

COUNTY OF SMYTH, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

COUNTY OF SMYTH, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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ANNUAL FINANCIAL REPORT
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COUNTY OF SMYTH, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

Judy Hess	Joanna Bennett, Chair	Karen Gillespie
Kim Daugherty		G. Blake Frazier
Barbara Moser		Susan Sneed

OTHER OFFICIALS

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

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 26 to the financial statements, in 2016, the County adopted new accounting guidance: Governmental Accounting Standards Board (GASB) Statement 79 Certain External Investment Pools and Pool Participants and GASB Statement 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to OPEB funding and pension on pages 78-80 and 81-85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Information

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

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016, on our consideration of the County of Smyth, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Smyth, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 23, 2016

County of Smyth, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 5,222,789	\$ -	\$ 5,222,789	\$ 885,550	\$ 62,254
Cash and cash equivalents-restricted	-	1,568	1,568	-	-
Investments	9,285,233	-	9,285,233	1,062,846	671,092
Investment in Smyth-Washington IFA	1,415,813	-	1,415,813	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	21,366,711	-	21,366,711	-	-
Accounts receivable	334,208	305,693	639,901	203,284	-
Due from primary government	-	-	-	1,285,363	246,046
Due from other governmental units	1,433,553	-	1,433,553	2,152,609	-
Inventories	-	-	-	81,192	-
Prepaid items	165,535	-	165,535	629,574	-
Accrued interest	1,966	-	1,966	146	190
Capital assets (net of accumulated depreciation):					
Land	664,940	44,831	709,771	844,463	4,823,062
Buildings and improvements	29,940,011	-	29,940,011	5,863,544	-
Machinery and equipment	3,081,799	44,855	3,126,654	2,775,273	-
Utility plant in service	35,399	24,654,105	24,689,504	-	-
Construction in progress	15,520,962	428,726	15,949,688	-	-
Total assets	\$ 88,468,919	\$ 25,479,778	\$ 113,948,697	\$ 15,783,844	\$ 5,802,644
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	\$ 857,045	\$ 34,648	\$ 891,693	\$ 3,414,793	\$ -
Total deferred outflows of resources	\$ 857,045	\$ 34,648	\$ 891,693	\$ 3,414,793	\$ -
LIABILITIES					
Accounts payable	\$ 984,057	\$ 140,799	\$ 1,124,856	\$ 169,268	\$ -
Accrued liabilities	-	-	-	4,101,562	-
Accrued wages and health claims	207,351	-	207,351	-	-
Customers' deposits	-	1,568	1,568	-	-
Accrued interest payable	391,029	48,554	439,583	-	-
Due to component unit	1,531,409	-	1,531,409	-	-
Cash bond held in escrow	23,559	-	23,559	-	-
Long-term liabilities:					
Due within one year	2,856,664	566,397	3,423,061	500,234	-
Due in more than one year	52,005,838	10,046,500	62,052,338	42,019,952	-
Total liabilities	\$ 57,999,907	\$ 10,803,818	\$ 68,803,725	\$ 46,791,016	\$ -
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue-property taxes	\$ 17,771,930	\$ -	\$ 17,771,930	\$ -	\$ -
Property taxes paid in advance	218,236	-	218,236	-	-
Items related to measurement of net pension liability	1,071,359	42,633	1,113,992	3,363,788	-
Change in proportionate share of net pension liability	-	-	-	2,138,000	-
Total deferred inflows of resources	\$ 19,061,525	\$ 42,633	\$ 19,104,158	\$ 5,501,788	\$ -
NET POSITION					
Net investment in capital assets	\$ 8,244,411	\$ 14,867,097	\$ 23,111,508	\$ 9,483,280	\$ 4,823,062
Restricted (See note 25)	668,635	-	668,635	422,423	-
Unrestricted	3,351,486	(199,122)	3,152,364	(42,999,870)	979,582
Total net position	\$ 12,264,532	\$ 14,667,975	\$ 26,932,507	\$ (33,094,167)	\$ 5,802,644

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

County of Smyth, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government		
			Grants and Contributions	Contributions		Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,522,032	\$ 32,444	\$ 336,618	\$ -	\$ -	(2,152,970)	\$ -	(2,152,970)
Judicial administration	1,591,793	1,096,273	778,467	-	-	282,947	-	282,947
Public safety	7,610,041	356,496	2,085,683	-	-	(5,167,862)	-	(5,167,862)
Public works	2,548,965	1,025,428	9,232	-	-	(1,514,305)	-	(1,514,305)
Health and welfare	6,281,076	-	4,512,207	-	-	(1,768,869)	-	(1,768,869)
Education	6,682,117	-	-	-	-	(6,682,117)	-	(6,682,117)
Parks, recreation, and cultural	1,292,528	-	-	-	-	(1,292,528)	-	(1,292,528)
Community development	334,389	-	-	-	-	(334,389)	-	(334,389)
Interest on long-term debt	1,219,313	-	-	-	-	(1,219,313)	-	(1,219,313)
Total governmental activities	\$ 30,082,254	\$ 2,510,641	\$ 7,722,207	\$ -	\$ -	(19,849,406)	\$ -	(19,849,406)
Business-type activities:								
Water and sewer	\$ 3,116,610	\$ 2,021,625	\$ -	\$ 59,975	\$ -	-	(1,035,010)	(1,035,010)
Total primary government	\$ 33,198,864	\$ 4,532,266	\$ 7,722,207	\$ 59,975	\$ -	(19,849,406)	(1,035,010)	(20,884,416)
COMPONENT UNITS:								
School Board	\$ 43,652,765	\$ 1,294,575	\$ 35,440,662	\$ -	\$ -	-	-	-
Economic Development Authority	64,670	-	-	-	-	-	-	-
Total component units	\$ 43,717,435	\$ 1,294,575	\$ 35,440,662	\$ -	\$ -	-	-	-
General revenues:								
General property taxes						\$ 16,956,694	\$ -	\$ 16,956,694
Other local taxes:								
Local sales and use taxes						2,083,039	-	2,083,039
Consumers' utility taxes						655,237	-	655,237
Motor vehicle taxes						443,662	-	443,662
Restaurant food taxes						47,583	-	47,583
Other local taxes						140,535	-	140,535
Unrestricted revenues from the use of money and property						138,545	-	138,545
Miscellaneous						160,814	-	160,814
Return of grant funds						-	-	-
Grants and contributions not restricted to specific programs						2,527,873	-	2,527,873
Transfers						(22,848)	22,848	-
Total general revenues, special items and transfers						\$ 23,131,134	\$ 22,848	\$ 23,153,982
Change in net position						\$ 3,281,728	\$ (1,012,162)	\$ 2,269,566
Net position - beginning, as restated						8,982,804	15,680,137	24,662,941
Net position - ending						\$ 12,264,532	\$ 14,667,975	\$ 26,932,507

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

County of Smyth, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 5,222,789
Investments	9,285,233
Receivables (net of allowance for uncollectibles):	
Taxes receivable	21,366,711
Accounts receivable	334,208
Accrued interest	1,966
Due from other governmental units	1,433,553
Prepaid items	165,535
Total assets	<u>\$ 37,809,995</u>
LIABILITIES	
Accounts payable	984,057
Accrued liabilities	207,351
Due to component unit	1,531,409
Cash bond held in escrow	23,559
Total liabilities	<u>\$ 2,746,376</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	21,226,417
Property taxes paid in advance	218,236
Total deferred inflows of resources	<u>\$ 21,444,653</u>
FUND BALANCES	
Nonspendable	
Prepaid items	\$ 165,535
Restricted (See note 25)	7,053,698
Assigned (See note 25)	1,241,351
Unassigned	5,158,382
Total fund balances	<u>\$ 13,618,966</u>
Total liabilities, deferred outflows of resources, and fund balances	<u>\$ 37,809,995</u>

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

County of Smyth, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 13,618,966
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 664,940	
Buildings and improvements	29,940,011	
Infrastructure	35,399	
Machinery and equipment	3,081,799	
Construction in progress	<u>15,520,962</u>	49,243,111

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

Unavailable revenue - property taxes	\$ 3,454,487	
Investment in the Smyth-Washington Industrial Facilities Authority	1,415,813	
Items related to measurement of net pension liability	<u>(1,071,359)</u>	3,798,941

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	857,045
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (34,637,887)	
School construction bonds	(10,714,862)	
Bond premium (to be amortized over life of debt)	(2,031,014)	
Accrued interest payable	(391,029)	
Landfill postclosure liability	(309,806)	
Compensated absences	(620,554)	
Net pension liability	(5,918,795)	
Net OPEB obligation	<u>(629,584)</u>	(55,253,531)

Net position of governmental activities	<u><u>\$ 12,264,532</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Smyth, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General</u>
REVENUES	
General property taxes	\$ 16,947,861
Other local taxes	3,370,056
Permits, privilege fees, and regulatory licenses	135,421
Fines and forfeitures	1,082,497
Revenue from the use of money and property	138,545
Charges for services	1,292,723
Miscellaneous	160,814
Recovered costs	301,480
Intergovernmental	10,250,080
Total revenues	<u>\$ 33,679,477</u>
EXPENDITURES	
Current:	
General government administration	\$ 2,274,638
Judicial administration	1,554,655
Public safety	7,625,091
Public works	2,322,184
Health and welfare	6,359,049
Education	5,378,772
Parks, recreation, and cultural	914,558
Community development	339,554
Capital projects	5,593,129
Debt service:	
Principal retirement	1,933,169
Interest and other fiscal charges	1,628,640
Total expenditures	<u>\$ 35,923,439</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,243,962)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	\$ (22,848)
Sale of capital assets	12,719
Total other financing sources (uses)	<u>\$ (10,129)</u>
Net change in fund balances	\$ (2,254,091)
Fund balances - beginning	15,873,057
Fund balances - ending	<u><u>\$ 13,618,966</u></u>

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

County of Smyth, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$	(2,254,091)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 5,969,105	
Depreciation expenses	(3,174,997)	2,794,108

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(2,746)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 8,833	
Change in value of the investment in the Smyth-Washington Industrial Facilities Authority	266	
Change in deferred inflows related to the measurement of the net pension liability	815,716	824,815

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

Debt issued or incurred:		
Increase in accrued landfill closure/postclosure liability	\$ (2,763)	
Principal repayments:		
General obligation bonds	1,629,492	
School construction bonds	303,677	1,930,406

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (32,075)	
Change in accrued interest payable	94,675	
Change in net pension liability	(320,041)	
Change in deferred outflows related to pensions	5,819	
Amortization of bond premium	314,652	
Change in net OPEB obligation	(73,794)	(10,764)

Change in net position of governmental activities	\$	3,281,728
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The notes to the financial statements are an integral part of this statement.

County of Smyth, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents (restricted)	1,568
Accounts receivable, net of allowance for uncollectibles	305,693
Total current assets	<u>\$ 307,261</u>
Noncurrent assets:	
Capital assets:	
Land	44,831
Utility plant in service	47,208,774
Machinery and equipment	623,854
Construction in progress	428,726
Accumulated depreciation	(23,133,668)
Total capital assets	<u>\$ 25,172,517</u>
Total noncurrent assets	<u>\$ 25,172,517</u>
Total assets	<u>\$ 25,479,778</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	<u>34,648</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 140,799
Customers' deposits	1,568
Accrued interest payable	48,554
Compensated absences - current portion	20,651
Bonds payable - current portion	545,746
Total current liabilities	<u>\$ 757,318</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 6,883
Bonds payable - net of current portion	9,759,674
Net OPEB obligation	44,416
Net pension liability	235,527
Total noncurrent liabilities	<u>\$ 10,046,500</u>
Total liabilities	<u>\$ 10,803,818</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 42,633</u>
NET POSITION	
Net investment in capital assets	\$ 14,867,097
Unrestricted	(199,122)
Total net position	<u><u>\$ 14,667,975</u></u>

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

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 1,254,480
Sewer revenues	703,521
Connection fees	17,855
Penalties	14,905
Service charges	22,492
Application fees	2,425
Miscellaneous	5,947
Total operating revenues	<u>\$ 2,021,625</u>
OPERATING EXPENSES	
Personnel services	\$ 400,612
Water purchases	412,181
Water and wastewater service	292,461
Automotive expenses	19,555
Office supplies	2,144
Uniforms	2,978
Utilities	56,855
Permits	11,432
Postage	10,625
Telephone	7,703
Maintenance supplies	32,598
Repair and maintenance	41,908
Miscellaneous	201
Depreciation	1,309,772
Total operating expenses	<u>\$ 2,601,025</u>
Operating income (loss)	<u>\$ (579,400)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	\$ (515,585)
Total nonoperating revenues (expenses)	<u>\$ (515,585)</u>
Income before capital contributions, construction grants, and transfers	\$ (1,094,985)
Capital contributions and construction grants	59,975
Transfers in	<u>22,848</u>
Change in net position	\$ (1,012,162)
Total net position - beginning, as restated	15,680,137
Total net position - ending	<u><u>\$ 14,667,975</u></u>

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

County of Smyth, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,954,541
Payments to suppliers	(858,919)
Payments to employees	(405,206)
Net cash provided by (used for) operating activities	<u>\$ 690,416</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 22,848
Net cash provided by (used for) noncapital financing activities	<u>\$ 22,848</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (266,657)
Principal payments on bonds	(7,885,817)
Proceeds from refunded bonds	7,632,321
Contributions in aid of construction	294,655
Interest expense	(486,198)
Net cash provided by (used for) capital and related financing activities	<u>\$ (711,696)</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,568
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending (includes restricted cash of \$1,568)	<u><u>\$ 1,568</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (579,400)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 1,309,772
(Increase) decrease in accounts receivable	(67,152)
(Increase) decrease in deferred outflows of resources	(775)
Increase (decrease) in customer deposits	68
Increase (decrease) in accounts payable	31,722
Increase (decrease) in compensated absences	10,700
Increase (decrease) in net OPEB obligation	5,206
Increase (decrease) in deferred inflows of resources	(32,460)
Increase (decrease) in net pension liability	12,735
Total adjustments	<u>\$ 1,269,816</u>
Net cash provided by (used for) operating activities	<u><u>\$ 690,416</u></u>

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

County of Smyth, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 127,667
Receivables:	
Other receivables	2,356
Total assets	<u>\$ 130,023</u>
LIABILITIES	
Amounts held for social services clients	\$ 128,336
Amounts held for carnegie fund	1,687
Total liabilities	<u>\$ 130,023</u>

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

COUNTY OF SMYTH, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

Related Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Mount Rogers Community Services Board and Appalachian Juvenile Commission. The governing bodies of these organization are appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2016, the County contributed \$166,022 to the Community Services Board and \$267,459 to the Juvenile Commission. The County does not have any ongoing financial responsibility for these organization.

