

**COUNTY OF SMYTH, VIRGINIA
FINANCIAL STATEMENTS**

JUNE 30, 2014

**FINANCIAL AND MANAGEMENT
SERVICES DEPARTMENT**

COUNTY OF SMYTH, VIRGINIA

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INTRODUCTORY SECTION



COUNTY OF SMYTH, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2014

BOARD OF SUPERVISORS

Wade H. Blevins, Jr., Chairperson

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

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

Michael L. Carter, Clerk

COUNTY SCHOOL BOARD

Jesse Choate, Chairperson

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

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

Darlene Doyle, Clerk

SOCIAL SERVICES BOARD

Merrelle Ward, Chairperson

Judy Hess
Rodney Blevins
JoAnn Bennett

Karen Gillespie
G. Blake Frazier
Dawn Robinson

Kenneth P. Arnold, Secretary

OTHER OFFICIALS

Judge of the Circuit Court

C. Randall Lowe
Sage B. Johnson

Clerk of the Circuit Court

Deanis L. Simmons
John H. Graham

Judge of the General District Court

V. Blake McKinney
Eric R. Thiessen

Judge of the Juvenile and Domestic Relations Court

Florence A. Powell
Kurt J. Pomrenke

Commonwealth's Attorney

Roy F. Evans, Jr.

Commissioner of the Revenue

Jeffrey Richardson

Treasurer

Thomas Burkett

Sheriff

R. David Bradley

Superintendent of Schools

Michael Robinson

Director, Department of Social Services

Kenneth P. Arnold

County Administrator

Michael L. Carter



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 25, 2014



BASIC FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	Total
ASSETS						
Cash and cash equivalents (Note 2)	\$ 6,434,109	\$ 11,546	\$ 6,445,655	\$ 1,394,618	\$ 1,110,499	\$ 8,950,772
Receivables, net (Note 3)	22,244,988	229,957	22,474,945	-	170,570	22,645,515
Due from primary government (Note 9)	-	-	-	4,110,127	-	4,110,127
Due from component unit (Note 9)	145,570	-	145,570	-	-	145,570
Due from other governmental units (Note 4)	1,261,300	71,842	1,333,142	2,888,392	-	4,221,534
Accrued interest	2,485	-	2,485	1,064	191	3,740
Inventories	-	-	-	81,476	-	81,476
Investment in Smyth-Washington Industrial Facilities Authority	-	-	-	-	1,866,997	1,866,997
Prepaid expense	181,436	-	181,436	721,896	-	903,332
Restricted assets:						
Cash and cash equivalents-restricted (Note 2)	21,166,754	-	21,166,754	-	-	21,166,754
Capital assets: (Note 6)						
Non-depreciable	3,640,931	516,231	4,157,162	865,753	4,807,757	9,830,672
Depreciable, net	38,209,202	27,396,057	65,605,259	9,635,945	-	75,241,204
Total assets	93,286,775	28,225,633	121,512,408	19,699,271	7,956,014	149,167,693
LIABILITIES						
Accounts payable and accrued expenses	1,181,679	149,463	1,331,142	180,973	97,515	1,609,630
Accrued payroll	32,544	-	32,544	4,148,972	-	4,181,516
Accrued interest payable	312,404	20,008	332,412	-	-	332,412
Due to component units (Note 9)	4,110,127	-	4,110,127	-	-	4,110,127
Due to primary government (Note 9)	-	-	-	-	145,570	145,570
Cash bonds held in escrow	43,184	-	43,184	-	-	43,184
Long-term liabilities: (Note 7)						
Due within one year	2,804,324	407,469	3,211,793	118,835	-	3,330,628
Due in more than one year	52,608,296	10,498,810	63,107,106	1,244,390	-	64,351,496
Total liabilities	61,092,558	11,075,750	72,168,308	5,693,170	243,085	78,104,563
DEFERRED INFLOWS OF RESOURCES						
Property taxes (Note 3)	18,184,984	-	18,184,984	-	-	18,184,984
Unearned revenue (Note 3)	-	11,546	11,546	-	-	11,546
	18,184,984	11,546	18,196,530	-	-	18,196,530
NET POSITION						
Net investment in capital assets	9,020,728	17,059,262	26,079,990	10,501,698	4,807,757	41,389,445
Unrestricted	4,988,505	79,075	5,067,580	3,504,403	2,905,172	11,477,155
Total net position	\$ 14,009,233	\$ 17,138,337	\$ 31,147,570	\$ 14,006,101	\$ 7,712,929	\$ 52,866,600

