to the measurement date	261,907	-
Total	<u>\$ 261,907</u>	<u>\$ 669,634</u>

The deferred outflows of resources related to pensions resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Reduction to Pension Expense</u>	
<u>Year ended June 30</u>	<u>County</u>	<u>School Non-Professional</u>
2016	(490,542)	(167,409)
2017	(490,542)	(167,409)
2018	(490,542)	(167,409)
2019	(490,542)	(167,407)
Thereafter	-	-
	<u>\$ (1,962,168)</u>	<u>\$ (669,634)</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 10-Pension Plan (continued)**

**Teacher Cost Sharing Pool**

**General Information about the Teacher Cost Sharing Pool**

**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 plan is 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. The plan description and actuarial assumptions are substantially the same as those described for the County and the School Non-professional employee plans.

**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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$3,339,265 and \$3,926,743 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$39,071,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.32331% as compared to 0.33012% at June 30, 2013. For the year ended June 30, 2015, the school division recognized pension expense of \$2,921,000.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	6,567,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	<u>3,339,265</u>	<u>-</u>
Total	<u>\$ 3,339,265</u>	<u>\$ 6,567,000</u>

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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended June 30,**

2016	\$ (1,641,750)
2017	(1,641,750)
2018	(1,641,750)
2019	(1,641,750)
2020	-

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

**Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% 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 7.00% to simplify preparation of pension liabilities.

**Mortality rates:**

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

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

**Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
<b>Total</b>	<b>100.00 %</b>		<b>5.83 %</b>
	<b>Inflation</b>		<b>2.50 %</b>
	<b>* Expected arithmetic nominal return</b>		<b>8.33 %</b>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

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

**Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

**Long-Term Expected Rate of Return (Continued)**

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

**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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the 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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 57,372,000</u>	<u>\$ 39,071,000</u>	<u>\$ 24,003,000</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 11. Other Post-Employment Benefits**

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

**Annual Other Post-Employment Benefit Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2015, the County and School Board's annual OPEB costs of \$115,000 and \$395,000, respectively, were equal to the Annual Required Contribution (ARC).

	<b>Primary Government</b>	<b>School Board</b>
Annual required contribution	\$ 116,000	\$ 397,000
Interest on net OPEB obligation	20,000	33,000
Adjustment to annual required contribution	(21,000)	(35,000)
Annual OPEB cost	115,000	395,000
Contributions made	(31,000)	(245,000)
Increase in net OPEB obligation	84,000	150,000
Net OPEB obligation-beginning of year	511,000	832,000
Net OPEB obligation-end of year	<u>\$ 595,000</u>	<u>\$ 982,000</u>

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

(Continued)



**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 11. Other Post-Employment Benefits (Continued)**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$ 115,000	26.9%	\$ 595,000
June 30, 2014	\$ 117,000	33.3%	\$ 511,000
June 30, 2013	\$ 117,000	29.1%	\$ 433,000

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

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$ 395,000	62.0%	\$ 982,000
June 30, 2014	\$ 355,000	62.3%	\$ 832,000
June 30, 2013	\$ 342,000	65.5%	\$ 698,000

**Funding Status and Funding Progress**

The funding status of the plan as of July 1, 2014 was as follows:

	<b>Primary Government</b>	<b>School Board</b>
Actuarial Accrued Liability (AAL)	\$ 1,337,000	\$ 5,209,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,337,000	5,209,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	7,620,165	26,681,377
UAAL as a Percentage of Covered Payroll	17.55%	19.52%

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

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 11. Other Post-Employment Benefits (Continued)**

**Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the entry age normal cost method was used to determine liabilities. Under this method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2015 is 23 years.

**Plan Description**

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

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

The number of participants at June 30, 2015 was as follows:

	<b>Primary</b>	
	<b><u>Government</u></b>	<b><u>School Board</u></b>
Retirees currently receiving benefits	7	73
Active employees	182	711
Total	<u>189</u>	<u>784</u>

(Continued)

## COUNTY OF SMYTH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### **Note 11. Other Post-Employment Benefits (Continued)**

##### **Funding Policy**

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2015, neither the County nor the Schools designated any funding for the OPEB liability.

#### **Note 12. Property Taxes**

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

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

#### **Note 13. Risk Management**

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

#### **Note 14. Leases**

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

## COUNTY OF SMYTH, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### **Note 15. Section 457 Deferred Compensation Plan**

The County has a Section 457 Deferred Compensation Plan for their employees that has been in existence for several years. The Plan is accounted for in the fiduciary funds of the County as it should be in accordance with Governmental Accounting Standards Board No. 32 – *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Plan assets and liabilities have been recorded at Exhibit 9 and A-1.

#### **Note 16. Commitments and Contingencies**

##### **Purchase Commitments**

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

The County entered into an agreement with a certain entity to purchase up to 50,000 gallons of water per day at a rate of \$2.93 per 1,000 gallons. For gallons of water per day over 50,000 but less than 100,000, the County agreed to a rate of \$2.58 per 1,000 gallons and gallons of water over 100,000 at a rate of \$2.46 per 1,000 gallons. The initial term of the agreement was five years with seven successive five-year periods at the option of the County. The County has renewed the agreement for the second five year option.

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, the next 495,000 gallons at a rate of \$3.51 and over 500,000 gallons at a rate of \$2.81 subject to increase of commercial rate capped at 2%. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County.

The County and a certain Town entered into a water purchase agreement in July 2003 for the purchase of up to 12.5 million gallons of water per month at a rate of \$3.98 per 1,000 gallons (subject to increase with residential rates). In the event that the Town must purchase water back from the County, the rate is the same. The initial term of the agreement is three years with successive annual periods at mutual agreement between the Town and the County. The rate increased to \$6.70 per 1,000 gallons.

##### **Other Commitments**

During fiscal year 2006, the County was mandated by the state government to undertake a major renovation of the Smyth County courthouse. This project will extend over a period of years and have substantial costs. The project will be a major overhaul of the courthouse that could cost several million dollars. At current, the project is estimated at \$25 million dollars. Commitments on active projects including architectural services and construction on the courthouse are disclosed at note 6.

##### **Special Purpose Grants**

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

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 17. Intergovernmental Agreements**

**Mountain Empire Regional Wastewater Facility**

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

The user charge is determined monthly. The term of the agreement ends August 2030 and is renewable for an additional 40-year period. During fiscal year 2015, the County remitted a total of \$160,117 to Marion. As part of the agreement, Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

**Chilhowie-Smyth Wastewater Treatment Plant**

In 1997, the County entered into an agreement with the Town of Chilhowie (“Chilhowie”) for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater. The user charge is determined each month based on a percentage of the plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2015, the County remitted a total of \$149,339 to Chilhowie. As part of the agreement, Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

**Saltville-Smyth County Regional Wastewater Treatment Facility**

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

The term of agreement ends March 2041 and is renewable for a term of 40 years. During fiscal year 2015, the County remitted a total of \$40,030 to Saltville in user charges. As part of the agreement, Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

**Note 18. Net Position/Fund Balance**

**Deficit Unrestricted Net Position**

At June 30, the Governmental Activities of the County and the Component Unit – School Board had deficits in unrestricted net position of \$1,973,096 and \$41,357,189, respectively. Both deficits result primarily from the net pension liability. These deficits are anticipated to be recovered through future revenues, as well as possible transfers and contributions.

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 18. Net Position/Fund Balance (Continued)**

**Fund Balances**

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

	<u>Primary</u> <u>Government</u> <u>General Fund</u>
Fund Balances:	
Nonspendable:	
Prepaid Expenses	\$ 205,182
Restricted for:	
E-911	293,285
Equipment	27,786
School Construction Project	1,827
Courthouse Project	11,732,943
DARE	36,166
Public Safety	47,604
Commonwealth Attorney	294,552
Courthouse Security	126,793
Total Restricted	\$ 12,560,956
	<u>Primary</u> <u>Government</u> <u>General Fund</u>
Fund Balances (continued):	
Assigned to:	
Animal Control	\$ 47,531

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**Note 18. Net Position/Fund Balance (Continued)**

	Discretely Presented Component Unit
	<u>School Board</u>
Fund Balances:	
Nonspendable:	
Inventory	\$ 78,225
Prepaid Expenses	<u>647,736</u>
Total Nonspendable	<u>\$ 725,961</u>
Assigned to:	
Textbooks	\$ 1,185,757
Food Services	<u>440,011</u>
Total Assigned	<u>\$ 1,625,768</u>

**Note 19. Adoption of New Standard and Prior Period Restatement**

There was a restatement of fund balance and net position for license fee receivable of \$512,876. This was deemed to not be a receivable for June 30, 2014. When the license fee initially replaced the decal fee, the license fee was considered to be a receivable at fiscal year end due to the timing of the billing and the period the license fee was for. In the years proceeding, the receivable was consistently recorded at year end. During fiscal year 2015, it was re-evaluated and determined to not be a receivable. Therefore, there was a restatement of fund balance and net position.