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

A. Financial Reporting Entity (Continued)

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

The County of Smyth and the County of Bland established a jointly owned regional library, Smyth-Bland Regional Library, located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. The County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the government-wide statements. For the year ended June 30, 2016, the County contributed \$850,000 to the Regional Library.

The Counties of Smyth and Wythe and the Towns of Marion and Wytheville established the Smyth-Wythe Airport Commission. For the year ended June 30, 2016, the County contributed \$47,709 to the Airport Commission.

The Counties of Smyth, Buchanan, Dickenson, Lee, Russell, Scott, Washington, Wise, and the City of Norton established the Southwest Virginia Regional Jail Authority for the purpose of constructing and operating a jail facility for the participating localities. For the year ended June 30, 2016, The County paid fees in the amount of \$1,920,630 to the Authority.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

1. Cash and cash equivalents

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

2. Investments

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

3. Receivables and payables

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

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

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$590,424 at June 30, 2016. The allowance consists of delinquent taxes in the amount of \$522,021 and delinquent water and sewer bills of \$68,403.

6. Use of Estimates

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

7. Compensated Absences

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies: (Continued)**D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance
(Continued)****8. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

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

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

9. Pensions

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

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

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

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

11. Fund equity

The County reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County evaluated its funds at June 30, 2016 and classified fund balance into the following five categories:

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

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

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

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

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

11. Fund equity (Continued)

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

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the General Fund.

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

12. Net Position

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

13. Net Position Flow Assumption

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

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

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

14. Prepaid Items

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

15. Restricted Assets

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

16. Inventories

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

17. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, taxes levied during the fiscal year but due after June 30th, and property taxes paid in advance. Under the accrual basis, taxes levied during the fiscal year but due after June 30th and property taxes paid in advance are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The following funds have legally adopted budgets: General Fund, Water and Sewer Fund, and the School Operating Fund.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or fund level (School Board). Only the Board of Supervisors can revise the appropriation for each department or fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, School Board appropriations are made at categorical level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all County units.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2016, expenditures did not exceed appropriations in any departments.

C. Deficit fund equity

At June 30, 2016, there were no funds with negative equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 3-Deposits and Investments:**

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

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

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)			
	Fair Value	1 Year	1-5 Years	6-10 Years
SNAP	\$ 3,632	\$ 3,632	\$ -	\$ -
Certificate of Deposits	11,015,539	-	6,697,856	4,317,683
Totals	\$ 11,019,171	\$ 3,632	\$ 6,697,856	4,317,683

Custodial Credit Risk

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
SNAP	\$ 3,632

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 3-Deposits and Investments: (Continued)External Investment Pools

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

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

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit- School Board
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 19,146	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	358,483	-
Categorical aid-State sales tax	-	854,900
Categorical aid-Other	272,995	425,126
Non-categorical aid	155,366	-
Categorical aid-Virginia Public Assistance	124,380	-
Categorical aid-Comprehensive Services Act	299,526	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	203,657	-
Categorical aid-Other	-	872,583
Totals	<u>\$ 1,433,553</u>	<u>\$ 2,152,609</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 5-Component-Unit Contributions and Obligations:**

Primary government contributions to component units for the year ended June 30, 2016, consisted of payments to School Board of \$5,322,966.

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	<u>\$ 1,531,409</u>	<u>\$ -</u>
Component Unit:		
School Board	<u>\$ -</u>	<u>\$ 1,285,363</u>
EDA	<u>-</u>	<u>246,046</u>
Totals	<u>\$ 1,531,409</u>	<u>\$ 1,531,409</u>

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

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

Note 6-Interfund Transfers and Balance:

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. During the fiscal year, the County transferred funds totaling \$22,848 from the General Fund to the Water and Sewer Fund.

At year end, there were not interfund balances.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-Term Obligations:Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016.

	Balance July 1, 2015,	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General Obligation Bonds	\$ 36,267,379	\$ -	\$ (1,629,492)	\$ 34,637,887
Unamortized Premiums	2,345,666	-	(314,652)	2,031,014
School Construction Bonds	11,018,539	-	(303,677)	10,714,862
Landfill closure/post-closure liability	307,043	2,763	-	309,806
Compensated absences	588,479	473,434	(441,359)	620,554
Net OPEB obligation	555,790	111,158	(37,364)	629,584
Net pension liability	5,598,754	3,232,830	(2,912,789)	5,918,795
Total	<u>\$ 56,681,650</u>	<u>\$ 3,820,185</u>	<u>\$ (5,639,333)</u>	<u>\$ 54,862,502</u>

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

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

Year Ending June 30,	General Obligation Bonds		School Construction Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,501,133	\$ 1,460,551	\$ 588,677	\$ -
2018	1,639,332	1,408,699	618,677	-
2019	1,677,699	1,346,206	663,677	-
2020	1,566,242	1,281,376	868,677	-
2021	1,609,935	1,215,236	893,677	-
2022-2026	10,018,546	4,948,982	3,543,385	-
2027-2031	11,435,000	2,421,378	3,143,385	-
2032-2036	5,190,000	337,490	394,707	-
Totals	<u>\$ 34,637,887</u>	<u>\$ 14,419,918</u>	<u>\$ 10,714,862</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-Term Obligations: (Continued)Primary Government - Governmental Activities Obligations: (Continued)

Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:						
School Construction	4.975-5.850%	11/1/2000	2020	1,836,901	\$ 557,274	\$ 105,058
School Construction	4.100-5.600%	11/10/2004	2024	117,994	60,613	6,075
General Obligation Bond Series 2011A	2.000-5.000%	12/5/2011	2032	26,985,000	23,350,000	985,000
General Obligation Bond Series 2014C	2.050-5.050%	11/20/2014	2035	10,970,000	10,670,000	405,000
Total General Obligation Bonds					<u>\$ 34,637,887</u>	<u>\$ 1,501,133</u>
Add:						
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	\$ 942,132	\$ 123,001
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	1,085,289	175,263
Unamortized premium on Issuance	n/a	n/a	n/a	n/a	3,593	3,174
Net General Obligation Bonds					<u>\$ 36,668,901</u>	<u>\$ 1,802,571</u>
School Construction Bonds						
School construction	0.000%	10/31/2012	2034	2,170,893	\$ 1,874,862	\$ 98,677
School construction	0.000%	12/15/2011	2031	9,500,000	8,840,000	490,000
Total School Construction Bonds					<u>\$ 10,714,862</u>	<u>\$ 588,677</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 620,554	\$ 465,416
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	309,806	-
Net OPEB obligation	n/a	n/a	n/a	n/a	629,584	-
Net pension liability	n/a	n/a	n/a	n/a	5,918,795	-
Total Other Obligations					<u>\$ 7,478,739</u>	<u>\$ 465,416</u>
Total Long-term obligations					<u>\$ 54,862,502</u>	<u>\$ 2,856,664</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-Term Obligations: (Continued)Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligations transactions of the Enterprise Fund for the year ended June 30, 2016.

	Balance July 1, 2015,	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
GO and Revenue Bonds	\$ 10,558,916	\$ 6,420,000	\$ (7,885,817)	\$ 9,093,099
Unamortized premium	-	1,212,321	-	1,212,321
Compensated absences	16,834	23,326	(12,626)	27,534
Net OPEB Obligation	39,210	7,842	(2,636)	44,416
Net pension liability	222,792	128,643	(115,908)	235,527
Total	\$ 10,837,752	\$ 7,792,132	\$ (8,016,987)	\$ 10,612,897

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

Year Ending June 30,	GO and Revenue Bonds	
	Principal	Interest
2017	\$ 388,049	\$ 342,569
2018	394,501	347,556
2019	411,002	331,733
2020	422,556	314,791
2021	444,165	296,026
2022-2026	2,537,012	1,154,624
2027-2031	2,569,371	569,253
2032-2036	1,038,232	255,278
2037-2041	411,818	126,622
2042-2046	379,781	50,252
2047-2050	96,612	6,019
Totals	\$ 9,093,099	\$ 3,794,723

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 7-Long-Term Obligations: (Continued)Primary Government – Business-type Activities Obligations: (Continued)Details of long-term obligations:

Type/ Project	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Revenue Bonds and GO Bonds:						
VRA Revenue Bond	2.500%	10/17/2001	2032	133,300	\$ 83,978	\$ 4,327
VRA Revenue Bond	0.000%	3/5/2004	2034	503,049	307,912	16,768
VRA Revenue Bond	0.000%	11/26/2008	2029	473,000	307,450	23,650
VRA Revenue Bond	3.779-5.125%	5/25/2016	2016	6,420,000	6,420,000	305,000
Rural Development GO Bond	3.250%	2/14/2005	2045	1,500,000	1,279,918	27,850
Rural Development GO Bond	4.000%	2/11/2010	2049	123,500	111,852	1,690
Rural Development GO Bond	2.750%	2/11/2010	2049	121,500	112,429	2,226
Rural Development GO Bond	4.500%	2/13/2009	2048	500,000	469,560	6,538
Total Bonds					<u>\$ 9,093,099</u>	<u>\$ 388,049</u>
Add:						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	1,212,321	157,697
Net Bonds					<u>\$ 10,305,420</u>	<u>\$ 545,746</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 27,534	\$ 20,651
Net OPEB obligation	n/a	n/a	n/a	n/a	44,416	-
Net pension liability	n/a	n/a	n/a	n/a	235,527	-
Total Other Obligations					<u>\$ 307,477</u>	<u>\$ 20,651</u>
Total Long-term obligations					<u>\$ 10,612,897</u>	<u>\$ 566,397</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 8-Long-Term Obligations-Component Units:Discretely Presented Component Unit – School Board Obligations:

The following is a summary of long-term obligations transactions of the Component Unit-School Board for the year ended June 30, 2016.

	Balance July 1, 2015, as restated	Increases	Decreases	Balance June 30, 2016
Net OPEB obligation	\$ 982,000	\$ 404,000	\$ (306,000)	\$ 1,080,000
Employee retirement incentive plan	263,221	-	(98,438)	164,783
Compensated absences	499,325	136,825	(109,984)	526,166
Net pension liability	40,780,658	10,031,604	(10,063,025)	40,749,237
Total	<u>\$ 42,525,204</u>	<u>\$ 10,572,429</u>	<u>\$ (10,577,447)</u>	<u>\$ 42,520,186</u>

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Net OPEB Obligation	n/a	n/a	n/a	n/a	\$ 1,080,000	\$ -
Employee retirement incentive plan	n/a	n/a	n/a	n/a	164,783	105,609
Compensated Absences	n/a	n/a	n/a	n/a	526,166	394,625
Net Pension Liability	n/a	n/a	n/a	n/a	40,749,237	-
Total long-term obligations					<u>\$ 42,520,186</u>	<u>\$ 500,234</u>

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

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Note 9-Pension Plan:***Plan Description***

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report, participate in the VRS plan through the County of Smyth and the participating entities report their proportionate information on the basis of a cost-sharing plan.

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

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") <ul style="list-style-type: none"> The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 9-Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees 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>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

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

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

Note 9-Pension Plan: (Continued)**Plan Description (Continued)**

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

Note 9-Pension Plan: (Continued)*Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 9-Pension Plan: (Continued)***Plan Description (Continued)*

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 9-Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 9-Pension Plan: (Continued)***Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. •Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 9-Pension Plan: (Continued)

Plan Description (Continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$891,693 and \$885,099 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the County reported a liability of \$6,154,322 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. In order to allocate the net pension liability to all the employers included in the plan, the County is required to determine its proportionate share of the net pension. Wages as of June 30, 2015 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2016 and 2015, the County's proportion was 92.48%.