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Program Revenues					Net (Expense) Revenue and Changes in Net Position					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total
					Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	
Primary Government:										
Governmental activities:										
General government administration	\$ 2,432,123	\$ -	\$ 252,201	\$ -	\$ (2,179,922)	\$ -	\$ (2,179,922)	\$ -	\$ -	\$ (2,179,922)
Judicial administration	1,682,907	195,270	1,196,290	-	(291,347)	-	(291,347)	-	-	(291,347)
Public safety	7,142,779	1,039,261	2,007,792	-	(4,095,726)	-	(4,095,726)	-	-	(4,095,726)
Public works	2,056,232	916,345	9,124	-	(1,130,763)	-	(1,130,763)	-	-	(1,130,763)
Health and welfare	5,662,739	11,531	4,051,919	-	(1,599,289)	-	(1,599,289)	-	-	(1,599,289)
Education	9,565,569	-	-	-	(9,565,569)	-	(9,565,569)	-	-	(9,565,569)
Parks, recreational, and cultural	1,027,887	-	1,699	-	(1,026,188)	-	(1,026,188)	-	-	(1,026,188)
Community development	1,476,366	-	342,186	-	(1,134,180)	-	(1,134,180)	-	-	(1,134,180)
Interest on long-term debt	1,414,721	-	-	-	(1,414,721)	-	(1,414,721)	-	-	(1,414,721)
Total governmental activities	32,461,323	2,162,407	7,861,211	-	(22,437,705)	-	(22,437,705)	-	-	(22,437,705)
Business-type activities:										
Water and sewer	3,304,613	1,922,430	-	#REF!	-	#REF!	#REF!	-	-	#REF!
Total business-type activities	3,304,613	1,922,430	-	#REF!	-	#REF!	#REF!	-	-	#REF!
Total primary government	\$ 35,765,936	\$ 4,084,837	\$ 7,861,211	#REF!	(22,437,705)	#REF!	#REF!	-	-	#REF!
Component Units:										
School Board	\$ 45,449,824	\$ 1,452,017	\$ 35,607,512	\$ -	-	-	-	\$ (8,390,295)	-	(8,390,295)
Economic Development Authority	1,078,300	26,500	-	1,739,958	-	-	-	-	\$ 688,158	688,158
Total component units	\$ 46,528,124	\$ 1,478,517	\$ 35,607,512	\$ 1,739,958	-	-	-	\$ (8,390,295)	\$ 688,158	\$ (7,702,137)
General Revenues:										
General property taxes					16,874,613	-	16,874,613	-	-	16,874,613
Sales and use tax					1,802,518	-	1,802,518	-	-	1,802,518
Other local taxes					1,903,982	-	1,903,982	-	-	1,903,982
Intergovernmental revenue, unrestricted					1,927,902	-	1,927,902	-	-	1,927,902
Revenue from use of money and property					219,217	-	219,217	2,659	48,332	270,208
Miscellaneous					240,188	3,886	244,074	26,031	-	270,105
Loss on investment in joint venture					-	-	-	-	(82,611)	(82,611)
Payments from Smyth County					-	-	-	7,985,331	171,685	8,157,016
Transfers (Note 5)					(291,116)	291,116	-	-	-	-
Total general revenues and transfers					22,677,304	295,002	22,972,306	8,014,021	137,406	31,123,733
Change in net position					239,599	#REF!	#REF!	(376,274)	825,564	#REF!
NET POSITION JULY 1, 2013					13,769,634	18,225,518	31,995,152	14,382,375	6,887,365	53,264,892
NET POSITION JUNE 30, 2014					\$ 14,009,233	#REF!	#REF!	\$ 14,006,101	\$ 7,712,929	#REF!

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

COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014

	<u>General</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 27,600,863
Accrued interest	2,485
Receivables, net (Note 3)	22,244,988
Prepaid expense	181,436
Due from component unit (Note 9)	145,570
Due from other governmental units (Note 4)	1,261,300
Total assets	<u>\$ 51,436,642</u>
LIABILITIES	
Liabilities:	
Accounts payable and accrued liabilities	\$ 1,181,679
Accrued payroll and related liabilities	32,544
Due to component units	4,110,127
Cash bonds held in escrow	43,184
Total liabilities	<u>5,367,534</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable/unearned revenue (Note 3)	<u>21,565,240</u>
FUND BALANCE	
Fund Balance:	
Nonspendable (Note 17)	181,436
Restricted (Note 17)	21,335,807
Committed (Note 17)	-
Assigned (Note 17)	71,786
Unassigned	2,914,839
Total fund balance	<u>\$ 24,503,868</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 51,436,642</u>
Amounts reported for governmental activities in the statement of position are different because:	
Total fund balance	\$ 24,503,868
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	41,850,133
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	3,380,256
Interest on long-term debt is not accrued in the fund statements as it is in the government-wide statements.	(312,404)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(55,412,620)</u>
Net position of governmental activities	<u>\$ 14,009,233</u>

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

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUND
For the Year Ended June 30, 2014**