The County adopted the following new accounting standard for the current fiscal year:

In the current year the County and Schools adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 19. Adoption of New Standard and Prior Period Restatement (continued)**

	<u>Primary</u> <u>Government</u> <u>General Fund</u>
Fund Balance at July 1, 2014	24,503,868
Restatement Due to License Fee Receivable	<u>(512,876)</u>
Fund Balance at July 1, 2014 As Restated	\$ <u><u>23,990,992</u></u>

	<u>Primary</u> <u>Government</u> <u>Governmental Activities</u>
Net Position at July 1, 2014	14,009,233
Restatement Due to Pension Benefit	(7,041,415)
Restatement Due to License Fee Receivable	<u>(512,876)</u>
Net Position at July 1, 2014 As Restated	\$ <u><u>6,454,942</u></u>

	<u>Primary</u> <u>Government</u> <u>Business-type Activities</u>
Fund Balance at July 1, 2014	17,138,337
Restatement Due to Pension Benefit	<u>(280,200)</u>
Fund Balance at July 1, 2014 As Restated	\$ <u><u>16,858,137</u></u>

	<u>Component</u> <u>Units</u> <u>School Board</u>
Net Position at July 1, 2014	14,006,101
Restatement Due to Pension Benefit	<u>(44,946,038)</u>
Net Position at July 1, 2014 As Restated	\$ <u><u>(30,939,937)</u></u>



COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**Note 20. New Accounting Standards**

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**

**Note 20. New Accounting Standards (Continued)**

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

Management has not yet evaluated the effects, if any, of adopting these standards.

**Note 21. Subsequent Events**

The Board of Supervisors approved a resolution authorizing and providing for the incurrence of indebtedness for the purposes of providing a portion of the cost of acquiring, constructing, enlarging, improving, and/or extending the Adwolfe Sewer Project. The proposed issuance of bonds for the project is the principal amount of \$2,044,000.

The Board of Supervisors proposed to authorize the issuance of a line of credit or revenue anticipation note in anticipation of the collection of the taxes and revenues of the County pursuant to the Section 15.2-2629 of the Code of Virginia of 1950, as amended. The Board of Supervisors hereby authorizes the issuance and sale of the County's line of credit or revenue anticipation note in the maximum principal amount of \$5,000,000 in anticipation of the collection of the taxes and revenues of the County for the fiscal year ending June 30, 2016, pursuant to Section 15.2-2629 of the Virginia Code.

The County approved the Courthouse Committee's recommendation to award up to \$175,000 for the refurbishing of the Courthouse. The County approved the Courthouse Committee's recommendation to award the services for the new phone system for the Courthouse to BVU-Optinet for \$52,620.

The Board of Supervisors approved the Water/Sewer Committee recommendations to award the engineering and construction phase services of the Adwolfe Sewer Project to CHA Consulting, Inc. with an estimated cost of \$500,000.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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## COUNTY OF SMYTH, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2015**

	<b>Primary Government</b>	<b>Schools - Nonprofessional Employees</b>
<b>Total pension liability</b>		
Service cost	\$ 806,047	\$ 269,417
Interest on total pension liability	2,684,582	829,370
Benefit Payments, including refunds of employee contributions	(1,666,784)	(678,546)
<b>Net change in total pension liability</b>	<u>1,823,845</u>	<u>420,241</u>
<b>Total pension liability - beginning</b>	39,184,561	12,187,410
<b>Total pension liability - ending (a)</b>	<u><u>\$ 41,008,406</u></u>	<u><u>\$ 12,607,651</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 969,982	\$ 259,497
Contributions - employee	377,225	121,131
Net investment income	4,760,843	1,505,249
Benefit Payments, including refunds of employee contributions	(1,666,784)	(678,546)
Administrative expense	(25,694)	(8,292)
Other	251	79
<b>Net change in plan fiduciary net position</b>	<u>4,415,823</u>	<u>1,199,118</u>
<b>Plan fiduciary net position - beginning</b>	30,297,854	9,698,875
<b>Plan fiduciary net position - ending</b>	<u><u>\$ 34,713,677</u></u>	<u><u>\$ 10,897,993</u></u>
 <b>Net pension liability - ending</b>	<u><u>\$ 6,294,729</u></u>	<u><u>\$ 1,709,658</u></u>
 <b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<u><u>84.65%</u></u>	<u><u>86.44%</u></u>
 <b>Covered-employee payroll</b>	<u><u>\$ 7,484,168</u></u>	<u><u>\$ 2,422,316</u></u>
 <b>Net pension liability as a percentage of covered-employee payroll</b>	<u><u>84.11%</u></u>	<u><u>70.58%</u></u>

**COUNTY OF SMYTH, VIRGINIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
For the Year Ended June 30, 2015**

<b>Year Ended June 30,</b>	<b>Actuarially Determined Contribution (1)</b>	<b>Contributions in Relation to Actuarially Determined Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Employee Payroll (4)</b>	<b>Contributions as of % of Covered Employee Payroll (5)</b>
<b>Primary Government</b>					
<u>2015</u>	\$ 885,099	\$ 885,099	-	\$ 6,828,260	12.96%
<b>Schools - Nonprofessional Employees</b>					
<u>2015</u>	\$ 261,907	\$ 261,907	\$ -	\$ 2,297,419	11.40%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

**For Reference Only for Schedule of Employer Contributions:**

Column 1 – Employer contribution rate multiplied by the employer's covered employee payroll

Column 2 – Actual employer contribution remitted to VRS

Column 3 – Employer's covered employee payroll amount for the fiscal year ended June 30, 2015.

## COUNTY OF SMYTH, VA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2015**

<b>Year Ended June 30</b>	<b>Employee's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.32331%	\$ 39,071,000	\$ 23,023,786	169.70%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

## COUNTY OF SMYTH, VA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2015**

<b>Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2015	\$ 3,339,265	\$ 3,339,265	\$ -	\$ 23,023,786	14.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.



**COUNTY OF SMYTH, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

**Largest 10 – Non-LEOS:**

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

**Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

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

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

**All Others (Non 10 Largest) – LEOS:**

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



## OTHER SUPPLEMENTARY INFORMATION

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## FIDUCIARY FUNDS

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

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

**Employee Retirement Plan** – The Employee Retirement Plan is a Section 457 Deferred Compensation Plan Smyth County holds on behalf of its employees.



**COUNTY OF SMYTH, VIRGINIA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2015**

	<u>Agency Funds</u>			<u>Expendable Trust Fund</u>
	<u>Special Welfare</u>	<u>Carnegie</u>	<u>Total</u>	<u>Employee Retirement Plan</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 127,734	\$ 1,687	\$ 129,421	\$ 1,399,571
Accrued interest	2	-	2	-
Due from other governmental units	130	-	130	-
Total assets	<u>\$ 127,866</u>	<u>\$ 1,687</u>	<u>\$ 129,553</u>	<u>\$ 1,399,571</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 127,866	-	\$ 127,866	-
Amounts held for Carnegie fund	-	1,687	1,687	-
Amounts held for participants	-	-	-	1,399,571
Total liabilities	<u>\$ 127,866</u>	<u>\$ 1,687</u>	<u>\$ 129,553</u>	<u>\$ 1,399,571</u>





## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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



## COUNTY OF SMYTH, VIRGINIA

**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**June 30, 2015**

	<u>School Operating</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,585,365
Due from primary government	4,051,333
Due from other governmental units	2,422,287
Accrued interest	1,120
Prepaid expense	647,736
Inventories	78,225
Total assets	<u>\$ 8,786,066</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 145,731
Accrued payroll and related liabilities	4,100,079
Total liabilities	<u>4,245,810</u>
Fund Balance:	
Nonspendable	725,961
Restricted	-
Committed	-
Assigned	1,625,768
Unassigned	2,188,527
Total fund balance	<u>4,540,256</u>
Total liabilities and fund balance	<u>\$ 8,786,066</u>

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

<b>Total fund balance</b>	\$ 4,540,256
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	10,059,401
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources for 2015 employer contributions	3,601,172
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(7,236,634)
Net pension liability	(40,780,658)
Long-term liabilities, including compensated absences and other post-employment benefits are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(1,481,325)</u>
<b>Net position of governmental activities</b>	<u>\$ (31,297,788)</u>

## COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

For the Year Ended June 30, 2015

	<u>School Operating</u>
<b>REVENUES</b>	
Revenue from use of money and property	\$ 4,553
Charges for services	1,318,615
Miscellaneous	5,408
Recovered costs	349,106
Intergovernmental	<u>43,064,764</u>
Total revenues	<u>44,742,446</u>
<b>EXPENDITURES</b>	
Current:	
Instruction	34,575,635
Administration, attendance and health	1,565,859
Transportation	2,229,454
Operation and maintenance	4,048,793
School nutrition	2,379,115
Capital projects	<u>185,137</u>
Total expenditures	<u>44,983,993</u>
Excess of expenditures over revenues	(241,547)
<b>OTHER FINANCING USES</b>	
Transfer out	<u>(85,825)</u>
Total other financing uses	<u>(85,825)</u>
Net change in fund balance	(327,372)
<b>FUND BALANCE AT JULY 1, 2014</b>	<u>4,867,628</u>
<b>FUND BALANCE AT JUNE 30, 2015</b>	<u><u>\$ 4,540,256</u></u>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>	
<b>Net change in fund balance</b>	\$ (327,372)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$597,391) exceeds depreciation (\$1,039,687).	(442,296)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Employer pension contributions	3,601,172
Pension expense	(3,071,254)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(118,101)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ (357,851)</u></u>

## COUNTY OF SMYTH, VIRGINIA

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

**For the Year Ended June 30, 2015**

	School Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 10,750	\$ 10,750	\$ 4,553	\$ (6,197)
Charges for services	1,901,445	1,901,445	1,318,615	(582,830)
Miscellaneous	437,959	437,959	5,408	(432,551)
Recovered costs	323,000	323,000	349,106	26,106
Intergovernmental	43,370,108	43,370,108	43,064,764	(305,344)
Total revenues	46,043,262	46,043,262	44,742,446	(1,300,816)
EXPENDITURES				
Current:				
Instruction	35,092,348	35,092,348	34,575,635	516,713
Administration, attendance and health	1,563,831	1,563,831	1,565,859	(2,028)
Transportation	2,259,133	2,259,133	2,229,454	29,679
Operation and maintenance	4,204,486	4,204,486	4,048,793	155,693
School nutrition	3,029,480	3,029,480	2,379,115	650,365
Capital projects	185,138	185,138	185,137	1
Total expenditures	46,334,416	46,334,416	44,983,993	1,350,423
Excess of revenues over (under) expenditures	(291,154)	(291,154)	(241,547)	49,607
OTHER FINANCING SOURCES (USES)				
Proceeds from school construction bonds	487,113	487,113	-	(487,113)
Transfer out	-	-	(85,825)	(85,825)
Total other financing sources (uses)	487,113	487,113	(85,825)	(572,938)
Net change in fund balance	\$ 195,959	\$ 195,959	\$ (327,372)	\$ (523,331)



## **SUPPORTING SCHEDULES**

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## COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT  
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,205,000	\$ 10,205,000	\$ 9,990,736	\$ (214,264)
Public service corporation taxes	940,000	940,000	1,003,693	63,693
Personal property taxes	2,710,000	2,710,000	2,842,213	132,213
Mobile home taxes	92,000	92,000	67,271	(24,729)
Machinery and tools taxes	2,045,350	2,045,350	1,863,413	(181,937)
Merchant's capital taxes	219,500	219,500	223,679	4,179
Penalties and interest	225,000	225,000	287,480	62,480
Total General Property Taxes	16,436,850	16,436,850	16,278,485	(158,365)
Other local taxes:				
Local sales and use taxes	2,000,000	2,000,000	2,016,911	16,911
Consumers' utility taxes	539,000	539,000	576,985	37,985
Local consumption tax	94,000	94,000	88,737	(5,263)
Communication tax	640,000	640,000	586,896	(53,104)
Franchise license taxes	4,500	4,500	-	(4,500)
Motor vehicle licenses	416,500	416,500	431,759	15,259
Taxes on recordation and wills	150,000	150,000	110,339	(39,661)
Special conveyance tax	25,000	25,000	31,035	6,035
Lodging tax	50,000	50,000	37,603	(12,397)
Total Other Local Taxes	3,919,000	3,919,000	3,880,265	(38,735)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	155,665	155,665	86,385	(69,280)
Animal licenses	12,500	12,500	9,516	(2,984)
Total Permits, Privilege Fees, and Regulatory Licenses	168,165	168,165	95,901	(72,264)
Fines and forfeitures	964,000	1,217,770	1,280,930	63,160
Revenue from use of money and property:				
Revenue from use of money	148,617	148,617	143,434	(5,183)
Revenue from use of property	156,074	156,074	99,483	(56,591)
Total Revenue from Use of Money and Property	304,691	304,691	242,917	(61,774)
Charges for services:				
Sheriff's fees	2,076	2,076	1,762	(314)
Courthouse maintenance	26,000	26,000	36,623	10,623
Courthouse security fees	152,000	152,000	176,831	24,831
Commonwealth's attorney	3,500	3,500	4,160	660
Prisoners	7,000	7,000	2,910	(4,090)
Court appointed attorney	500	500	1,086	586
Law library fees	7,000	7,000	6,755	(245)
Courthouse construction	-	-	38,265	38,265
Sanitation and waste removal	921,000	921,000	968,575	47,575
Total Charges for Services	1,119,076	1,119,076	1,236,967	117,891

(Continued)

## COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT  
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND (Continued)</b>				
Recovered costs:				
Rye Valley water salary reimbursement	\$ 26,041	\$ 26,041	\$ 25,916	\$ (125)
Insurance recoveries	35,000	35,000	18,307	(16,693)
Local board of welfare	11,000	11,000	12,873	1,873
School resource officer	84,000	84,000	100,207	16,207
Other recovered costs	49,108	49,108	76,703	27,595
Total recovered costs	<u>205,149</u>	<u>205,149</u>	<u>234,006</u>	<u>28,857</u>
Other revenue:				
Payments in lieu of taxes	80,000	80,000	93,888	13,888
Miscellaneous	166,350	166,350	130,408	(35,942)
Total Other Revenue	<u>246,350</u>	<u>246,350</u>	<u>224,296</u>	<u>(22,054)</u>
Total Revenue from Local Sources	<u>23,363,281</u>	<u>23,617,051</u>	<u>23,473,767</u>	<u>(143,284)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	35,000	35,000	45,782	10,782
Motor vehicle rental tax	3,600	3,600	1,828	(1,772)
Personal Property Tax Relief Act	1,804,310	1,804,310	1,804,316	6
Rolling stock taxes	41,000	41,000	37,862	(3,138)
State recordation tax	-	-	30,581	30,581
Total Non-categorical Aid	<u>1,883,910</u>	<u>1,883,910</u>	<u>1,920,369</u>	<u>36,459</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	460,678	460,678	466,509	5,831
Sheriff	1,607,633	1,607,633	1,578,235	(29,398)
Clerk of Court	285,073	285,073	304,078	19,005
Commissioner of the Revenue	105,959	105,959	106,839	880
Treasurer	104,508	104,508	104,494	(14)
Registrar/Electoral Board	57,694	57,694	41,033	(16,661)
Local Aid to Commonwealth	-	-	(12,965)	(12,965)
Total Shared Expenses	<u>2,621,545</u>	<u>2,621,545</u>	<u>2,588,223</u>	<u>(33,322)</u>
Other categorical aid:				
Life EMS	32,000	32,000	26,861	(5,139)
National Forest	6,000	6,000	1,735	(4,265)
Litter control grant	7,500	7,500	9,130	1,630
Public assistance and welfare administration	1,469,484	1,469,484	1,311,130	(158,354)
Victim witness	45,200	45,200	48,967	3,767
E-911 grant	41,000	41,000	42,247	1,247
Fire programs	68,000	68,000	70,909	2,909
Comprehensive Services Act program	625,579	625,579	516,667	(108,912)
Asset forfeiture funds	3,000	3,000	1,973	(1,027)
Tobacco grant	1,300,000	1,300,000	-	(1,300,000)
School resource officer	46,340	46,340	55,550	9,210
Circuit court clerk grant	25,000	25,000	-	(25,000)
VDOT parttime payroll reimbursement	-	-	45,490	45,490
Court technology trust fund grant	30,000	30,000	-	(30,000)
Other state aid	82,795	82,795	15,435	(67,360)
Total other categorical aid	<u>3,781,898</u>	<u>3,781,898</u>	<u>2,146,094</u>	<u>(1,635,804)</u>
Total categorical aid	<u>6,403,443</u>	<u>6,403,443</u>	<u>4,734,317</u>	<u>(1,669,126)</u>
Total Revenue from the Commonwealth	<u>8,287,353</u>	<u>8,287,353</u>	<u>6,654,686</u>	<u>(1,632,667)</u>