Note 9-Pension Plan: (Continued)***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the County of Smyth Retirement Plan and the Smyth County Schools Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County of Smyth Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Note 9-Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Long-Term Expected Rate of Return*

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

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

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

Note 9-Pension Plan: (Continued)*Discount Rate*

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

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the County Retirement Plan Net Pension Liability	11,271,388	6,154,322	1,898,566

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the County recognized pension expense of \$369,700. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 257,711
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	856,281
Employer contributions subsequent to the measurement date	891,693	-
Total	\$ 891,693	\$ 1,113,992

\$891,693 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government
2017	\$ (429,075)
2018	(429,075)
2019	(409,679)
2020	153,837
Thereafter	-

Note 9-Pension Plan: (Continued)Component Unit School Board (nonprofessional)*Plan Description*

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

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	97
Inactive members:	
Vested inactive members	8
Non-vested inactive members	25
Inactive members active elsewhere in VRS	<u>22</u>
Total inactive members	55
Active members	<u>132</u>
Total covered employees	<u><u>284</u></u>

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Note 9-Pension Plan: (Continued)

Component Unit School Board (nonprofessional) (Continued)

Contributions

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 11.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$249,377 and \$261,267 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)Component Unit School Board (nonprofessional) (Continued)*Changes in Net Pension Liability*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 12,607,651	\$ 10,897,993	\$ 1,709,658
Changes for the year:			
Service cost	\$ 266,352	\$ -	\$ 266,352
Interest	858,200	-	858,200
Differences between expected and actual experience	(206,989)	-	(206,989)
Contributions - employer	-	261,267	(261,267)
Contributions - employee	-	114,873	(114,873)
Net investment income	-	491,896	(491,896)
Benefit payments, including refunds of employee contributions	(695,293)	(695,293)	-
Administrative expenses	-	(6,949)	6,949
Other changes	-	(103)	103
Net changes	\$ 222,270	\$ 165,691	\$ 56,579
Balances at June 30, 2015	\$ 12,829,921	\$ 11,063,684	\$ 1,766,237

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

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability	3,208,385	1,766,237	546,265

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)Component Unit School Board (nonprofessional) (Continued)*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2016, the Component Unit School Board (nonprofessional) recognized pension expense of \$88,000. At June 30, 2016, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 145,201
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	294,587
Employer contributions subsequent to the measurement date	249,377	-
Total	\$ 249,377	\$ 439,788

\$249,377 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (177,288)
2018	(177,288)
2019	(137,123)
2020	51,911
Thereafter	-

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$3,165,416 and \$3,339,265 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$38,983,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.30972% as compared to 0.32331% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$2,333,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 537,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,387,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,138,000
Employer contributions subsequent to the measurement date	3,165,416	-
Total	\$ 3,165,416	\$ 5,062,000

\$3,165,416 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Component Unit School Board (professional)
2017	\$ (1,579,000)
2018	(1,579,000)
2019	(1,579,000)
2020	(108,000)
Thereafter	(217,000)

Note 9-Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 9-Pension Plan: (Continued)Component Unit School Board (professional) (Continued)*Long-Term Expected Rate of Return*

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

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

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

Note 9-Pension Plan: (Continued)**Component Unit School Board (professional) (Continued)*****Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	57,049,000	38,983,000	24,112,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10-Other Postemployment Benefits-Health Insurance:

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

Primary Government**A. Plan Description**

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

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)**Primary Government (Continued)****A. Plan Description (Continued)**

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the County and is eligible to receive an early or regular retirement benefit from VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County. Employees at the County are allowed to stay on the plan until death of the employee. The employee pays 100% of the required premium. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County currently funds post-employment health care benefits on a pay-as-you-go basis. The County currently has 189 employees that are eligible for the program. In addition, for retirees of the County, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Premiums
	Pre-Medicare Coverage
Employee	\$ 485.00
Employee plus one	897.00
Family	1,310.00
Advantage 65 (post-Medicare)	160.00

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 10-Other Postemployment Benefits-Health Insurance: (Continued)**Primary Government (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2016, the County's annual contribution of \$40,000 did not equal the annual OPEB cost of \$119,000. The obligation calculation is as follows:

Annual required contribution	\$ 120,000
Interest on net OPEB obligation	24,000
Adjustment to annual required contribution	(25,000)
Annual OPEB cost (expense)	<u>\$ 119,000</u>
Contributions made	<u>40,000</u>
Increase in net OPEB obligation	\$ 79,000
Net OPEB obligation - beginning of year	595,000
Net OPEB obligation - ending of year	<u>\$ 674,000</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 117,000	33.33%	\$ 511,000
6/30/2015	115,000	26.96%	595,000
6/30/2016	119,000	33.61%	674,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 1,337,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,337,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 7,620,165
UAAL as a percentage of covered payroll	17.55%

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

Primary Government (Continued)

D. Funded Status and Funding Progress (continued)

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

E. Actuarial methods and Assumptions

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

In the July 1, 2014, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 9% graded to 5%, decreasing 0.5% annually. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2014, was 30 years.

Component Unit: School Board

A. Plan Description

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

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the School Board and is eligible to receive an early or regular retirement benefit from VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County. Employees at the County are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. The employee pays 100% of the required premium. The Plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016Note 10-Other Postemployment Benefits-Health Insurance: (Continued)Component Unit: School Board: (Continued)

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 784 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

Participants	Medical Premiums		
	Key Advantage 250	Key Advantage 1000	HDHP
Employee	\$ 595.00	\$ 525.00	\$ 460.00
Employee plus one	1,101.00	971.00	851.00
Family	1,604.00	1,418.00	1,242.00

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

C. Annual OPEB Cost and Net OPEB Obligation

For 2016, the Board's annual contribution of \$306,000 did not equal the annual OPEB cost of \$404,000. The obligation calculation is as follows:

Annual required contribution	\$ 406,000
Interest on net OPEB obligation	39,000
Adjustment to annual required contribution	(41,000)
Annual OPEB cost (expense)	\$ 404,000
Contributions made	306,000
Increase in net OPEB obligation	\$ 98,000
Net OPEB obligation - beginning of year	982,000
Net OPEB obligation - ending of year	\$ 1,080,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 10-Other Postemployment Benefits-Health Insurance: (Continued)**Component Unit: School Board: (Continued)****C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 355,000	62.25%	\$ 832,000
6/30/2015	395,000	62.03%	982,000
6/30/2016	404,000	75.74%	1,080,000

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2014 (the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 5,209,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 5,209,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 26,681,377
UAAL as a percentage of covered payroll	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 in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Component Unit: School Board: (Continued)

E. Actuarial methods and Assumptions

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

In the July 1, 2014, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 9% graded to 5%, decreasing 0.5% annually. The UAAL is being amortized as a level percentage on an open basis, which at July 1, 2014, was 30 years.

Note 11-Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Terms of the plan(s) are revised annually by the School Board. The plan allows for the annual payment of a percentage (varies by year retirement is initiated) of the employees' salary for a number of years (varies by year retirement is initiated). The School Board reserves the right to amend or terminate the program. Employees are required to work fifteen days per year to receive their payment. At June 30, 2016 the commitment related to the Early Retirement Incentive Program was \$164,783.

Note 12-Unearned and Deferred/Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$21,444,653 is comprised of the following:

Primary Government:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$21,226,417 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$218,236.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 13-Capital Assets:**

Capital asset activity for the year ended June 30, 2016 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 652,317	\$ 12,623	\$ -	\$ 664,940
Construction in progress	9,844,679	5,676,283	-	15,520,962
Total capital assets not being depreciated	<u>\$ 10,496,996</u>	<u>\$ 5,688,906</u>	<u>\$ -</u>	<u>\$ 16,185,902</u>
Capital assets, being depreciated:				
Infrastructure	\$ 56,660	\$ -	\$ -	\$ 56,660
Buildings and improvements	51,876,465	-	-	51,876,465
Machinery and equipment	9,180,564	280,199	(197,849)	9,262,914
Total capital assets being depreciated	<u>\$ 61,113,689</u>	<u>\$ 280,199</u>	<u>\$ (197,849)</u>	<u>\$ 61,196,039</u>
Accumulated depreciation:				
Infrastructure	\$ (18,100)	\$ (3,161)	\$ -	(21,261)
Buildings and improvements	(19,352,646)	(2,583,808)	-	(21,936,454)
Machinery and equipment	(5,788,190)	(588,028)	195,103	(6,181,115)
Total accumulated depreciation	<u>\$ (25,158,936)</u>	<u>\$ (3,174,997)</u>	<u>\$ 195,103</u>	<u>\$ (28,138,830)</u>
Total capital assets being depreciated, net	<u>\$ 35,954,753</u>	<u>\$ (2,894,798)</u>	<u>\$ (2,746)</u>	<u>\$ 33,057,209</u>
Governmental activities capital assets, net	<u><u>\$ 46,451,749</u></u>	<u><u>\$ 2,794,108</u></u>	<u><u>\$ (2,746)</u></u>	<u><u>\$ 49,243,111</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 13-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Construction in progress	184,099	266,657	(22,030)	428,726
Total capital assets not being depreciated	<u>\$ 228,930</u>	<u>\$ 266,657</u>	<u>\$ (22,030)</u>	<u>\$ 473,557</u>
Capital assets, being depreciated:				
Utility system	\$ 47,186,744	\$ 22,030	\$ -	\$ 47,208,774
Machinery and equipment	623,854	-	-	623,854
Total capital assets being depreciated	<u>\$ 47,810,598</u>	<u>\$ 22,030</u>	<u>\$ -</u>	<u>\$ 47,832,628</u>
Accumulated depreciation:				
Utility system	\$ (21,286,283)	\$ (1,268,386)	\$ -	\$ (22,554,669)
Machinery and equipment	(537,613)	(41,386)	-	(578,999)
Total accumulated depreciation	<u>\$ (21,823,896)</u>	<u>\$ (1,309,772)</u>	<u>\$ -</u>	<u>\$ (23,133,668)</u>
Total capital assets being depreciated, net	<u>\$ 25,986,702</u>	<u>\$ (1,287,742)</u>	<u>\$ -</u>	<u>\$ 24,698,960</u>
Business-type activities capital assets, net	<u>\$ 26,215,632</u>	<u>\$ (1,021,085)</u>	<u>\$ (22,030)</u>	<u>\$ 25,172,517</u>

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

Governmental activities:	
General government administration	\$ 454,040
Judicial administration	89,184
Public safety	587,956
Public works	262,741
Health and welfare	48,529
Education	1,321,983
Parks, recreation, and culture	410,564
Total depreciation expense-governmental activities	<u>\$ 3,174,997</u>
Business-type activities:	
Water and sewer	<u>\$ 1,309,772</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 13-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2016 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Construction in progress	8,135	-	(8,135)	-
Total capital assets not being depreciated	<u>\$ 852,598</u>	<u>\$ -</u>	<u>\$ (8,135)</u>	<u>\$ 844,463</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,475,585	\$ 55,752	\$ -	\$ 17,531,337
Machinery and equipment	7,889,223	410,602	(36,500)	8,263,325
Total capital assets being depreciated	<u>\$ 25,364,808</u>	<u>\$ 466,354</u>	<u>\$ (36,500)</u>	<u>\$ 25,794,662</u>
Accumulated depreciation:				
Buildings and improvements	\$ (11,176,150)	\$ (491,643)	\$ -	\$ (11,667,793)
Machinery and equipment	(4,981,855)	(542,697)	36,500	(5,488,052)
Total accumulated depreciation	<u>\$ (16,158,005)</u>	<u>\$ (1,034,340)</u>	<u>\$ 36,500</u>	<u>\$ (17,155,845)</u>
Total capital assets being depreciated, net	<u>\$ 9,206,803</u>	<u>\$ (567,986)</u>	<u>\$ -</u>	<u>\$ 8,638,817</u>
School Board capital assets, net	<u><u>\$ 10,059,401</u></u>	<u><u>\$ (567,986)</u></u>	<u><u>\$ (8,135)</u></u>	<u><u>\$ 9,483,280</u></u>

Discretely Presented Component Unit - EDA:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,062	\$ -	\$ -	\$ 4,823,062
EDA capital assets, net	<u><u>\$ 4,823,062</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,823,062</u></u>

Note 14-Investment in the Smyth-Washington Industrial Facilities Authority (SWIFA):

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

Note 15-Risk Management:

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

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

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

Note 16-Contingent Liabilities:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 17-Surety Bonds:

Primary Government:

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

Component Unit - School Board:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 18-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County closed the landfill in 1995, however, certain monitoring functions will be continued at the landfill for a period of up to 30 years. \$309,806 was reported as landfill closure and post-closure care liability at June 30, 2016. This amount is based on what it would cost to perform all closure and post-closure in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

Note 19-Operating Lease:

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

Note 20-Arbitrage Rebate Compliance:

As of June 30, 2016 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

Note 21-Commitments and Contingencies:

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

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2016</u>	<u>Funding Source</u>
Burwil Construction - Courthouse	\$ 13,984,906	\$ 1,644,081	Local Funds
Moseley-Courthouse Renovations	1,760,244	101,816	Local Funds

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

Note 21-Commitments and Contingencies: (Continued)

The County entered into an agreement with a certain entity to purchase 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. For gallons of water over 100,000 the rate is \$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; a rate of \$3.51/1,000 gallons for the next 495,000 gallons; and a rate of \$2.81/1,000 gallons for anything over 500,000 gallons. This agreement is subject to increases in the Town's commercial rate up to 2% annually. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County.

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 is currently \$6.70 per 1,000 gallons.

Note 22-Intergovernmental Agreements:

Mountain Empire Regional Wastewater Facility

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

The user charge is determined monthly. The initial agreement ends August 2030; however, same may be renewed for an additional 40 year period. During fiscal year 2016, the County remitted a total of \$121,581 to the Town of Marion. As part of the agreement, the Town of Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

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Note 22-Intergovernmental Agreements: (Continued)

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. The Town of Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by the Town of Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year's income or loss derived from the treatment of wastewater. The user charge is determined each month based on a percentage of plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2016, the County remitted a total of \$141,616 to the Town of Chilhowie. As part of the agreement, the Town of Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Saltville-Smyth Regional Wastewater Treatment Facility

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

The term of agreement ends March 2041 and is renewable for a term of 40 years. During the fiscal year 2016, the County remitted a total of \$25,157 to the Town of Saltville in user charges. As part of the agreement, the Town of Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 23-Litigation:

At June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 25-Restricted and Committed Funds and Restricted Net Position:**

		Component Unit
	General Fund	School Fund
Governmental Activities/Funds:		
Restricted:		
E-911	\$ 294,859	\$ -
Courthouse construction	6,385,063	-
Public Safety	213,985	-
Courthouse security	122,089	-
E-summons program	37,702	-
Cafeteria Program	-	42,242
Total restricted balances	\$ 7,053,698	\$ 42,242
Governmental Funds:		
Committed funds:		
Animal Control	\$ 19,402	\$ -
Public Safety	1,221,949	-
Total committed funds	\$ 1,241,351	\$ -

Note 26-Adoption of Accounting Principles:**Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants***

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 26-Adoption of Accounting Principles: (continued)

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 27-Upcoming Pronouncements:

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, 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 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, addresses a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016**Note 28-Restatement of Beginning Net Position:**

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

	Governmental Activities	Business-type Activities	Component-unit School Board	Component-unit EDA
Net Position, July 1, 2015, as previously reported	\$ 7,396,209	\$ 15,778,819	\$ (31,297,788)	\$ 7,370,630
Adjustments:				
To transfer and restate the County's investment in SWIFA from the EDA to the County	\$ 1,415,547	\$ -	\$ -	\$ (1,877,418)
To change the amortization method for premiums from the straight line to the effective interest method	171,048	-	-	-
To remove imputed interest	-	(98,682)	-	-
To report the School Board's Early Retirement Incentive (ERIP) Liability	-	-	(263,221)	-
Total adjustments	1,586,595	(98,682)	(263,221)	(1,877,418)
Net Postion, July 1, 2015, as restated	\$ 8,982,804	\$ 15,680,137	\$ (31,561,009)	\$ 5,493,212

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 16,169,382	\$ 16,216,590	\$ 16,947,861	\$ 731,271
Other local taxes	3,187,100	3,187,100	3,370,056	182,956
Permits, privilege fees, and regulatory licenses	135,500	135,500	135,421	(79)
Fines and forfeitures	1,284,600	1,204,600	1,082,497	(122,103)
Revenue from the use of money and property	252,691	252,691	138,545	(114,146)
Charges for services	1,186,426	1,226,426	1,292,723	66,297
Miscellaneous	706,260	706,260	160,814	(545,446)
Recovered costs	264,199	264,199	301,480	37,281
Intergovernmental	10,792,861	10,977,653	10,250,080	(727,573)
Total revenues	<u>\$ 33,979,019</u>	<u>\$ 34,171,019</u>	<u>\$ 33,679,477</u>	<u>\$ (491,542)</u>
EXPENDITURES				
General government administration:				
Board of supervisors	\$ 689,854	\$ 686,733	\$ 449,507	\$ 237,226
County administrator	667,165	667,165	576,572	90,593
Legal department	114,703	114,703	91,956	22,747
Commissioner of revenue	295,858	295,858	289,363	6,495
Treasurer	377,429	377,429	354,157	23,272
Management information systems	335,857	335,857	330,190	5,667
Electoral board/registrar	186,462	186,462	182,893	3,569
Total general government administration	<u>\$ 2,667,328</u>	<u>\$ 2,664,207</u>	<u>\$ 2,274,638</u>	<u>\$ 389,569</u>
Judicial administration:				
Circuit court	\$ 76,810	\$ 76,810	\$ 74,443	\$ 2,367
General district court	6,230	6,230	6,465	(235)
Juvenile and domestic court	276,120	276,120	272,882	3,238
Clerk of the circuit court	550,653	550,653	497,644	53,009
Law library	1,000	1,000	-	1,000
Victim witness assistance program	58,004	59,502	65,171	(5,669)
Commonwealth's attorney	663,285	663,285	638,050	25,235
Total judicial administration	<u>\$ 1,632,102</u>	<u>\$ 1,633,600</u>	<u>\$ 1,554,655</u>	<u>\$ 78,945</u>
Public safety:				
Sheriff	\$ 2,889,102	\$ 2,889,102	\$ 2,822,408	\$ 66,694
Central dispatch	2,800	2,800	2,030	770
Volunteer fire department	237,250	237,250	243,504	(6,254)
Ambulance and rescue service	133,450	133,450	133,017	433
Sheriff - jail	1,911,006	1,911,006	1,920,630	(9,624)
Building inspections	400,368	400,368	341,388	58,980
Animal control	437,128	437,128	356,162	80,966
Medical examiner	500	500	420	80
Emergency services - civil defense	21,367	21,367	18,732	2,635
Sheriff school resource officer	77,837	77,837	61,175	16,662
County E-911	490,121	490,121	445,702	44,419
Forrestry	9,000	9,000	7,951	1,049
E-911 wireless	47,420	47,420	34,411	13,009
Commonwealth attorney drug asset	3,000	3,000	-	3,000
Sheriff drug asset	4,000	4,000	750	3,250
Sheriff department dare	6,000	6,000	4,624	1,376

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety: (Continued)				
Asset forfeiture	\$ 6,000	\$ 6,000	\$ 10,775	\$ (4,775)
Police activity	634,274	734,274	711,512	22,762
Special investigation	12,124	12,124	65	12,059
Sheriff federal drug asset	-	30,000	22,250	7,750
E-summons	60,000	60,000	58,509	1,491
Commonwealth Attorney asset forfeiture	300,000	300,000	271,094	28,906
Courthouse security	120,437	150,437	157,982	(7,545)
Total public safety	\$ 7,803,184	\$ 7,963,184	\$ 7,625,091	\$ 338,093
Public works:				
Rye Valley water company	\$ 26,041	\$ 26,041	\$ 26,040	\$ 1
Refuse collection and disposal	1,318,014	1,364,459	1,441,472	(77,013)
County engineer	3,600	3,600	2,546	1,054
Convenience stations	312,607	317,785	311,889	5,896
Courthouse maintenance	199,445	197,445	191,590	5,855
Health department building	83,493	83,493	81,225	2,268
County office building	276,682	278,682	267,422	11,260
Total public works	\$ 2,219,882	\$ 2,271,505	\$ 2,322,184	\$ (50,679)
Health and welfare:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health contribution	166,022	166,022	166,022	-
Board members	4,200	4,200	2,650	1,550
Welfare administration and programs	4,747,077	4,747,077	4,289,479	457,598
Comprehensive services act	819,699	1,021,699	1,087,806	(66,107)
Other welfare programs	243,121	243,121	372,069	(128,948)
Total health and welfare	\$ 6,421,142	\$ 6,623,142	\$ 6,359,049	\$ 264,093
Education:				
Contribution to Community Colleges	\$ 55,806	\$ 55,806	\$ 55,806	\$ -
Contribution to County School Board	7,580,462	7,580,462	5,322,966	2,257,496
Total education	\$ 7,636,268	\$ 7,636,268	\$ 5,378,772	\$ 2,257,496
Parks, recreation, and cultural:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	35,558	35,558	35,558	-
Library administration	850,000	850,000	850,000	-
Total parks, recreation, and cultural	\$ 914,558	\$ 914,558	\$ 914,558	\$ -
Community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 4,075	\$ 2,825
Community and economic development	189,879	189,869	172,230	17,639
Industrial Development Authorities	819,428	819,428	50,553	768,875
Soild and conservation	28,250	28,250	27,600	650
Extension office	86,167	86,167	85,096	1,071
Total community development	\$ 1,130,624	\$ 1,130,614	\$ 339,554	\$ 791,060

County of Smyth, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Capital projects:				
Capital improvements	\$ 7,554,416	\$ 7,554,416	\$ 5,593,129	\$ 1,961,287
Total capital projects	\$ 7,554,416	\$ 7,554,416	\$ 5,593,129	\$ 1,961,287
Debt service:				
Principal retirement	\$ 1,968,613	\$ 1,968,613	\$ 1,933,169	\$ 35,444
Interest and other fiscal charges	2,069,943	2,069,943	1,628,640	441,303
Total debt service	\$ 4,038,556	\$ 4,038,556	\$ 3,561,809	\$ 476,747
Total expenditures	\$ 42,018,060	\$ 42,430,050	\$ 35,923,439	\$ 6,506,611
Excess (deficiency) of revenues over (under) expenditures	\$ (8,039,041)	\$ (8,259,031)	\$ (2,243,962)	\$ 6,015,069
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 144,152	\$ 144,152	\$ -	\$ (144,152)
Transfers out	-	-	(22,848)	(22,848)
Sale of capital assets	10,000	10,000	12,719	2,719
Total other financing sources (uses)	\$ 154,152	\$ 154,152	\$ (10,129)	\$ (164,281)
Net change in fund balances	\$ (7,884,889)	\$ (8,104,879)	\$ (2,254,091)	\$ 5,850,788
Fund balances - beginning	7,884,889	8,104,879	15,873,057	7,768,178
Fund balances - ending	\$ -	\$ -	\$ 13,618,966	\$ 13,618,966

Note 1: GAAP serves as the budgetary basis of accounting

County of Smyth, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2016

Primary Government:

County Health Insurance Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	# Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2014	\$ -	\$ 1,337,000	\$ 1,337,000	0.00%	\$ 7,620,165	17.55%
July 1, 2012	-	1,365,000	1,365,000	0.00%	7,298,702	18.70%
July 1, 2010	-	1,270,000	1,270,000 #	0.00%	7,070,980	17.96%

Discretely Presented Component Unit:

School Board Health Insurance Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2014	\$ -	\$ 5,209,000	\$ 5,209,000 #	0.00%	\$ 26,681,377	19.52%
July 1, 2012	-	4,627,000	4,627,000	0.00%	27,332,248	16.93%
July 1, 2010	-	3,951,000	3,951,000	0.00%	27,199,166	14.53%

County of Smyth, Virginia
Schedule of Employer's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016

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

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

County of Smyth, Virginia
Schedule of Components of and Changes in Net Pension Liability and Related Ratios
Component Unit-School Board (nonprofessional)
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 266,352	\$ 269,417
Interest	858,200	829,370
Changes of benefit terms	-	-
Differences between expected and actual experience	(206,989)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(695,293)	(678,546)
Net change in total pension liability	\$ 222,270	\$ 420,241
Total pension liability - beginning	12,607,651	12,187,410
Total pension liability - ending (a)	\$ 12,829,921	\$ 12,607,651
 Plan fiduciary net position		
Contributions - employer	\$ 261,267	\$ 259,497
Contributions - employee	114,873	121,131
Net investment income	491,896	1,505,249
Benefit payments, including refunds of employee contributions	(695,293)	(678,546)
Administrative expense	(6,949)	(8,292)
Other	(103)	79
Net change in plan fiduciary net position	\$ 165,691	\$ 1,199,118
Plan fiduciary net position - beginning	10,897,993	9,698,875
Plan fiduciary net position - ending (b)	\$ 11,063,684	\$ 10,897,993
 School Division's net pension liability - ending (a) - (b)	\$ 1,766,237	\$ 1,709,658
 Plan fiduciary net position as a percentage of the total pension liability	86.23%	86.44%
 Covered payroll	\$ 2,297,419	\$ 2,393,110
 School Division's net pension liability as a percentage of covered payroll	76.88%	71.44%

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

County of Smyth, Virginia
Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 891,693	\$ 891,693	\$ -	\$ 6,875,983	12.97%
2015	885,099	885,099	-	6,849,722	12.92%
Component Unit School Board (nonprofessional)					
2016	\$ 249,377	\$ 249,377	\$ -	\$ 2,208,654	11.29%
2015	261,267	261,267	-	2,297,419	11.37%
2014	259,497	259,497	-	2,393,110	10.84%
2013	272,884	272,884	-	2,512,741	10.86%
2012	172,531	172,531	-	2,540,961	6.79%
2011	170,753	170,753	-	2,514,769	6.79%
2010	174,576	174,576	-	2,548,556	6.85%
2009	174,531	174,531	-	2,547,894	6.85%
2008	207,053	207,053	-	2,461,988	8.41%
2007	201,355	201,355	-	2,394,238	8.41%
Component Unit School Board (professional)					
2016	\$ 3,165,416	\$ 3,165,416	\$ -	\$ 22,605,674	14.00%
2015	3,339,265	3,339,265	-	23,023,786	14.50%
2014	2,756,869	2,756,869	-	23,643,816	11.66%
2013	2,764,017	2,764,017	-	23,705,120	11.66%
2012	1,490,705	1,490,705	-	23,549,841	6.33%
2011	928,707	928,707	-	23,631,221	3.93%
2010	1,791,916	1,791,916	-	20,339,566	8.81%
2009	2,271,552	2,271,552	-	25,783,794	8.81%
2008	2,589,256	2,589,256	-	25,138,412	10.30%
2007	2,272,703	2,272,703	-	24,703,289	9.20%