(Continued)

## COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT  
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND (Continued)</b>				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,400,986	\$ 2,400,986	\$ 2,258,005	\$ (142,981)
Emergency preparedness grant	10,000	10,000	-	(10,000)
Community development block grant	267,341	267,341	132,252	(135,089)
Commonwealth attorney federal asset forfeiture	234,276	396,478	317,005	(79,473)
Stormwater grant	13,800	13,800	7,221	(6,579)
Department of Transportation-highway safety	40,000	40,000	12,303	(27,697)
Department of Transportation-alcohol safety	20,000	20,000	6,666	(13,334)
Other federal revenues	-	-	833	833
Total Categorical Aid	<u>2,986,403</u>	<u>3,148,605</u>	<u>2,734,285</u>	<u>(414,320)</u>
Total Revenue from the Federal Government	<u>2,986,403</u>	<u>3,148,605</u>	<u>2,734,285</u>	<u>(414,320)</u>
Total Intergovernmental Revenues	<u>11,273,756</u>	<u>11,435,958</u>	<u>9,388,971</u>	<u>(2,046,987)</u>
Total General Fund	<u>\$34,637,037</u>	<u>\$35,053,009</u>	<u>\$32,862,738</u>	<u>\$ (2,190,271)</u>
<b>COMPONENT UNIT - SCHOOL BOARD</b>				
<b>SPECIAL REVENUE FUNDS</b>				
School Operating Fund:				
Revenue from local services:				
Revenue from the use of money	\$ 8,000	\$ 8,000	\$ 1,848	\$ (6,152)
Revenue from the use of property	2,750	2,750	2,705	(45)
Tuition and payments from other divisions	405,000	405,000	511,933	106,933
Cafeteria sales	1,371,445	1,371,445	652,522	(718,923)
Charges for Medicaid payments	125,000	125,000	154,160	29,160
Miscellaneous revenue	-	-	5,408	5,408
Textbooks	437,959	437,959	-	(437,959)
Sale of supplies	20,000	20,000	13,591	(6,409)
Other recovered costs	<u>303,000</u>	<u>303,000</u>	<u>335,515</u>	<u>32,515</u>
Total revenue from local services	<u>2,673,154</u>	<u>2,673,154</u>	<u>1,677,682</u>	<u>(995,472)</u>
Intergovernmental revenues:				
Revenue from local governments:				
Contribution from County of Smyth, Virginia	<u>7,715,600</u>	<u>7,715,600</u>	<u>8,220,029</u>	<u>504,429</u>
Revenue from the Commonwealth:				
Share of state sales tax	4,614,471	4,614,471	4,724,772	110,301
Basic school aid	16,032,258	16,032,258	15,781,975	(250,283)
Remedial summer education	139,605	139,605	128,090	(11,515)
Regular foster care	58,583	58,583	36,776	(21,807)
Adult secondary education	11,961	11,961	-	(11,961)
Gifted and talented	165,772	165,772	163,696	(2,076)
Remedial education	<u>723,050</u>	<u>723,050</u>	<u>713,992</u>	<u>(9,058)</u>

(Continued)

## COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT  
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>COMPONENT UNIT - SCHOOL BOARD</b>				
<b>SPECIAL REVENUE FUNDS (CONTINUED)</b>				
Revenue from the Commonwealth (Continued):				
Special education	\$ 1,939,890	\$ 1,939,890	\$ 1,915,589	\$ (24,301)
Textbook payment	339,375	339,375	335,124	(4,251)
Hospitals, clinics and detention homes	11,076	11,076	6,451	(4,625)
Vocational education	673,671	673,671	665,232	(8,439)
Fringe benefits	3,149,676	3,149,676	3,085,839	(63,837)
Early reading intervention	85,994	85,994	93,353	7,359
GED prep course	23,576	23,576	23,576	-
Homebound education	11,731	11,731	3,738	(7,993)
Vocational education - adult	75,951	75,951	26,549	(49,402)
Vocational education - equipment	-	-	12,320	12,320
Vocational occupational preparedness	-	-	28,353	28,353
Special education - foster children	-	-	28,063	28,063
At risk payments	739,147	739,147	729,787	(9,360)
Jobs for Virginia Grads	21,000	21,000	21,000	-
Primary class size	829,335	829,335	788,816	(40,519)
Technology	419,600	419,600	413,624	(5,976)
Standards of learning algebra readiness	88,093	88,093	85,748	(2,345)
Title III, LEP	2,070	2,070	1,526	(544)
At risk four year olds	511,434	511,434	525,314	13,880
Mentor teacher program	3,679	3,679	2,937	(742)
English as a second language	9,666	9,666	12,548	2,882
School nutrition	30,334	30,334	29,308	(1,026)
School safety grant	50,000	50,000	26,370	(23,630)
Other state funds	19,782	19,782	25,623	5,841
Total Revenue from the Commonwealth	<u>30,780,780</u>	<u>30,780,780</u>	<u>30,436,089</u>	<u>(344,691)</u>

(Continued)

## COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT  
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED  
SCHEDULE OF REVENUES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>COMPONENT UNIT - SCHOOL BOARD</b>				
<b>SPECIAL REVENUE FUNDS (CONTINUED)</b>				
Revenue from the Federal Government:				
Title I	\$ 1,305,578	\$ 1,305,578	\$ 1,187,594	\$ (117,984)
Title VI-B, special education - grants to states	1,003,014	1,003,014	850,109	(152,905)
Title VI-B, special education - preschool grants	52,121	52,121	48,931	(3,190)
Vocational Education - basic grants to states	92,718	92,718	94,827	2,109
Improving teacher quality state grants	210,544	210,544	161,971	(48,573)
National school lunch program	1,810,243	1,810,243	1,187,015	(623,228)
School breakfast program	-	-	434,138	434,138
Twenty-first Century community learning centers	180,000	180,000	257,040	77,040
Title II Part D - Enhancing Education Thru Technology	27,424	27,424	30,235	2,811
Forest reserve	92,000	92,000	89,452	(2,548)
Title VI-rural and low	85,086	85,086	24,530	(60,556)
School improvement 1003A	15,000	15,000	16,977	1,977
Other federal funds	-	-	25,827	25,827
Total Revenue from the Federal Government	<u>4,873,728</u>	<u>4,873,728</u>	<u>4,408,646</u>	<u>(465,082)</u>
Total Intergovernmental Revenues	<u>43,370,108</u>	<u>43,370,108</u>	<u>43,064,764</u>	<u>(305,344)</u>
Other financing sources:				
Insurance recoveries	-	-	-	-
Total Revenue from Other Financing Sources	-	-	-	-
Total Component Unit - School Board	<u>\$46,043,262</u>	<u>\$46,043,262</u>	<u>\$ 44,742,446</u>	<u>\$ (1,300,816)</u>

**COUNTY OF SMYTH, VIRGINIA**  
**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT**  
**UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 533,559	\$ 499,351	\$ 463,768	\$ 35,583
Total Legislative	533,559	499,351	463,768	35,583
General and financial administration:				
County administrator	423,483	431,674	410,716	20,958
Accounting	143,182	134,991	54,588	80,403
Data processing	336,182	335,182	319,128	16,054
Legal	115,229	117,229	114,254	2,975
Commissioner of revenue	290,400	290,400	293,766	(3,366)
Treasurer	362,116	362,116	344,458	17,658
Assessor	4,500	4,500	2,675	1,825
Total General and Financial Administration	1,675,092	1,676,092	1,539,585	136,507
Board of Elections:				
Registrar	183,361	182,361	157,190	25,171
Total Registrar	183,361	182,361	157,190	25,171
Total General Government Administration	2,392,012	2,357,804	2,160,543	197,261
Judicial administration:				
Courts:				
Circuit Court	75,457	75,457	72,461	2,996
General District Court	6,450	6,450	2,576	3,874
Juvenile and domestic relations court	256,112	256,112	255,189	923
Law library	1,000	1,000	907	93
Victim Witness program	57,737	57,737	56,392	1,345
Clerk of the circuit court	545,758	545,758	490,958	54,800
Total courts	942,514	942,514	878,483	64,031
Commonwealth Attorney	823,125	985,327	930,743	54,584
Total Commonwealth Attorney	823,125	985,327	930,743	54,584
Total Judicial Administration	1,765,639	1,927,841	1,809,226	118,615
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,404,620	3,680,390	3,486,465	193,925
Smyth County basic E-911	511,100	506,100	441,595	64,505
Central dispatch	2,800	2,800	3,094	(294)
Total Law Enforcement and Traffic Control	3,918,520	4,189,290	3,931,154	258,136
Fire and rescue services:				
Fire department	237,250	237,250	240,376	(3,126)
Volunteer emergency operations	136,450	136,450	131,311	5,139
Forestry	9,000	9,000	7,951	1,049
Total Fire and Rescue Squad	382,700	382,700	379,638	3,062
Correction and detention:				
Sheriff - Jail	1,830,043	1,830,043	1,626,294	203,749
Total Correction and Detention	1,830,043	1,830,043	1,626,294	203,749
Inspections:				
Building	389,708	386,708	321,691	65,017
Total Building	389,708	386,708	321,691	65,017
Other protection:				
Animal control	474,472	472,472	440,154	32,318
Medical examiner	500	500	500	-
Emergency services	20,117	20,117	19,965	152
E-911	47,420	47,420	26,846	20,574
Total Other Protection	542,509	540,509	487,465	53,044
Total Public Safety	7,063,480	7,329,250	6,746,242	583,008