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

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

County of Smyth, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

FIDUCIARY FUNDS - AGENCY FUNDS

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

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

County of Smyth, Virginia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2016

	<u>Agency Funds</u>		
	<u>Special Welfare</u>	<u>Carnegie Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	125,980	\$ 1,687	\$ 127,667
Local receivable	2,356	-	2,356
Total assets	<u>\$ 128,336</u>	<u>\$ 1,687</u>	<u>\$ 130,023</u>
LIABILITIES			
Amounts held for social services clients	\$ 128,336	\$ -	\$ 128,336
Amounts held for carnegie fund	-	1,687	1,687
Total liabilities	<u>\$ 128,336</u>	<u>\$ 1,687</u>	<u>\$ 130,023</u>

County of Smyth, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Agency Funds:				
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 67,683	\$ 99,197	\$ (96,203)	\$ 70,677
Investments	60,051	751	(5,500)	55,302
Accrued interest	2	1	(2)	1
Local receivable	130	2,356	(130)	2,356
Total assets	\$ 127,866	\$ 102,305	\$ (101,835)	\$ 128,336
Liabilities:				
Amounts held for social services clients	\$ 127,866	\$ 102,305	\$ (101,835)	\$ 128,336
Carnegie Fund:				
Assets:				
Cash and cash equivalents	\$ 1,687	\$ -	\$ -	\$ 1,687
Liabilities:				
Amounts held for carnegie fund	\$ 1,687	\$ -	\$ -	\$ 1,687
Total Assets:				
Cash and cash equivalents	\$ 69,370	\$ 99,197	\$ (96,203)	\$ 72,364
Investments	60,051	751	(5,500)	55,302
Accrued interest	2	1	(2)	1
Local receivable	130	2,356	(130)	2,356
Total assets	129,553	102,305	(101,835)	130,023
Total Liabilities:				
Amounts held for others	\$ 129,553	\$ 102,305	\$ (101,835)	\$ 130,023

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL
BOARD**

MAJOR GOVERNMENTAL FUNDS

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

County of Smyth, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating <u>Fund</u>
ASSETS	
Cash and cash equivalents	885,550
Investments	1,062,846
Receivables (net of allowance for uncollectibles):	
Accounts receivable	203,284
Due from primary government	1,285,363
Due from other governmental units	2,152,609
Inventories	81,192
Prepaid items	629,574
Accrued interest	146
Total assets	<u>\$ 6,300,564</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	169,268
Accrued liabilities	4,101,562
Total liabilities	<u>\$ 4,270,830</u>
Fund balances:	
Nonspendable	
Prepaid items	\$ 629,574
Inventories	81,192
Restricted	
School cafeterias	422,423
Unassigned	896,545
Total fund balances	<u>\$ 2,029,734</u>
Total liabilities and fund balances	<u>\$ 6,300,564</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,029,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	844,463
Buildings and improvements	5,863,544
Machinery and equipment	2,775,273
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability	(5,501,788)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	
	3,414,793
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(526,166)
Net OPEB obligation	(1,080,000)
Net ERIP obligation	(164,783)
Net pension liability	(40,749,237)
Net position of governmental activities	<u>\$ (33,094,167)</u>

County of Smyth, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 6,901
Charges for services	1,294,575
Miscellaneous	54,503
Recovered costs	451,666
Intergovernmental	40,166,628
Total revenues	<u>\$ 41,974,273</u>
EXPENDITURES	
Current:	
Education	\$ 44,484,795
Total expenditures	<u>\$ 44,484,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,510,522)</u>
Net change in fund balances	\$ (2,510,522)
Fund balances - beginning	4,540,256
Fund balances - ending	<u>\$ 2,029,734</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (2,510,522)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.	
Capital outlays	458,219
Depreciation expenses	(1,034,340)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred inflows related to the measurement of the net pension liability	1,734,846
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	(26,841)
Change in net OPEB obligation	(98,000)
Change in net ERIP obligation	98,438
Change in net pension liability	31,421
Change in deferred outflows related to pensions	(186,379)
Change in net position of governmental activities	<u>\$ (1,533,158)</u>

County of Smyth, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 4,050	\$ 4,050	\$ 6,901	\$ 2,851
Charges for services	1,952,445	1,952,445	1,294,575	(657,870)
Miscellaneous	70,000	70,000	54,503	(15,497)
Recovered costs	645,000	645,000	451,666	(193,334)
Intergovernmental	42,888,591	43,000,688	40,166,628	(2,834,060)
Total revenues	<u>\$ 45,560,086</u>	<u>\$ 45,672,183</u>	<u>\$ 41,974,273</u>	<u>\$ (3,697,910)</u>
EXPENDITURES				
Current:				
Education	\$ 45,370,827	\$ 45,482,924	\$ 44,484,795	\$ 998,129
Total expenditures	<u>\$ 45,370,827</u>	<u>\$ 45,482,924</u>	<u>\$ 44,484,795</u>	<u>\$ 998,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 189,259</u>	<u>\$ 189,259</u>	<u>\$ (2,510,522)</u>	<u>\$ (2,699,781)</u>
Net change in fund balances	\$ 189,259	\$ 189,259	\$ (2,510,522)	\$ (2,699,781)
Fund balances - beginning	-	-	4,540,256	4,540,256
Fund balances - ending	<u>\$ 189,259</u>	<u>\$ 189,259</u>	<u>\$ 2,029,734</u>	<u>\$ 1,840,475</u>

DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC
DEVELOPMENT AUTHORITY

MAJOR GOVERNMENTAL FUNDS

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

County of Smyth, Virginia
Statement of Net Position - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
June 30, 2016

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 62,254
Investments	671,092
Due from primary government	246,046
Accrued interest	190
Total current assets	<u>\$ 979,582</u>
Capital assets:	
Land	\$ 4,823,062
Total capital assets	<u>\$ 4,823,062</u>
Total noncurrent assets	<u>\$ 4,823,062</u>
Total assets	<u>\$ 5,802,644</u>
NET POSITION	
Investment in capital assets	\$ 4,823,062
Unrestricted	979,582
Total net position	<u><u>\$ 5,802,644</u></u>

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

County of Smyth, Virginia
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2016

	Enterprise Fund
OPERATING REVENUES	
Miscellaneous	\$ 25,927
Return of grant funds	345,000
Total operating revenues	<u>\$ 370,927</u>
OPERATING EXPENSES	
Miscellaneous	\$ 64,670
Total operating expenses	<u>\$ 64,670</u>
Operating income (loss)	<u>\$ 306,257</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 3,175
Total nonoperating revenues (expenses)	<u>\$ 3,175</u>
Change in net position	\$ 309,432
Total net position - beginning, as restated	<u>5,493,212</u>
Total net position - ending	<u><u>\$ 5,802,644</u></u>

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

County of Smyth, Virginia
Statement of Cash Flows - Proprietary Funds
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2016

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grant revenue	\$ 345,000
Payments for operating expenses	(64,670)
Other receipts	27,929
Net cash provided by (used for) operating activities	\$ 308,259
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from(to) primary government	\$ (246,046)
Net cash provided by (used for) noncapital financing activities	\$ (246,046)
Net increase (decrease) in cash and cash equivalents	\$ 62,213
Cash and cash equivalents - beginning	41
Cash and cash equivalents - ending	\$ 62,254
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 306,257
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ 2,002
Total adjustments	\$ 2,002
Net cash provided by (used for) operating activities	\$ 308,259

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

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,093,131	\$ 10,130,991	\$ 10,624,941	\$ 493,950
Public service corporation taxes	973,001	982,349	1,055,303	72,954
Personal property taxes	2,785,000	2,785,000	2,914,669	129,669
Mobile home taxes	63,000	63,000	50,313	(12,687)
Machinery and tools taxes	1,760,250	1,760,250	1,515,052	(245,198)
Merchant's capital taxes	234,000	234,000	242,521	8,521
Penalties	121,000	121,000	190,057	69,057
Interest	140,000	140,000	355,005	215,005
Total general property taxes	\$ 16,169,382	\$ 16,216,590	\$ 16,947,861	\$ 731,271
Other local taxes:				
Local sales and use taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,083,039	\$ 83,039
Consumers' utility taxes	590,000	590,000	568,334	(21,666)
Local consumption tax	88,600	88,600	86,903	(1,697)
Motor vehicle licenses	431,500	431,500	443,662	12,162
Taxes on recordation and wills	-	-	109,343	109,343
Special conveyance tax	32,000	32,000	31,192	(808)
Lodging tax	45,000	45,000	47,583	2,583
Total other local taxes	\$ 3,187,100	\$ 3,187,100	\$ 3,370,056	\$ 182,956
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 14,000	\$ 14,000	\$ 8,409	\$ (5,591)
Land use application fees	400	400	495	95
Transfer fees	800	800	885	85
Building permits and other licenses	64,000	64,000	96,292	32,292
Zoning and planning fees	300	300	-	(300)
Erosion and sediment control	24,000	24,000	-	(24,000)
Other permits, fees, and licenses	32,000	32,000	29,340	(2,660)
Total permits, privilege fees, and regulatory licenses	\$ 135,500	\$ 135,500	\$ 135,421	\$ (79)
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,284,600	\$ 1,204,600	\$ 1,082,497	\$ (122,103)
Total fines and forfeitures	\$ 1,284,600	\$ 1,204,600	\$ 1,082,497	\$ (122,103)
Revenue from use of money and property:				
Revenue from use of money	\$ 98,617	\$ 98,617	\$ 91,138	\$ (7,479)
Revenue from use of property	154,074	154,074	47,407	(106,667)
Total revenue from use of money and property	\$ 252,691	\$ 252,691	\$ 138,545	\$ (114,146)
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,076	\$ 2,076	\$ 3,459	\$ 1,383
Charges for courthouse maintenance	84,000	84,000	84,428	428
Charges for courtroom security	167,000	157,000	155,915	(1,085)
Miscellaneous jail and inmate fees	6,000	6,000	7,993	1,993
Charges for Commonwealth's Attorney	4,200	4,200	3,807	(393)
Charges for sanitation and waste removal	911,000	961,000	1,024,933	63,933
Charges for law library	7,000	7,000	9,084	2,084
Other charges for services	5,150	5,150	3,104	(2,046)
Total charges for services	\$ 1,186,426	\$ 1,226,426	\$ 1,292,723	\$ 66,297