**COUNTY OF SMYTH, VIRGINIA**  
**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT**  
**UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND (Continued)</b>				
Public works:				
Water and sewer:				
Rye Valley water authority	\$ 26,041	\$ 26,041	\$ 26,040	\$ 1
Total Water and Sewer	<u>26,041</u>	<u>26,041</u>	<u>26,040</u>	<u>1</u>
Sanitation and waste removal:				
Refuse collection and disposal	1,328,523	1,323,523	1,329,959	(6,436)
On-site wastewater treatment	8,000	8,000	3,767	4,233
Total Sanitation and Waste Removal	<u>1,336,523</u>	<u>1,331,523</u>	<u>1,333,726</u>	<u>(2,203)</u>
Maintenance of general buildings and grounds:				
General properties	489,854	482,854	463,861	18,993
Health department/social services building	84,912	86,912	83,189	3,723
Total Maintenance of General Buildings and Grounds	<u>574,766</u>	<u>569,766</u>	<u>547,050</u>	<u>22,716</u>
Total Public Works	<u>1,937,330</u>	<u>1,927,330</u>	<u>1,906,816</u>	<u>20,514</u>
Health and welfare:				
Health:				
Supplement of local health department	441,023	441,023	441,023	-
Total Health	<u>441,023</u>	<u>441,023</u>	<u>441,023</u>	<u>-</u>
Mental health and mental retardation				
Community services board	166,022	166,022	166,022	-
Total Mental Health and Mental Retardation	<u>166,022</u>	<u>166,022</u>	<u>166,022</u>	<u>-</u>
Welfare:				
Board members	4,200	4,200	2,950	1,250
Administration and public assistance	4,792,449	4,792,449	4,067,834	724,615
Comprehensive Services Act	838,941	838,941	726,919	112,022
Total Welfare	<u>5,635,590</u>	<u>5,635,590</u>	<u>4,797,703</u>	<u>837,887</u>
Total Health and Welfare	<u>6,242,635</u>	<u>6,242,635</u>	<u>5,404,748</u>	<u>837,887</u>
Education:				
Other instructional costs:				
Contributions to community colleges	55,260	55,260	55,259	1
Contribution to discretely presented component unit - school board	7,715,600	7,715,600	8,220,029	(504,429)
Total Education	<u>7,770,860</u>	<u>7,770,860</u>	<u>8,275,288</u>	<u>(504,428)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	29,000	29,000	29,000	-
Total Parks and Recreation	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	<u>-</u>
Cultural:				
Library administration	947,479	947,479	947,479	-
Total Cultural	<u>947,479</u>	<u>947,479</u>	<u>947,479</u>	<u>-</u>
Total Parks, Recreation, and Cultural	<u>976,479</u>	<u>976,479</u>	<u>976,479</u>	<u>-</u>
Community development:				
Planning and development:				
Community development	159,979	192,187	171,609	20,578
Planning	6,900	6,900	3,598	3,302
County engineer	5,000	5,000	2,125	2,875
Economic development authority	1,485,457	1,485,457	6,723	1,478,734
Contribution to discretely presented component unit - EDA	-	-	185,898	(185,898)
Contribution to community organizations	602,536	602,536	709,067	(106,531)
Total Planning and Development	<u>2,259,872</u>	<u>2,292,080</u>	<u>1,079,020</u>	<u>1,213,060</u>
Environmental Management:				
Contribution to soil and water districts	28,250	28,250	27,600	650
Total Environmental Management	<u>28,250</u>	<u>28,250</u>	<u>27,600</u>	<u>650</u>
Cooperative extension program:				
Extension office	86,210	86,210	79,382	6,828
Total Cooperative Extension Program	<u>86,210</u>	<u>86,210</u>	<u>79,382</u>	<u>6,828</u>
Total Community Development	<u>2,374,332</u>	<u>2,406,540</u>	<u>1,186,002</u>	<u>1,220,538</u>

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT**  
**UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND (Continued)</b>				
Capital Projects:				
School construction	\$ 1,100,000	\$ 1,100,000	\$ (42,298)	1,142,298
Capital Improvements	8,618,000	8,618,000	6,856,065	1,761,935
Allison Gap-Lick Skillet project	267,341	267,341	132,258	135,083
Total Capital Projects	<u>9,985,341</u>	<u>9,985,341</u>	<u>6,946,025</u>	<u>3,039,316</u>
Debt Service:				
Principal retirement	6,313,391	6,313,391	1,970,201	4,343,190
Interest and finance charges	1,073,043	1,073,043	1,408,231	(335,188)
Total Debt Service	<u>7,386,434</u>	<u>7,386,434</u>	<u>3,378,432</u>	<u>4,008,002</u>
Total General Fund	<u>\$ 47,894,542</u>	<u>\$ 48,310,514</u>	<u>\$ 38,789,801</u>	<u>\$ 9,520,713</u>
<b>COMPONENT UNIT - SCHOOL BOARD</b>				
<b>SPECIAL REVENUE FUNDS</b>				
School operating fund:				
Education:				
Instructional costs	\$ 35,092,348	\$ 35,092,348	\$ 34,575,635	\$ 516,713
Administration, attendance and health	1,563,831	1,563,831	1,565,859	(2,028)
Transportation	2,259,133	2,259,133	2,229,454	29,679
Operation and maintenance	4,204,486	4,204,486	4,048,793	155,693
School nutrition	3,029,480	3,029,480	2,379,115	650,365
Total Education	<u>46,149,278</u>	<u>46,149,278</u>	<u>44,798,856</u>	<u>1,350,422</u>
Capital projects	<u>185,138</u>	<u>185,138</u>	<u>185,137</u>	<u>1</u>
Total Component Unit - School Board	<u>\$ 46,334,416</u>	<u>\$ 46,334,416</u>	<u>\$ 44,983,993</u>	<u>\$ 1,350,423</u>



**COUNTY OF SMYTH, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	417,380
<u>Department of Agriculture and Consumer Services:</u>		
Food Distribution - Commodities	10.555	189,507
<u>Department of Education:</u>		
School Nutrition Cluster:		
National School Lunch Program	10.555	1,187,015
School Breakfast Program	10.553	434,138
School and Roads - Grants to States	10.665	89,452
Fresh Fruits & Vegetables	10.582	15,827
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Family Preservation and Support Services	93.556	1,262
Temporary Assistance for Needy Families	93.558	473,528
Refugee and Entrant Assistance	93.566	656
Low Income Home Energy Assistance	93.568	52,443
Child Care Cluster:		
Child Care and Development Fund	93.596	72,395
Chafee Education and Training Vouchers	93.599	-
Child Welfare Services	93.645	3,192
Foster Care - Title IV-E	93.658	219,478
Adoption Assistance	93.659	151,713
Social Service Block Grant	93.667	409,835
Independent Living	93.674	4,862
State Children's Insurance Program	93.767	14,072
Medical Assistance Program	93.778	480,402
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Services:</u>		
Emergency Management Preparedness Grant	97.042	-
<u>Department of Housing and Community Development</u>		
<u>Pass-through Payments:</u>		
Community Development Block Grant	14.218	132,252

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Transportation:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
Alcohol Safety	20.601	6,666
State Highway	20.600	12,303
<u>Department of Education:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	850,109
Preschool Handicapped	84.173	48,930
Title I: Grants to Local Educational Agencies	84.010	1,187,594
SWD Instructional Program	84.027	10,000
Vocational Education: Basic Grants to States	84.048	94,827
21st Century Community Learning Center	84.287	257,040
Title II Part D - Enhancing Education Through Technology	84.318	30,235
Title VI-Rural and Low	84.358	24,530
Title II Part A - Improving Teacher Quality	84.367	161,971
1003G School Improvement Grant	84.377	16,977
Total Expenditures of Federal Awards		<u>\$ 7,050,591</u>

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

Note 2. Nonmonetary Assistance  
Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2015, the School Board had food commodities total \$51,004 in inventory.