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous	\$ 706,260	\$ 706,260	\$ 160,814	\$ (545,446)
Total miscellaneous	\$ 706,260	\$ 706,260	\$ 160,814	\$ (545,446)
Recovered costs:				
Rye Valley water salary reimbursement	\$ 26,041	\$ 26,041	\$ 25,916	\$ (125)
Insurance recoveries	35,000	35,000	80,692	45,692
School resource officer	92,000	92,000	97,661	5,661
Local board of welfare	11,000	11,000	18,638	7,638
Regional jail	-	-	19,146	19,146
Tourism	35,558	35,558	32,594	(2,964)
Other recovered costs	64,600	64,600	26,833	(37,767)
Total recovered costs	\$ 264,199	\$ 264,199	\$ 301,480	\$ 37,281
Total revenue from local sources	\$ 23,186,158	\$ 23,193,366	\$ 23,429,397	\$ 236,031
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling Stock Tax	\$ 37,561	\$ 37,561	\$ 33,140	\$ (4,421)
Communications sales and use taxes	620,000	620,000	569,521	(50,479)
Mobile home titling tax	46,000	46,000	56,070	10,070
State recordation tax	150,000	150,000	38,220	(111,780)
Personal property tax relief funds	1,804,310	1,804,310	1,714,100	(90,210)
Total noncategorical aid	\$ 2,657,871	\$ 2,657,871	\$ 2,411,051	\$ (246,820)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 477,746	\$ 477,746	\$ 472,669	\$ (5,077)
Sheriff	1,654,525	1,654,525	1,648,488	(6,037)
Commissioner of revenue	108,722	108,722	107,576	(1,146)
Treasurer	106,489	106,489	106,310	(179)
Registrar/electoral board	83,724	83,724	51,708	(32,016)
Clerk of the Circuit Court	291,049	291,049	305,798	14,749
Total shared expenses	\$ 2,722,255	\$ 2,722,255	\$ 2,692,549	\$ (29,706)
Other categorical aid:				
Public assistance and welfare administration	\$ 1,394,460	\$ 1,394,460	\$ 1,370,029	\$ (24,431)
Comprehensive services act	592,579	747,371	652,610	(94,761)
Emergency management grant	41,000	41,000	43,109	2,109
Fire program	68,000	68,000	70,937	2,937
VDOT grants	33,000	33,000	47,360	14,360
Litter control grant	9,000	9,000	9,232	232
Victim witness grant	51,800	51,800	55,927	4,127
Asset forfeiture funds	-	-	6,706	6,706
Tobacco commission grant	90,000	90,000	-	(90,000)
School resource officer	53,000	53,000	61,140	8,140
Circuit court clerk grant	25,000	25,000	-	(25,000)
Court technology trust fund grant	30,000	30,000	-	(30,000)
Two for life grant	29,000	29,000	28,567	(433)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Block grant	\$ -	\$ -	\$ 1,690	\$ 1,690
Other categorical aid	29,800	29,800	71,024	41,224
Total other categorical aid	\$ 2,446,639	\$ 2,601,431	\$ 2,418,331	\$ (183,100)
Total categorical aid	\$ 5,168,894	\$ 5,323,686	\$ 5,110,880	\$ (212,806)
Total revenue from the Commonwealth	\$ 7,826,765	\$ 7,981,557	\$ 7,521,931	\$ (459,626)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 85,000	\$ 85,000	\$ 116,822	\$ 31,822
Categorical aid:				
Public assistance and welfare administration	\$ 2,533,596	\$ 2,533,596	\$ 2,489,568	\$ (44,028)
Emergency management grant	7,500	7,500	7,500	-
State and community highway safety	40,000	40,000	14,248	(25,752)
Victim witness grant	-	-	1,679	1,679
Federal asset forfeiture	300,000	330,000	98,332	(231,668)
Total categorical aid	\$ 2,881,096	\$ 2,911,096	\$ 2,611,327	\$ (299,769)
Total revenue from the federal government	\$ 2,966,096	\$ 2,996,096	\$ 2,728,149	\$ (267,947)
Total General Fund	\$ 33,979,019	\$ 34,171,019	\$ 33,679,477	\$ (491,542)
Total Primary Government	\$ 33,979,019	\$ 34,171,019	\$ 33,679,477	\$ (491,542)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,300	\$ 1,300	\$ 3,251	\$ 1,951
Revenue from the use of property	2,750	2,750	3,650	900
Total revenue from use of money and property	\$ 4,050	\$ 4,050	\$ 6,901	\$ 2,851
Charges for services:				
Cafeteria sales	\$ 1,371,445	\$ 1,371,445	\$ 666,677	\$ (704,768)
Transportation of pupils	35,000	35,000	27,670	(7,330)
Tuition and payments from other divisions	546,000	546,000	600,228	54,228
Total charges for services	\$ 1,952,445	\$ 1,952,445	\$ 1,294,575	\$ (657,870)
Miscellaneous:				
Other miscellaneous	\$ 70,000	\$ 70,000	\$ 54,503	\$ (15,497)
Total miscellaneous	\$ 70,000	\$ 70,000	\$ 54,503	\$ (15,497)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Insurance recoveries and rebates	\$ 100,000	\$ 100,000	\$ 9,768	\$ (90,232)
Sale of school buses	-	-	6,100	6,100
Sale of equipment	25,000	25,000	7,181	(17,819)
Famis/Medicaid reimbursement	250,000	250,000	144,261	(105,739)
E-rate	150,000	150,000	127,306	(22,694)
Other recovered costs	120,000	120,000	157,050	37,050
Total recovered costs	\$ 645,000	\$ 645,000	\$ 451,666	\$ (193,334)
Total revenue from local sources	\$ 2,671,495	\$ 2,671,495	\$ 1,807,645	\$ (863,850)
Intergovernmental:				
Revenue from local governments				
Contribution from County of Smyth, Virginia	\$ 7,580,462	\$ 7,580,462	\$ 5,322,966	\$ (2,257,496)
Total revenue from local governments	\$ 7,580,462	\$ 7,580,462	\$ 5,322,966	\$ (2,257,496)
Revenue from the Commonwealth:				
Categorical aid:				
At risk four-year olds	\$ 488,124	\$ 488,124	\$ 488,124	\$ -
At risk payments	717,634	717,634	713,918	(3,716)
Basic school aid	15,064,212	15,064,212	14,983,967	(80,245)
Breakfast after the bell	3,655	8,000	7,918	(82)
Early reading intervention	90,896	90,896	90,896	-
English as a second language	12,989	12,989	16,355	3,366
GED funds	23,576	23,576	23,576	-
Gifted and talented	161,139	161,139	160,322	(817)
Group life insurance instructional	61,713	61,713	61,400	(313)
Homebound education	3,813	3,813	8,178	4,365
Industry certification	-	-	12,551	12,551
Jobs for grads	21,000	21,000	25,000	4,000
Mentor teacher program	2,937	2,937	3,571	634
National board certification	7,500	7,500	7,500	-
Primary class size	769,592	769,592	762,602	(6,990)
Regular foster care	65,956	65,956	32,068	(33,888)
Regular tuition-COOP	253,228	253,228	292,902	39,674
Remedial education	702,840	702,840	699,278	(3,562)
Remedial summer education	131,354	131,354	109,275	(22,079)
Retirement fringe benefits	1,940,525	1,940,525	1,930,689	(9,836)
School food	37,594	37,594	33,288	(4,306)
School safety grant	50,000	50,000	69,612	19,612
Share of state sales tax	4,773,990	4,773,990	4,838,230	64,240
Social security fringe benefits	980,548	980,548	975,578	(4,970)
Special education - foster children	1,885,670	1,885,670	1,876,111	(9,559)
Special education - regional programs	-	-	44,142	44,142
Standards of Learning algebra readiness	85,748	85,748	83,045	(2,703)
State hospital	11,076	11,076	11,043	(33)
Supplemental support	267,734	267,734	266,422	(1,312)
Textbook payment	767,849	767,849	328,217	(439,632)
Virtual Virginia	-	-	150	150
Vocational adult education	63,475	63,475	25,563	(37,912)

County of Smyth, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Vocational equipment education	\$ -	\$ -	\$ 11,522	\$ 11,522
Vocational occupational preparedness	-	-	29,576	29,576
Vocational education SOQ payments	654,842	654,842	651,522	(3,320)
VPSA technology grant	418,400	418,400	388,000	(30,400)
Other state funds	-	-	4,998	4,998
Total categorical aid	\$ 30,519,609	\$ 30,523,954	\$ 30,067,109	\$ (456,845)
Total revenue from the Commonwealth	\$ 30,519,609	\$ 30,523,954	\$ 30,067,109	\$ (456,845)
Revenue from the federal government:				
Categorical aid:				
School breakfast program	\$ -	\$ 47,752	\$ 427,666	\$ 379,914
School lunch program	1,660,243	1,660,243	1,326,507	(333,736)
Title I	1,350,000	1,350,000	1,137,608	(212,392)
Title VI-B, Special education flow-through	1,003,014	1,003,014	1,009,339	6,325
Vocational education	92,718	92,718	94,877	2,159
Title VI-B, Special education pre-school	52,121	52,121	63,829	11,708
Title II	245,000	245,000	171,695	(73,305)
Forest reserve	13,354	13,354	84,531	71,177
Fresh fruits and vegetables	-	20,000	19,965	(35)
Language acquisition grant	2,070	2,070	497	(1,573)
21st century	270,000	270,000	320,718	50,718
Title VI	100,000	100,000	63,322	(36,678)
Child and adult care food program	-	40,000	55,999	15,999
Total categorical aid	\$ 4,788,520	\$ 4,896,272	\$ 4,776,553	\$ (119,719)
Total revenue from the federal government	\$ 4,788,520	\$ 4,896,272	\$ 4,776,553	\$ (119,719)
Total School Operating Fund	\$ 45,560,086	\$ 45,672,183	\$ 41,974,273	\$ (3,697,910)
Total Discretely Presented Component Unit - School Board	\$ 45,560,086	\$ 45,672,183	\$ 41,974,273	\$ (3,697,910)

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
Page 1 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 689,854	\$ 686,733	\$ 449,507	\$ 237,226
Total legislative	\$ 689,854	\$ 686,733	\$ 449,507	\$ 237,226
General and financial administration:				
County administrator	\$ 667,165	\$ 667,165	\$ 576,572	\$ 90,593
Legal department	114,703	114,703	91,956	22,747
Commissioner of revenue	295,858	295,858	289,363	6,495
Treasurer	377,429	377,429	354,157	23,272
Management information systems	335,857	335,857	330,190	5,667
Total general and financial administration	\$ 1,791,012	\$ 1,791,012	\$ 1,642,238	\$ 148,774
Board of elections:				
Electoral board/registrar	\$ 186,462	\$ 186,462	\$ 182,893	\$ 3,569
Total board of elections	\$ 186,462	\$ 186,462	\$ 182,893	\$ 3,569
Total general government administration	\$ 2,667,328	\$ 2,664,207	\$ 2,274,638	\$ 389,569
Judicial administration:				
Courts:				
Circuit court	\$ 76,810	\$ 76,810	\$ 74,443	\$ 2,367
General district court	6,230	6,230	6,465	(235)
Juvenile and domestic court	276,120	276,120	272,882	3,238
Clerk of the circuit court	550,653	550,653	497,644	53,009
Law library	1,000	1,000	-	1,000
Victim witness assistance program	58,004	59,502	65,171	(5,669)
Total courts	\$ 968,817	\$ 970,315	\$ 916,605	\$ 53,710
Commonwealth's attorney:				
Commonwealth's attorney	\$ 663,285	\$ 663,285	\$ 638,050	\$ 25,235
Total commonwealth's attorney	\$ 663,285	\$ 663,285	\$ 638,050	\$ 25,235
Total judicial administration	1,632,102	1,633,600	1,554,655	78,945
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,889,102	\$ 2,889,102	\$ 2,822,408	\$ 66,694
Central dispatch	2,800	2,800	2,030	770
Total law enforcement and traffic control	\$ 2,891,902	\$ 2,891,902	\$ 2,824,438	\$ 67,464
Fire and rescue services:				
Volunteer fire department	\$ 237,250	\$ 237,250	\$ 243,504	\$ (6,254)
Ambulance and rescue service	133,450	133,450	133,017	433
Total fire and rescue services	\$ 370,700	\$ 370,700	\$ 376,521	\$ (5,821)
Correction and detention:				
Sheriff - jail	\$ 1,911,006	\$ 1,911,006	\$ 1,920,630	\$ (9,624)
Total correction and detention	\$ 1,911,006	\$ 1,911,006	\$ 1,920,630	\$ (9,624)
Development services:				
Building inspection	\$ 400,368	\$ 400,368	\$ 341,388	\$ 58,980
Total inspections	\$ 400,368	\$ 400,368	\$ 341,388	\$ 58,980

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 437,128	\$ 437,128	\$ 356,162	\$ 80,966
Medical examiner	500	500	420	80
Emergency services - civil defense	21,367	21,367	18,732	2,635
Sheriff school resource officer	77,837	77,837	61,175	16,662
County E-911	490,121	490,121	445,702	44,419
Forrestry	9,000	9,000	7,951	1,049
E-911 wireless	47,420	47,420	34,411	13,009
Commonwealth attorney drug asset	3,000	3,000	-	3,000
Sheriff drug asset	4,000	4,000	750	3,250
Sheriff department dare	6,000	6,000	4,624	1,376
Asset forfeiture	6,000	6,000	10,775	(4,775)
Police activity	634,274	734,274	711,512	22,762
Special investigation	12,124	12,124	65	12,059
Sheriff federal drug asset	-	30,000	22,250	7,750
E-summons	60,000	60,000	58,509	1,491
Commonwealth Attorney asset forfeiture	300,000	300,000	271,094	28,906
Courthouse security	120,437	150,437	157,982	(7,545)
Total other protection	\$ 2,229,208	\$ 2,389,208	\$ 2,162,114	\$ 227,094
Total public safety	\$ 7,803,184	\$ 7,963,184	\$ 7,625,091	\$ 338,093
Public works:				
Water and sewer:				
Rye Valley water company	\$ 26,041	\$ 26,041	\$ 26,040	\$ 1
Total water and sewer	\$ 26,041	\$ 26,041	\$ 26,040	\$ 1
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,318,014	\$ 1,364,459	\$ 1,441,472	\$ (77,013)
County engineer	3,600	3,600	2,546	1,054
Convenience stations	312,607	317,785	311,889	5,896
Total sanitation and waste removal	\$ 1,634,221	\$ 1,685,844	\$ 1,755,907	\$ (70,063)
Maintenance of general buildings and grounds:				
Courthouse maintenance	\$ 199,445	\$ 197,445	\$ 191,590	\$ 5,855
Health department building	83,493	83,493	81,225	2,268
County office building	276,682	278,682	267,422	11,260
Total maintenance of general buildings and grounds	\$ 559,620	\$ 559,620	\$ 540,237	\$ 19,383
Total public works	\$ 2,219,882	\$ 2,271,505	\$ 2,322,184	\$ (50,679)
Health and welfare:				
Health:				
Supplement of local health department	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Total health	\$ 441,023	\$ 441,023	\$ 441,023	\$ -
Mental health and mental retardation:				
Mental health contribution	\$ 166,022	\$ 166,022	\$ 166,022	\$ -
Total mental health and mental retardation	\$ 166,022	\$ 166,022	\$ 166,022	\$ -