# STATISTICAL SECTION

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

## **Contents**

## **Table**

### **Financial Trends..... 1-4**

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

### **Revenue Capacity ..... 5-7**

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

### **Debt Capacity.....8**

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

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

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

### **Operating Information .....11**

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

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



TABLE 1

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 9,369,305	9,020,728	9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508	\$ 3,581,230	\$ 3,301,826	\$ 3,115,818
Restricted	-	-	-	-	-	-	-	-	250,000	250,000
Unrestricted	(1,973,096)	4,988,505	4,115,583	4,037,414	10,205,224	7,438,060	7,465,890	8,115,162	9,117,169	9,015,623
Total governmental activities net position	<u>\$ 7,396,209</u>	<u>\$ 14,009,233</u>	<u>\$ 13,769,634</u>	<u>\$ 12,787,424</u>	<u>\$ 12,903,334</u>	<u>\$ 14,283,535</u>	<u>\$ 12,386,398</u>	<u>\$ 11,696,392</u>	<u>\$ 12,668,995</u>	<u>\$ 12,381,441</u>
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 15,755,398	17,059,262	18,053,445	\$ 18,674,951	\$ 19,522,775	\$ 19,024,141	\$ 19,010,037	\$ 19,417,943	\$ 20,190,139	\$ 19,568,066
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	23,421	79,075	172,073	290,087	314,120	126,899	50,238	327,387	760,422	2,462,888
Total business-type activities net position	<u>\$ 15,778,819</u>	<u>\$ 17,138,337</u>	<u>\$ 18,225,518</u>	<u>\$ 18,965,038</u>	<u>\$ 19,836,895</u>	<u>\$ 19,151,040</u>	<u>\$ 19,060,275</u>	<u>\$ 19,745,330</u>	<u>\$ 20,950,561</u>	<u>\$ 22,030,954</u>
<b>Primary government</b>										
Net Investment in capital assets	\$ 25,124,703	26,079,990	27,707,496	\$ 27,424,961	\$ 22,220,885	\$ 25,869,616	23,930,545	\$ 22,999,173	\$ 23,491,965	\$ 22,683,884
Restricted	-	-	-	-	-	-	-	-	250,000	250,000
Unrestricted	(1,949,675)	5,067,580	4,287,656	4,327,501	10,519,344	7,564,959	7,516,128	8,442,549	9,877,591	11,478,511
Total primary government net position	<u>\$ 23,175,028</u>	<u>\$ 31,147,570</u>	<u>\$ 31,995,152</u>	<u>\$ 31,752,462</u>	<u>\$ 32,740,229</u>	<u>\$ 33,434,575</u>	<u>31,446,673</u>	<u>\$ 31,441,722</u>	<u>\$ 33,619,556</u>	<u>\$ 34,412,395</u>

TABLE 2

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
<b>Governmental activities</b>										
General government administration	\$ 2,197,454	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740	\$ 1,849,741	\$ 1,798,211
Judicial administration	1,825,563	1,682,907	1,493,566	1,442,451	1,438,437	1,405,720	1,383,156	1,322,884	1,173,548	1,004,397
Public safety	7,095,586	7,142,779	6,668,145	6,606,593	6,073,909	5,840,409	5,500,772	5,391,050	5,129,494	5,008,159
Public works	2,090,129	2,056,232	2,122,689	2,085,140	3,197,528	1,977,527	1,911,028	1,737,587	1,813,216	1,893,212
Health and welfare	5,267,649	5,662,739	5,601,627	5,069,915	5,252,653	5,438,893	5,982,328	5,933,667	5,818,134	5,340,240
Education	9,687,317	9,565,569	8,487,813	8,016,040	9,247,181	7,835,194	7,747,394	10,260,678	7,996,023	7,561,914
Parks, recreation, and cultural	1,028,674	1,027,887	1,007,108	1,019,793	1,012,568	1,083,058	1,161,738	1,085,631	1,025,768	923,338
Community development	1,150,411	1,476,366	1,195,480	1,266,069	1,310,375	1,324,655	1,682,985	1,666,394	2,037,957	1,349,434
Interest on long-term debt	1,457,368	1,414,721	1,505,797	1,009,693	253,607	287,397	309,053	349,358	388,695	326,663
Total governmental activities	31,800,151	32,461,323	30,697,841	28,759,424	29,780,664	27,389,176	27,979,204	29,772,989	27,232,576	25,205,568
<b>Business-type activities</b>										
Water and wastewater	3,641,767	3,304,613	3,327,527	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414
Total business-type activities expense	3,641,767	3,304,613	3,327,527	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414
Total primary government expenses	\$ 35,441,918	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669	\$ 33,071,390	\$ 30,516,339	\$ 31,142,837	\$ 32,887,829	\$ 30,263,591	\$ 27,800,982
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services										
General government administration	\$ -	-	-	-	-	-	-	-	-	\$ 86,193
Judicial administration	280,374	195,270	176,714	163,113	178,057	177,857	137,056	106,231	72,015	217,113
Public safety	1,364,850	1,039,261	819,844	850,353	800,787	791,428	409,169	296,931	296,821	408,371
Public works	994,491	916,345	967,251	1,415,524	826,827	766,143	644,738	690,295	728,359	540,601
Health and welfare	12,873	11,531	13,602	11,369	20,993	54,743	81,851	108,244	126,414	110,191
Operating grants and contributions	7,568,809	7,861,211	7,405,851	6,915,771	7,003,283	7,058,063	7,713,727	7,570,255	7,692,029	6,954,740
Capital grants and contributions	-	-	145,000	-	25,000	1,199,255	1,311,013	102,528	33,007	165,803
Total governmental activities program revenues	10,221,397	10,023,618	9,528,262	9,356,130	8,854,947	10,047,489	10,297,554	8,874,484	8,948,645	8,483,012
<b>Business-type activities</b>										
Charges for services										
Water and wastewater	2,112,309	1,922,430	2,008,325	1,881,076	1,859,391	1,684,425	1,558,151	1,425,665	1,387,876	1,390,247
Capital grants and contributions	171,102	-	155,463	172,048	1,299,201	1,012,032	564,829	476,526	560,528	1,242,009
Total business-type activities program revenues	2,283,411	1,922,430	2,163,788	2,053,124	3,158,592	2,696,457	2,122,980	1,902,191	1,948,404	2,632,256
Total primary government program revenues	\$ 12,504,808	\$ 11,946,048	\$ 11,692,050	\$ 11,409,254	\$ 12,013,539	\$ 12,743,946	\$ 12,420,534	\$ 10,776,675	\$ 10,897,049	\$ 11,115,268
<b>Net (expense) revenue</b>										
Governmental activities	\$ (21,578,754)	(22,437,705)	\$ (21,169,579)	\$ (19,403,294)	\$ (20,925,717)	\$ (17,341,687)	\$ (17,681,650)	\$ (20,898,505)	\$ (18,283,931)	\$ (16,722,556)
Business-type activities	(1,358,356)	(1,382,183)	(1,163,739)	(1,286,121)	(132,134)	(430,706)	(1,040,653)	(1,212,649)	(1,082,611)	36,842
Total primary government net expense	\$ (22,937,110)	\$ (23,819,888)	\$ (22,333,318)	\$ (20,689,415)	\$ (21,057,851)	\$ (17,772,393)	\$ (18,722,303)	\$ (22,111,154)	\$ (19,366,542)	\$ (16,685,714)

TABLE 3

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,213	\$ 271,965	\$ 158,967	\$ 8,827	\$ 1,981,918
Unreserved	-	-	-	-	-	6,426,347	6,763,770	7,602,076	10,056,388	11,599,572
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,753,560</u>	<u>\$ 7,035,735</u>	<u>\$ 7,761,043</u>	<u>\$ 10,065,215</u>	<u>\$ 13,581,490</u>
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>					
Post GASB 54 implementation:										
General Fund										
Nonspendable	\$ 205,182	\$ 181,436	\$ 180,909	\$ 51,925	\$ 65,811					
Restricted	12,560,956	21,335,807	25,697,568	39,125,509	3,665,624					
Committed	-	-	-	-	100,491					
Assigned	47,531	71,786	62,900	58,485	69,019					
Unassigned	3,059,388	2,914,839	3,614,881	4,932,136	5,559,366					
Total General Fund	<u>\$ 15,873,057</u>	<u>\$ 24,503,868</u>	<u>\$ 29,556,258</u>	<u>\$ 44,168,055</u>	<u>\$ 9,460,311</u>					