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Board members	\$ 4,200	\$ 4,200	\$ 2,650	\$ 1,550
Welfare administration and programs	4,747,077	4,747,077	4,289,479	457,598
Comprehensive services act	819,699	1,021,699	1,087,806	(66,107)
Other welfare programs	243,121	243,121	372,069	(128,948)
Total welfare	<u>\$ 5,814,097</u>	<u>\$ 6,016,097</u>	<u>\$ 5,752,004</u>	<u>\$ 264,093</u>
Total health and welfare	<u>\$ 6,421,142</u>	<u>\$ 6,623,142</u>	<u>\$ 6,359,049</u>	<u>\$ 264,093</u>
Education:				
Other instructional costs:				
Contribution to Community Colleges	\$ 55,806	\$ 55,806	\$ 55,806	\$ -
Contribution to County School Board	7,580,462	7,580,462	5,322,966	2,257,496
Total education	<u>\$ 7,636,268</u>	<u>\$ 7,636,268</u>	<u>\$ 5,378,772</u>	<u>\$ 2,257,496</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation	\$ 29,000	\$ 29,000	\$ 29,000	\$ -
Tourism	35,558	35,558	35,558	-
Total parks and recreation	<u>\$ 64,558</u>	<u>\$ 64,558</u>	<u>\$ 64,558</u>	<u>\$ -</u>
Library:				
Library administration	\$ 850,000	\$ 850,000	\$ 850,000	\$ -
Total library	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 914,558</u>	<u>\$ 914,558</u>	<u>\$ 914,558</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning commission	\$ 6,900	\$ 6,900	\$ 4,075	\$ 2,825
Community and economic development	189,879	189,869	172,230	17,639
Industrial Development Authorities	819,428	819,428	50,553	768,875
Total planning and community development	<u>\$ 1,016,207</u>	<u>\$ 1,016,197</u>	<u>\$ 226,858</u>	<u>\$ 789,339</u>
Environmental management:				
Soild and conservation	\$ 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	\$ 86,167	\$ 86,167	\$ 85,096	\$ 1,071
Total cooperative extension program	<u>\$ 86,167</u>	<u>\$ 86,167</u>	<u>\$ 85,096</u>	<u>\$ 1,071</u>
Total community development	<u>1,130,624</u>	<u>1,130,614</u>	<u>339,554</u>	<u>791,060</u>
Capital projects:				
Capital improvements	\$ 7,554,416	\$ 7,554,416	\$ 5,593,129	\$ 1,961,287
Total capital projects	<u>\$ 7,554,416</u>	<u>\$ 7,554,416</u>	<u>\$ 5,593,129</u>	<u>\$ 1,961,287</u>
Debt service:				
Principal retirement	\$ 1,968,613	\$ 1,968,613	\$ 1,933,169	\$ 35,444
Interest and other fiscal charges	2,069,943	2,069,943	1,628,640	441,303
Total debt service	<u>\$ 4,038,556</u>	<u>\$ 4,038,556</u>	<u>\$ 3,561,809</u>	<u>\$ 476,747</u>
Total General Fund	<u>\$ 42,018,060</u>	<u>\$ 42,430,050</u>	<u>\$ 35,923,439</u>	<u>\$ 6,506,611</u>
Total Primary Government	<u>\$ 42,018,060</u>	<u>\$ 42,430,050</u>	<u>\$ 35,923,439</u>	<u>\$ 6,506,611</u>

County of Smyth, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 1,415,268	\$ 1,415,268	\$ 1,372,492	\$ 42,776
Total administration of schools	<u>\$ 1,415,268</u>	<u>\$ 1,415,268</u>	<u>\$ 1,372,492</u>	<u>\$ 42,776</u>
Instruction costs:				
Instructional costs	\$ 33,491,767	\$ 33,326,084	\$ 32,909,861	\$ 416,223
Total instruction costs	<u>\$ 33,491,767</u>	<u>\$ 33,326,084</u>	<u>\$ 32,909,861</u>	<u>\$ 416,223</u>
Operating costs:				
Pupil transportation	\$ 2,170,364	\$ 2,336,047	\$ 2,240,562	\$ 95,485
Operation and maintenance of school plant	4,192,744	4,192,744	4,108,374	84,370
School food service	2,800,609	2,912,706	2,522,630	390,076
Facilities	6,000	6,000	2,283	3,717
Technology	1,294,075	1,294,075	1,328,593	(34,518)
Total operating costs	<u>\$ 10,463,792</u>	<u>\$ 10,741,572</u>	<u>\$ 10,202,442</u>	<u>\$ 539,130</u>
Total School Operating Fund	<u>\$ 45,370,827</u>	<u>\$ 45,482,924</u>	<u>\$ 44,484,795</u>	<u>\$ 998,129</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 45,370,827</u>	<u>\$ 45,482,924</u>	<u>\$ 44,484,795</u>	<u>\$ 998,129</u>

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

Table 1

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 8,244,411	\$ 9,369,305	\$ 9,020,728	\$ 9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508	\$ 3,581,230	\$ 3,301,826
Restricted	668,635	-	-	-	-	-	-	-	-	250,000
Unrestricted	3,351,486	(1,973,096)	4,988,505	4,115,583	4,037,414	10,205,224	7,438,060	7,465,890	8,115,162	9,117,169
Total governmental activities net position	\$ 12,264,532	\$ 7,396,209	\$ 14,009,233	\$ 13,769,634	\$ 12,787,424	\$ 12,903,334	\$ 14,283,535	\$ 12,386,398	\$ 11,696,392	\$ 12,668,995
Business-type activities										
Net investment in capital assets	\$ 14,867,097	\$ 15,755,398	\$ 17,059,262	\$ 18,053,445	\$ 18,674,951	\$ 19,522,775	\$ 19,024,141	\$ 19,010,037	\$ 19,417,943	\$ 20,190,139
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(199,122)	23,421	79,075	172,073	290,087	314,120	126,899	50,238	327,387	760,422
Total business-type activities net position	\$ 14,667,975	\$ 15,778,819	\$ 17,138,337	\$ 18,225,518	\$ 18,965,038	\$ 19,836,895	\$ 19,151,040	\$ 19,060,275	\$ 19,745,330	\$ 20,950,561
Primary government										
Net investment in capital assets	\$ 23,111,508	\$ 25,124,703	\$ 26,079,990	\$ 27,707,496	\$ 27,424,961	\$ 22,220,885	\$ 25,869,616	\$ 23,930,545	\$ 22,999,173	\$ 23,491,965
Restricted	668,635	-	-	-	-	-	-	-	-	250,000
Unrestricted	3,152,364	(1,949,675)	5,067,580	4,287,656	4,327,501	10,519,344	7,564,959	7,516,128	8,442,549	9,877,591
Total primary government net position	\$ 26,932,507	\$ 23,175,028	\$ 31,147,570	\$ 31,995,152	\$ 31,752,462	\$ 32,740,229	\$ 33,434,575	\$ 31,446,673	\$ 31,441,722	\$ 33,619,556

Table 2

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
General government administration	\$ 2,522,032	\$ 2,197,454	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740	\$ 1,849,741
Judicial administration	1,591,793	1,825,563	1,682,907	1,493,566	1,442,451	1,438,437	1,405,720	1,383,156	1,322,884	1,173,548
Public safety	7,610,041	7,095,586	7,142,779	6,668,145	6,606,593	6,073,909	5,840,409	5,500,772	5,391,050	5,129,494
Public works	2,548,965	2,090,129	2,056,232	2,122,689	2,085,140	3,197,528	1,977,527	1,911,028	1,737,587	1,813,216
Health and welfare	6,281,076	5,267,649	5,662,739	5,601,627	5,069,915	5,252,653	5,438,893	5,982,328	5,933,667	5,818,134
Education	6,682,117	9,687,317	9,565,569	8,487,813	8,016,040	9,247,181	7,835,194	7,747,394	10,260,678	7,996,023
Parks, recreation, and cultural	1,292,528	1,028,674	1,027,887	1,007,108	1,019,793	1,012,568	1,083,058	1,161,738	1,085,631	1,025,768
Community development	334,389	1,150,411	1,476,366	1,195,480	1,266,069	1,310,375	1,324,655	1,682,985	1,666,394	2,037,957
Interest on long-term debt	1,219,313	1,457,368	1,414,721	1,505,797	1,009,693	253,607	287,397	309,053	349,358	388,695
Total governmental activities	\$ 30,082,254	\$ 31,800,151	\$ 32,461,323	\$ 30,697,841	\$ 28,759,424	\$ 29,780,664	\$ 27,389,176	\$ 27,979,204	\$ 29,772,989	\$ 27,232,576
Business-type activities										
Water and sewer	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163	\$ 3,163,633	\$ 3,114,840	\$ 3,031,015
Total business-type activities	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613	\$ 3,327,527	\$ 3,339,245	\$ 3,290,726	\$ 3,127,163	\$ 3,163,633	\$ 3,114,840	\$ 3,031,015
Total primary government expenses	\$ 33,198,864	\$ 35,441,918	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669	\$ 33,071,390	\$ 30,516,339	\$ 31,142,837	\$ 32,887,829	\$ 30,263,591
Program Revenues										
Governmental activities										
Charges for services	\$ 32,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government administration	1,096,273	280,374	195,270	176,714	163,113	178,057	177,857	137,056	106,231	72,015
Judicial administration	356,496	1,364,850	1,039,261	819,844	850,353	800,787	791,428	409,169	296,931	296,821
Public safety	1,025,428	994,491	916,345	967,251	1,415,524	826,827	766,143	644,738	690,295	728,359
Public works	-	12,873	11,531	13,602	11,369	20,993	54,743	81,851	108,244	126,414
Health and welfare	7,722,207	7,568,809	7,861,211	7,405,851	6,915,771	7,003,283	7,058,063	7,713,727	7,570,255	7,692,029
Operating grants and contributions	-	-	-	145,000	-	25,000	1,199,255	1,311,013	102,528	33,007
Capital grants and contributions	10,232,848	10,221,397	10,023,618	9,528,262	9,356,130	8,854,947	10,047,489	10,297,554	8,874,484	8,948,645
Total governmental activities program revenues	\$ 2,021,625	\$ 2,112,309	\$ 1,922,430	\$ 2,008,325	\$ 1,881,076	\$ 1,859,391	\$ 1,684,425	\$ 1,558,151	\$ 1,425,665	\$ 1,387,876
Business-type activities										
Charges for services	59,975	171,102	-	155,463	172,048	1,299,201	1,012,032	564,829	476,526	560,528
Water and sewer	2,081,600	2,283,411	1,922,430	2,163,788	2,053,124	3,158,592	2,696,457	2,122,980	1,902,191	1,948,404
Capital grants and contributions	12,314,448	12,504,808	11,946,048	11,692,050	11,409,254	12,013,539	12,743,946	12,420,534	10,776,675	10,897,049
Total business-type activities program revenues	\$ (19,849,406)	\$ (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)
Total primary government program revenues	\$ (1,035,010)	\$ (1,358,356)	\$ (1,382,183)	\$ (1,163,739)	\$ (1,286,121)	\$ (132,134)	\$ (430,706)	\$ (1,040,653)	\$ (1,212,649)	\$ (1,082,611)
Net (expense) revenue	\$ (20,884,416)	\$ (22,937,110)	\$ (23,819,888)	\$ (22,333,318)	\$ (20,689,415)	\$ (21,057,851)	\$ (17,772,393)	\$ (18,722,303)	\$ (22,111,154)	\$ (19,366,542)

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Non-spendable	\$ 165,535	\$ 205,182	\$ 181,436	\$ 180,909	\$ 51,925	\$ 65,811	\$ -	\$ -	\$ -	\$ -
Reserved/Restricted	7,053,698	12,560,956	21,335,807	25,697,568	39,125,509	3,665,624	327,213	271,965	158,967	8,827
Assigned	1,241,351	47,531	71,786	62,900	58,485	69,019	-	-	-	-
Committed	-	-	-	-	-	100,491	-	-	-	-
Unreserved/Unassigned	5,158,382	3,059,388	2,914,839	3,614,881	4,932,136	5,559,366	6,426,347	6,763,770	7,602,076	10,056,388
Total general fund	\$ 13,618,966	\$ 15,873,057	\$ 24,503,868	\$ 29,556,258	\$ 44,168,055	\$ 9,460,311	\$ 6,753,560	\$ 7,035,735	\$ 7,761,043	\$ 10,065,215

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

Table 4

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
General property taxes	\$ 16,947,861	\$ 16,278,485	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792	\$ 12,165,251
Other local taxes	3,370,056	3,880,265	3,706,500	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160	3,570,670	3,547,279
Permits, privilege fees, and licenses	135,421	95,901	161,986	124,647	127,045	73,903	106,118	73,893	89,988	82,670
Fines and forfeitures	1,082,497	1,280,930	888,941	714,666	726,131	730,320	686,447	332,601	200,981	210,993
Revenue from use of money and property	138,545	242,917	219,217	335,497	289,596	193,732	460,995	306,665	558,089	699,966
Charges for services	1,292,723	1,236,967	1,065,606	1,010,630	1,033,161	923,651	864,853	706,364	724,269	720,455
Recovered costs	301,480	234,006	260,219	335,169	760,405	368,489	456,267	474,954	477,831	408,106
Other	160,814	224,296	240,188	218,097	210,723	229,645	272,431	295,065	167,518	134,939
Intergovernmental	10,250,080	9,388,971	9,705,113	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838	9,638,440	9,681,765
Total revenues	\$ 33,679,477	\$ 32,862,738	\$ 32,780,572	\$ 31,632,628	\$ 29,706,509	\$ 29,047,615	\$ 29,850,247	\$ 29,151,431	\$ 27,765,578	\$ 27,651,424
Expenditures										
General government administration	\$ 2,274,638	\$ 2,160,543	\$ 2,412,477	\$ 2,735,775	\$ 2,140,645	\$ 1,859,579	\$ 2,065,201	\$ 2,272,484	\$ 1,951,748	\$ 1,828,775
Judicial administration	1,554,655	1,809,226	1,690,506	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907	1,298,991	1,183,222
Public safety	7,625,091	6,746,242	6,676,032	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660	5,474,643	5,176,579
Public works	2,322,184	1,906,816	2,019,165	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849	1,796,938	1,809,116
Health and welfare	6,359,049	5,404,748	5,679,174	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197	5,937,048	5,767,503
Education	5,378,772	8,275,288	8,040,810	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029	9,299,298	7,035,326
Parks, recreation, and cultural	914,558	976,479	976,479	955,046	968,916	963,066	1,030,216	1,106,836	1,040,590	980,727
Community development	339,554	1,186,002	1,176,400	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806	1,836,396	2,138,369
Capital projects	5,593,129	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 retirement	1,933,169	1,970,201	4,190,481	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399	1,003,216	993,341
Interest and other fiscal charges	1,628,640	1,408,231	1,585,060	1,654,575	891,381	270,749	302,630	334,029	365,079	397,828
Total expenditures	\$ 35,923,439	\$ 38,789,801	\$ 37,541,846	\$ 48,084,259	\$ 44,486,999	\$ 30,527,491	\$ 29,612,841	\$ 29,531,921	\$ 30,288,783	\$ 27,501,603
Excess of revenues over (under) expenditures	\$ (2,243,962)	\$ (5,927,063)	\$ (4,761,274)	\$ (16,451,631)	\$ (14,780,490)	\$ (1,479,876)	\$ 237,406	\$ (380,490)	\$ (2,523,205)	\$ 149,821
Other Financing Sources (Uses)										
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)	-	-	-	-	-	-	-	-
Bond issuance costs	-	(108,102)	-	-	(86,000)	-	-	-	-	-
Premium on bonds	-	1,272,643	-	-	1,840,039	-	-	-	-	-
Underwriter's discount on bonds	-	-	-	-	(493,563)	-	-	-	-	-
Sale of capital assets	12,719	-	-	-	-	-	-	-	-	-
Transfers in	-	183,763	-	-	-	-	-	-	-	-
Transfers out	(22,848)	(275,472)	(291,116)	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)	(5,307)	-
Total other financing sources (uses)	\$ (10,129)	\$ (2,190,872)	\$ (291,116)	\$ 1,701,450	\$ 49,836,248	\$ 4,186,627	\$ (519,581)	\$ (344,818)	\$ (5,307)	\$ -
Net change in fund balance	\$ (2,254,091)	\$ (8,117,935)	\$ (5,052,390)	\$ (14,750,181)	\$ 35,055,758	\$ 2,706,751	\$ (282,175)	\$ (725,308)	\$ (2,528,512)	\$ 149,821
Debt service as a percentage of noncapital expenditures	11.89%	10.61%	16.77%	11.38%	20.69%	4.50%	4.53%	4.60%	4.56%	5.09%

Table 5

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

Fiscal Year	Real Estate (1)	Personal Property (2)	Public Service Companies (3)	Total
2016	\$ 1,390,638,146	\$ 379,128,098	\$ 144,137,642	1,913,903,886
2015	1,398,811,514	384,132,517	136,867,929	1,919,811,960
2014	1,429,094,226	401,053,105	124,002,508	1,954,149,839
2013	1,444,667,238	360,243,649	129,520,200	1,934,431,087
2012	1,420,768,624	351,413,101	119,374,517	1,891,556,242
2011	1,415,159,070	351,573,398	121,374,173	1,888,106,641
2010	1,200,972,525	364,320,155	83,886,362	1,649,179,042
2009	1,192,258,091	387,895,958	87,327,987	1,667,482,036
2008	1,182,446,544	375,631,251	86,246,420	1,644,324,215
2007	1,171,330,028	371,286,389	85,188,111	1,627,804,528

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

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

(3) Assessed by the State Corporation Commission.

Table 6

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

Fiscal Year	Machinery and Tools				Merchant's Capital		Interstate Commerce	
	Real Estate	Personal Property						
2016	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55	\$ 1.55		
2015	0.74	2.30	1.55	0.40	1.55	1.55		
2014	0.74	2.30	1.55	0.40	1.55	1.55		
2013	0.74	2.30	1.55	0.40	1.55	1.55		
2012	0.69	2.25	1.55	0.40	1.55	1.55		
2011	0.69	2.25	1.55	0.40	1.55	1.20		
2010	0.69	2.25	1.55	0.40	1.55	1.20		
2009	0.63	2.25	1.20	0.40	1.20	1.20		
2008	0.63	2.25	1.20	0.40	1.20	1.20		
2007	0.63	2.25	1.20	0.40	1.20	1.20		

(1) Per \$100 of assessed value.

Table 7

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of	
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)
							Percent of Delinquent Taxes to Tax Levy
2016	\$ 18,454,479	\$ 17,219,535	93.31%	\$ 1,341,026	\$ 18,560,561	100.57%	22.18%
2015	18,517,112	15,175,265	81.95%	815,738	15,991,003	86.36%	23.93%
2014	18,532,906	15,564,710	83.98%	659,241	16,223,951	87.54%	22.26%
2013	18,035,837	14,839,925	82.28%	686,541	15,526,466	86.09%	21.07%
2012	16,472,150	13,522,831	82.10%	616,523	14,139,354	85.84%	19.47%
2011	14,543,200	13,549,846	93.17%	489,730	14,039,576	96.54%	18.89%
2010	13,420,595	12,566,068	93.63%	436,121	13,002,189	96.88%	17.37%
2009	12,593,867	11,897,779	94.47%	489,314	12,387,093	98.36%	15.94%
2008	12,164,434	11,625,491	95.57%	421,584	12,047,075	99.04%	15.61%
2007	11,923,961	11,350,877	95.19%	442,015	11,792,892	98.90%	15.71%

(1) Exclusive of penalties and interest.

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

Table 8

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

Fiscal Year	General Obligation Bonds							Other		Business-type Activities		Total Debt	
	Governmental		Business-type		Total		Percentage of Actual Value of Taxable Property	Per Capita	Other Debt	Revenue Bonds	Total Primary Government	Per Capita	
	General Obligation Bonds		General Obligation Bonds		General Obligation Bonds								
2016	\$ 36,668,901	\$ 7,119,340	\$ 43,788,241	\$ -	\$ 1,360	\$ 10,714,862	\$ 1,973,759	\$ 56,476,862	\$ 1,754				
2015	36,267,379	5,065,234	41,332,613	-	1,283	11,018,539	5,395,000	57,746,152	1,793				
2014	26,608,260	5,178,026	31,786,286	-	987	25,911,563	5,675,000	63,372,849	1,968				
2013	27,886,530	5,287,434	33,173,964	-	1,030	28,823,774	5,946,000	67,943,738	2,110				
2012	29,152,383	5,393,536	34,545,919	-	1,073	27,354,017	6,208,000	68,107,936	2,115				
2011	7,549,801	11,859,427	19,409,228	-	603	6,005,153	-	25,414,381	789				
2010	2,913,233	12,154,042	15,067,275	-	475	6,656,286	-	21,723,561	684				
2009	3,268,724	12,136,059	15,404,783	-	481	7,307,425	-	22,712,208	709				
2008	3,613,270	11,462,817	15,076,087	-	470	7,975,860	-	23,051,947	719				
2007	3,947,631	11,359,736	15,307,367	-	478	8,644,296	-	23,951,663	747				

Table 9

County of Smyth, Virginia
Population
Last Ten Fiscal Years

Fiscal Year	Population
2016	32,208
2015	32,208
2014	32,208
2013	32,208
2012	32,208
2011	32,208
2010	31,738
2009	32,050
2008	32,050
2007	32,050

Source: United State Bureau of Census

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Smyth, Virginia's basic financial statements and have issued our report thereon dated November 23, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. (As referenced 2016-001 and 2016-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Smyth, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2016-003.

Response to Findings

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

Purpose of this Report

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
November 23, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Smyth, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Smyth, Virginia's major federal programs for the year ended June 30, 2016. County of Smyth, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Smyth, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 23, 2016

COUNTY OF SMYTH VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Pass through payments from:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116/0040116	\$ 424,765
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	84,531
Child Nutrition Cluster:			
School Breakfast Program (Child Nutrition Cluster)	10.553	40591	\$ 427,666
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	40623	\$ 1,154,703
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note C) (Child Nutrition Cluster)	10.555	NA	171,804
Total National School Lunch Program			\$ 1,326,507
Total Child Nutrition Cluster			1,754,173
Child and Adult Care Food Program	10.558	NA	55,999
Fresh Fruit and Vegetable Program	10.582	NA	19,965
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	0060115	14,257
Total Department of Agriculture			\$ 2,353,690
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through payments from:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950114/0950115	\$ 2,115
Temporary Assistance for Needy Families	93.558	0400115/0400116	477,777
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	492
Low Income Home Energy Assistance	93.568	0600415/0600416	52,013
Social Services Block Grant	93.667	1000115/1000116	442,965
Chafee Foster Care Independence Program	93.674	9150115/9150116	4,059
Children's Health Insurance Program	93.767	05401150540116	17,442
Medical Assistance Program	93.778	1200115/1200116	535,157
Chafee Education and Training Vouchers Program	93.599	9160114/9160115	1,734
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116	2,356
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116	71,984
Foster Care - Title IV E	93.658	1100115/1100116	295,461
Adoption Assistance	93.659	1120115/1120116	146,991
Total Department of Health and Human Services			\$ 2,050,546
DEPARTMENT OF HOMELAND SECURITY:			
Pass through payments from:			
<i>Department of Emergency Management:</i>			
State Homeland Security Program	97.073	NA	\$ 7,500
Total Department of Homeland Security			\$ 7,500
DEPARTMENT OF TRANSPORTATION:			
Pass through payments from:			
<i>Department of Motor Vehicles:</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	50326	\$ 3,263
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	NA	10,985
Total Highway Safety Cluster			\$ 14,248
Total Department of Transportation			\$ 14,248

COUNTY OF SMYTH VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**DEPARTMENT OF TREASURY:**

Direct payments:

Treasury Forfeiture Fund	21.000	NA	\$	98,332
Total Department of Treasury			\$	<u>98,332</u>

DEPARTMENT OF JUSTICE:

Pass through payments from:

Office of Victims of Crime

Crime Victim Assistance	16.575		\$	1,679
Total Department of Justice			\$	<u>1,679</u>

DEPARTMENT OF EDUCATION:

Pass through payments from:

Department of Education:

Career and Technical Education -- Basic Grants to States	84.048	61095	\$	94,877
Supporting Effective Instruction State Grant	84.367	61480		171,695
English Language Acquisition State Grants	84.365	NA		497
Title I Grants to Local Educational Agencies	84.010	42901		1,137,608
Special Education - Grants to States (Special Education Cluster - IDEA)	84.027	73071	\$	1,009,339
Special Education - Preschool Grants (Special Education Cluster - IDEA)	84.173	62521		<u>63,829</u>
Total Special Education Cluster				1,073,168
Twenty-First Century Community Learning Centers	84.287	NA		320,718
Rural Education	84.358	NA		<u>63,322</u>
Total Department of Education			\$	<u>2,861,885</u>
Total Expenditures of Federal Awards			\$	<u><u>7,387,880</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note A--Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Smyth, Virginia under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget's Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Smyth, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Smyth, Virginia.

Note B--Summary of Significant Accounting Policies

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

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

Note C--Food Distribution

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

Note D--Outstanding Balance of Federal Loans

The County has received federal funding through loans. At June 30, 2016 the outstanding balance of these loans was: \$ 1,973,759

Note E--Relationship to the Financial Statements:

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

Primary government:

General Fund - Intergovernmental	\$	10,250,080
Less: Revenue from the Commonwealth		(7,521,931)
Less: Payment in Lieu of Taxes		(116,822)

Component Unit School Board:

School Operating Fund - Intergovernmental		40,166,628
Less: Revenue from local governments		(5,322,966)
Less: Revenue from the Commonwealth		<u>(30,067,109)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 7,387,880

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster - IDEA
84.010	Title I Grants to Local Educational Agencies

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

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016 (Continued)

Section II - Financial Statement Findings

2016-001	Material Weakness
Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County's prior year financial statements were restated to correct the presentation of the County's Investment in SWIFA; to change the amortization method for premium amortizations; and to report the School Board's ERIP liability.
Cause of Condition:	The County's closing process did not consider the items listed above.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County should consider material agreements and their implications on the financial statements as part of a high level review of the financial statements annually.
Management's Response:	The County and School Board plan to perform a high level review of the financial statements in future periods to consider the potential impact of material agreements.

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016 (Continued)

Section II - Financial Statement Findings (continued)

2016-002	Material Weakness
Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County lacks a proper segregation of duties over water and sewer billings and collections.
Cause of Condition:	The County has limited staff and ability to move functions to create a proper segregation of duties
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County should consider separating the billing and collection functions for the Water and Sewer Department.
Management's Response:	The County will consider changes to the aforementioned functions given current personnel constraints.
Finding 2016-003	Compliance Finding
Criteria:	Organization's should follow local and state purchasing requirements.
Condition:	The School System failed to follow State procurement requirements on an HVAC project during the fiscal year.
Cause of Condition:	The School System thought they were exempt from Code of Virginia requirements that require local governmental to obtain bid, performance and payment bonds on significant construction contracts
Effect of Condition:	The School Board recourse is limited if the contractor fails to perform in accordance with his bid and subsequent contract. Specifically, the School Board would not be able to recover funds from the aforementioned bonds.
Recommendation:	The School System should follow requirements of the Code of Virginia in future periods.
Management's Response:	The School System will comply with requirements of the Code in future periods.

County of Smyth, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016 (Continued)

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings

There were no prior audit findings related to federal awards.