TABLE 4

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
General property taxes	\$ 16,278,485	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792	\$ 12,165,251	\$ 11,873,268
Other local taxes	3,880,265	3,706,500	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160	3,570,670	3,547,279	3,550,806
Permits, privilege fees, and licenses	95,901	161,986	124,647	127,045	73,903	106,118	73,893	89,988	82,670	85,645
Fines and forfeitures	1,280,930	888,941	714,666	726,131	730,320	686,447	332,601	200,981	210,993	148,330
Revenue from use of money and property	242,917	219,217	335,497	289,596	193,732	460,995	306,665	558,089	699,966	515,149
Charges for services	1,236,967	1,065,606	1,010,630	1,033,161	923,651	864,853	706,364	724,269	720,455	631,928
Recovered costs	234,006	260,219	335,169	760,405	368,489	456,267	474,954	477,831	408,106	334,381
Other	224,296	240,188	218,097	210,723	229,645	272,431	295,065	167,518	134,939	169,844
Intergovernmental	9,388,971	9,705,113	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838	9,638,440	9,681,765	8,963,118
Total revenues	32,862,738	32,780,572	31,632,628	29,706,509	29,047,615	29,850,247	29,151,431	27,765,578	27,651,424	26,272,469
<b>Expenditures</b>										
General government administration	2,160,543	2,412,477	2,735,775	2,140,645	1,859,579	2,065,201	2,272,484	1,951,748	1,828,775	1,719,072
Judicial administration	1,809,226	1,690,506	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907	1,298,991	1,183,222	973,734
Public safety	6,746,242	6,676,032	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660	5,474,643	5,176,579	4,981,007
Public works	1,906,816	2,019,165	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849	1,796,938	1,809,116	1,940,590
Health and welfare	5,404,748	5,679,174	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197	5,937,048	5,767,503	5,339,338
Education	8,275,288	8,040,810	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029	9,299,298	7,035,326	6,594,696
Parks, recreation, and cultural	976,479	976,479	955,046	968,916	963,066	1,030,216	1,106,836	1,040,590	980,727	872,093
Community development	1,186,002	1,176,400	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806	1,836,396	2,138,369	1,344,954
Capital projects	6,946,025	3,095,262	16,269,549	11,022,959	1,895,888	681,967	236,725	284,836	190,817	-
Debt service										
Principal	1,970,201	4,190,481	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399	1,003,216	993,341	1,094,053
Interest	1,408,231	1,585,060	1,654,575	891,381	270,749	302,630	334,029	365,079	397,828	338,183
Total expenditures	38,789,801	37,541,846	48,084,259	44,486,999	30,527,491	29,612,841	29,531,921	30,288,783	27,501,603	25,197,720
Excess of revenues over (under) expenditures	(5,927,063)	(4,761,274)	(16,451,631)	(14,780,490)	(1,479,876)	237,406	(380,490)	(2,523,205)	149,821	1,074,749
<b>Other Financing Sources (Uses)</b>										
Proceeds from bond issuances	10,970,000	-	2,170,893	48,985,000	5,003,600	-	-	-	-	-
Payment to refunded bond escrow agent	(14,233,704)	-	-	(86,000)	-	-	-	-	-	-
Bond issuance costs	(108,102)	-	-	(86,000)	-	-	-	-	-	-
Premium on bonds	1,272,643	-	-	1,840,039	-	-	-	-	-	-
Underwriter's discount on bonds	-	-	-	(493,563)	-	-	-	-	-	-
Transfers in	183,763	-	-	-	-	-	-	-	-	181,889
Transfers out	(275,472)	(291,116)	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)	(5,307)	-	-
Total other financing sources (uses)	(2,190,872)	(291,116)	1,701,450	49,836,248	4,186,627	(519,581)	(344,818)	(5,307)	-	181,889
Net change in fund balance	\$ (8,117,935)	\$ (5,052,390)	\$ (14,750,181)	\$ 35,055,758	\$ 2,706,751	\$ (282,175)	\$ (725,308)	\$ (2,528,512)	\$ 149,821	\$ 1,256,638
Debt service as a percentage of noncapital expenditures	10.61%	16.77%	11.38%	20.69%	4.50%	4.53%	4.60%	4.56%	5.09%	5.68%



TABLE 5

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

Fiscal Year	Real Estate	Personal Property	Public Service Corporation (1)	Total Assessed Value	Tax Rate (per \$100)				
					Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Interstate Commerce
2015	\$ 1,398,811,514	\$ 384,132,517	\$ 136,867,929	\$ 1,919,811,960	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2014	\$ 1,429,094,226	\$ 401,053,105	\$ 124,002,508	\$ 1,954,149,839	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2013	\$ 1,444,667,238	\$ 360,243,649	\$ 129,520,200	\$ 1,934,431,087	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2012	\$ 1,420,768,624	\$ 351,413,101	\$ 119,374,517	\$ 1,891,556,242	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.55
2011	\$ 1,415,159,070	\$ 351,573,398	\$ 121,374,173	\$ 1,888,106,641	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2010	\$ 1,200,972,525	\$ 364,320,155	\$ 83,886,362	\$ 1,649,179,042	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2009	\$ 1,192,258,091	\$ 387,895,958	\$ 87,327,987	\$ 1,667,482,036	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2008	\$ 1,182,446,544	\$ 375,631,251	\$ 86,246,420	\$ 1,644,324,215	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2007	\$ 1,171,330,028	\$ 371,286,389	\$ 85,188,111	\$ 1,627,804,528	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2006	\$ 1,158,250,454	\$ 328,284,520	\$ 102,597,017	\$ 1,589,131,991	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20

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

TABLE 6

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

**Personal Property**

<b>Taxpayer</b>	<b>Assessed Value</b>	<b>Rank</b>
Phillip S. Martin	\$ 25,414,275	1
TRW Inc Rack and Pinion Division	\$ 17,310,150	2
Royal Mouldings Limited	\$ 9,269,364	3
Utility Trailer Manufacturing Co.	\$ 8,574,786	4
General Dynamics Armament & Tech Pro	\$ 8,051,400	5
General Motors LLC	\$ 6,603,453	6
American Wood Fibers Inc.	\$ 5,712,730	7
Scholle Packaging Inc.	\$ 5,176,031	8
Marion Mold and Tool Inc.	\$ 4,971,087	9
Marion Chevrolet Buick GMC Inc.	\$ 4,854,535	10

**Real Estate**

<b>Taxpayer</b>	<b>Assessed Value</b>	<b>Rank</b>
Utility Trailer Manufacturing	\$ 9,133,500	1
RGTL Nevada Limited	\$ 6,864,800	2
Smyth County Community Foundation	\$ 6,621,600	3
940 E Lee Street Real Estate, LLC	\$ 5,933,800	4
Marion Properties Inc.	\$ 5,417,700	5
Myrtle Properties LLC	\$ 5,185,300	6
United Salt Corporation	\$ 4,817,100	7
Highland Development Co. LLC	\$ 3,947,500	8
AFP Deer Valley Road LLC	\$ 3,944,700	9
RGTL Nevada Limited	\$ 3,916,600	10

**Source:** Commissioner of Revenue

TABLE 7

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

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year (1,2)</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Tax Collections (1)</b>	<b>Total Collections to Date</b>		<b>Outstanding Delinquent Taxes (1)</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
		<b>Amount (1)</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>		
2015	\$ 18,517,112	\$ 15,175,265	81.95%	\$ 815,738	\$ 15,991,003	86.36%	\$ 4,430,581	23.93%
2014	\$ 18,532,906	\$ 15,564,710	83.98%	\$ 659,241	\$ 16,223,951	87.54%	\$ 4,126,146	22.26%
2013	\$ 18,035,837	\$ 14,839,925	82.28%	\$ 686,541	\$ 15,526,466	86.09%	\$ 3,800,525	21.07%
2012	\$ 16,472,150	\$ 13,522,831	82.10%	\$ 616,523	\$ 14,139,354	85.84%	\$ 3,206,313	19.47%
2011	\$ 14,543,200	\$ 13,549,846	93.17%	\$ 489,730	\$ 14,039,576	96.54%	\$ 2,747,133	18.89%
2010	\$ 13,420,595	\$ 12,566,068	93.63%	\$ 436,121	\$ 13,002,189	96.88%	\$ 2,331,515	17.37%
2009	\$ 12,593,867	\$ 11,897,779	94.47%	\$ 489,314	\$ 12,387,093	98.36%	\$ 2,007,598	15.94%
2008	\$ 12,164,434	\$ 11,625,491	95.57%	\$ 421,584	\$ 12,047,075	99.04%	\$ 1,899,238	15.61%
2007	\$ 11,923,961	\$ 11,350,877	95.19%	\$ 442,015	\$ 11,792,892	98.90%	\$ 1,873,378	15.71%
2006	\$ 11,479,534	\$ 10,893,503	94.89%	\$ 646,019	\$ 11,539,522	100.52%	\$ 1,199,515	10.45%

**Note:** (1) Exclusive of penalties and interest.

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

TABLE 8

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

Fiscal Year	General Obligation Bonds					Other Governmental Activities Debt	Business-type Activities	Total Debt	
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Other Debt	Revenue Bonds	Total Primary Government	Per Capita (1)
2015	\$ 36,267,379	\$ 5,065,234	\$ 41,332,613	\$ 0	\$ 1,283	\$ 11,018,539	\$ 5,395,000	\$ 57,746,152	\$ 1,793
2014	\$ 26,608,260	\$ 5,178,026	\$ 31,786,286	\$ 0	\$ 987	\$ 25,911,563	\$ 5,675,000	\$ 63,372,849	\$ 1,968
2013	\$ 27,886,530	\$ 5,287,434	\$ 33,173,964	\$ 0	\$ 1,030	\$ 28,823,774	\$ 5,946,000	\$ 67,943,738	\$ 2,110
2012	\$ 29,152,383	\$ 5,393,536	\$ 34,545,919	\$ 0	\$ 1,073	\$ 27,354,017	\$ 6,208,000	\$ 68,107,936	\$ 2,115
2011	\$ 7,549,801	\$ 11,859,427	\$ 19,409,228	\$ 0	\$ 603	\$ 6,005,153	\$ -	\$ 25,414,381	\$ 789
2010	\$ 2,913,233	\$ 12,154,042	\$ 15,067,275	\$ 0	\$ 475	\$ 6,656,286	\$ -	\$ 21,723,561	\$ 684
2009	\$ 3,268,724	\$ 12,136,059	\$ 15,404,783	\$ 0	\$ 481	\$ 7,307,425	\$ -	\$ 22,712,208	\$ 709
2008	\$ 3,613,270	\$ 11,462,817	\$ 15,076,087	\$ 0	\$ 470	\$ 7,975,860	\$ -	\$ 23,051,947	\$ 719
2007	\$ 3,947,631	\$ 11,359,736	\$ 15,307,367	\$ 0	\$ 478	\$ 8,644,296	\$ -	\$ 23,951,663	\$ 747
2006	\$ 4,272,536	\$ 11,566,310	\$ 15,838,846	\$ 0	\$ 487	\$ 9,312,732	\$ -	\$ 25,151,578	\$ 774

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

(1) See Table 9 for population data

**TABLE 9**

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

<b>Fiscal Year Ended</b>	<b>Population</b>
2015	32,208
2014	32,208
2013	32,208
2012	32,208
2011	32,208
2010	31,738
2009	32,050
2008	32,050
2007	32,050
2006	32,506

**Source:** United States Bureau of the Census

TABLE 10

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

<b><u>Function/Program</u></b>	<b><u>2015</u></b>
General Government	
Management Services	4
Legal	1
Engineering	1
Planning	1
Building & Zoning	5
Building Maintenance	6
IT	3
Registrar	2
GIS	1
911 Coordinator	1
CSA	1
Constitutional Offices	
Treasurer	5
Commonwealth Attorney	8
Commissioner of Revenue	4
General District Court Secretary	1
Clerk of Circuit Court	7
Part Time Equivalent	3
Sheriff	
Officers	36
Civilians	13
Part Time Equivalent	11
Refuse Collection	
Landfill	7
Convenience Station Part Time Equivalent	15
Library	13
Part Time Equivalent	6
Water	9
Animal Control	5
Total	<b><u>169</u></b>

## COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2015.

**Internal Control over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 2008-001, 2015-001 and 2015-002 to be material weaknesses.**

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiency described in the accompanying schedule of findings and question costs as Item 2008-003 to be a significant deficiency.**

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 3 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-005, 2013-005 and 2015-003.**

## County of Smyth, Virginia Response to Findings

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 18, 2015

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the County of Smyth, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the County of Smyth, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
December 18, 2015

**COUNTY OF SMYTH, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2015**

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

**STATE COMPLIANCE MATTERS**

Code of Virginia

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

State Agency Requirements

Education

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Four significant deficiencies** relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Significant deficiencies 2008-001, 2015-001 and 2015-002 were considered to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA Number</u>
Title I	84.010
Supplemental Nutrition Assistance Program	10.561
Medical Assistance Program	93.778
Temporary Assistance for Needy Families	93.558
Child Nutrition Cluster	10.553 & 10.555

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

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

**2008-001: Segregation of Duties (Material Weakness)**

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

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

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

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

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

**2008-001: Segregation of Duties (Material Weakness) (Continued)**

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

*Management Response:* The County has completed the reorganization of these duties and now has additional staff members involved in the review and approval process prior to final approval from the Board of Supervisors.

**2008-003: Deficiencies in Controls Over the Disbursement Process (Significant Deficiency)**

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

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

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

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

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

**2015-001: Improper Capitalization of Costs (Material Weakness)**

*Condition:* Certain items were improperly classified as capital projects when no long-term asset of the County had been obtained. These were water feasibility studies that did not meet the standards needed to become an asset.

*Criteria:* Capitalization and subsequent depreciation of projects should only take place if the costs meet capitalization requirements.

*Effect:* This resulted in a removing a capital asset from the asset listing and writing it off as a current year expenditure instead of depreciating it over a useful life.

(Continued)

**COUNTY OF SMYTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

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

**2015-001: Improper Capitalization of Costs (Material Weakness) (Continued)**

*Recommendation:* We recommend that capitalization requirements be monitored for projects that have any type of feasibility study or other additional costs. Feasibility studies are not allowed to be included in the capitalization costs if an asset will be created.

*Management Response:* The County concurs.

**2015-002: License Fee Receivable (Material Weakness)**

*Condition:* A license fee receivable was removed from the general fund. The license fee was for the billing that went out with the personal property tickets in the latter half of 2015.

*Criteria:* License fees should only be recorded as revenue when they are collected.

*Effect:* This resulted in an overstatement of receivable assets in the financial statements.

*Recommendation:* We recommend that the County only record license fee revenue as the cash is collected.

*Management Response:* The County concurs.

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

None.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**2011-005: Conflicts of Interest Act**

*Condition:* As in prior years, for the year ending June 30, 2015, there were seven instances where the required statements were not filed timely.

*Criteria:* The State and Local Government Conflict of Interests Act requires local government officials to file certain disclosure statement forms with the clerk of the governing body at certain points during the year.

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

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

(Continued)



**COUNTY OF SMYTH, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2015**

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

**2011-005: Conflicts of Interest Act (Continued)**

*Management Response:* The County has placed one person in charge of the conflict of interest forms. The County will use the Commonwealth Attorney's office to aid in gathering these statements to help ensure compliance.

**2013-005: Virginia Security for Public Deposits Act**

*Condition:* As in prior years, for the year ending June 30, 2015, there were two deposit accounts not marked as public.

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

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

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

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

**2015-003: Business Continuity Plan**

*Condition:* The Department of Social Services did not have an updated business continuity plan for fiscal year 15 on file.

*Criteria:* Each local Department of Social Services in Virginia should have a documented business continuity plan that meets the requirements described on the VA Department of Emergency Management's website. It is to be updated annually.

*Effect:* The County is not in compliance with the Virginia Department of Social Services requirements.

*Recommendation:* The business continuity plan should be reviewed and updated by management on an annual basis.

*Management Response:* The County concurs.

**COUNTY OF SMYTH, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2015**

**2014-003: Child Nutrition Cluster – CFDA 10.553 & 10.555 Eligibility**

*Condition:* One of the free/reduced applications that were tested was incorrectly categorized as reduced when it should have been free in September 2013. This was eventually corrected when a reapplication occurred in February 2014.

*Current Status:* This finding was not noted during the current year.

**2014-004: IDEA Special Education and Preschool – CFDA 84.027 & 84.173 Cash Management**

*Condition:* It was noted that some requests for reimbursements were being filed prior to the actual payment of services occurring. This was specifically for teacher payroll that had been accrued at the end of the year.

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