	<u>General</u>
REVENUES	
General property taxes	\$ 16,532,802
Other local taxes	3,706,500
Permits, privilege fees, and regulatory licenses	161,986
Fines and forfeitures	888,941
Revenue from use of money and property	219,217
Charges for services	1,065,606
Recovered costs	260,219
Other	240,188
Intergovernmental	<u>9,705,113</u>
Total revenues	<u>32,780,572</u>
EXPENDITURES	
Current operating:	
General government administration	2,412,477
Judicial administration	1,690,506
Public safety	6,676,032
Public works	2,019,165
Health and welfare	5,679,174
Education	8,040,810
Parks, recreation and cultural	976,479
Community development	1,176,400
Capital projects	3,095,262
Debt service:	
Principal retirement	4,190,481
Interest and other fiscal charges	<u>1,585,060</u>
Total expenditures	<u>37,541,846</u>
Excess of expenditures over revenues	<u>(4,761,274)</u>
OTHER FINANCING USES	
Transfers out	<u>(291,116)</u>
Total other financing uses	<u>(291,116)</u>
Net change in fund balance	<u>(5,052,390)</u>
FUND BALANCE AT JULY 1, 2013	<u>29,556,258</u>
FUND BALANCE AT JUNE 30, 2014	<u><u>\$ 24,503,868</u></u>

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

(Continued)

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUND
(Continued)**

For the Year Ended June 30, 2014

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

Net change in fund balance - total governmental fund **\$ (5,052,390)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$3,002,374) exceeds depreciation (\$2,318,315). 684,059

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 341,811

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 4,328,950

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In government-wide statements, however, issuing debt increases long term liabilities in the statement of net position and does not affect the statement of activities -

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. (62,831)

Change in net position of governmental activities **\$ 239,599**

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
General property taxes	\$ 16,433,850	\$ 16,433,850	\$ 16,532,802	\$ 98,952
Other local taxes	3,934,300	3,934,300	3,706,500	(227,800)
Permits, privilege fees, and regulatory licenses	165,650	165,650	161,986	(3,664)
Fines and forfeitures	877,250	877,250	888,941	11,691
Revenue from use of money and property	342,482	342,482	219,217	(123,265)
Charges for services	1,074,176	1,074,176	1,065,606	(8,570)
Recovered costs	276,449	276,449	260,219	(16,230)
Other	588,500	588,500	240,188	(348,312)
Intergovernmental	11,468,419	11,468,419	9,705,113	(1,763,306)
Total revenues	<u>35,161,076</u>	<u>35,161,076</u>	<u>32,780,572</u>	<u>(2,380,504)</u>
EXPENDITURES				
Current Operating:				
General government administration	2,686,537	2,690,537	2,412,477	278,060
Judicial administration	1,487,830	1,488,580	1,690,506	(201,926)
Public safety	6,858,760	7,008,010	6,676,032	331,978
Public works	2,135,514	2,135,514	2,019,165	116,349
Health and welfare	6,071,319	6,071,319	5,679,174	392,145
Education	7,813,459	7,813,459	8,040,810	(227,351)
Parks, recreation, and cultural	976,479	976,479	976,479	-
Community development	3,458,269	3,454,269	1,176,400	2,277,869
Capital Projects	10,666,255	10,666,255	3,095,262	7,570,993
Debt Service:				
Principal retirement	6,975,351	6,975,351	4,190,481	2,784,870
Interest and other fiscal charges	2,084,983	2,084,983	1,585,060	499,923
Total expenditures	<u>51,214,756</u>	<u>51,364,756</u>	<u>37,541,846</u>	<u>13,822,910</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (16,053,680)</u>	<u>\$ (16,203,680)</u>	<u>\$ (4,761,274)</u>	<u>\$ 11,442,406</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2014

	<u>Business-type Activity</u> <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,546
Receivables, net (Note 3)	229,957
Due from other governmental units (Note 4)	<u>71,842</u>
Total current assets	<u>313,345</u>
Noncurrent assets:	
Capital assets, net (Note 6)	<u>27,912,288</u>
Total noncurrent assets	<u>27,912,288</u>
Total assets	<u>28,225,633</u>
LIABILITIES	
Current liabilities:	
Accounts payable	149,463
Accrued interest payable	20,008
Bonds payable (Note 7)	392,795
Compensated absences and other post employment benefits (Note 7)	<u>14,674</u>
Total current liabilities	<u>576,940</u>
Noncurrent liabilities:	
Bonds payable (Note 7)	10,460,231
Compensated absences and other post employment benefits (Note 7)	<u>38,579</u>
Total noncurrent liabilities	<u>10,498,810</u>
Total liabilities	<u>11,075,750</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	<u>11,546</u>
NET POSITION	
Net investment in capital assets	17,059,262
Unrestricted	<u>79,075</u>
Total net position	<u>\$ 17,138,337</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Water revenues	\$ 1,177,948
Wastewater revenues	692,267
Service charges	31,385
Connection fees	20,830
Miscellaneous	3,886
Total operating revenues	<u>1,926,316</u>
OPERATING EXPENSES	
Salaries and wages	272,719
Employee benefits	135,690
Utilities and communication	75,669
Water and wastewater services	451,712
Water purchases	396,002
Project expenses	46,112
Repairs and maintenance	79,624
Insurance	6,145
Office supplies and miscellaneous	25,322
Depreciation and amortization	1,432,366
Total operating expenses	<u>2,921,361</u>
Operating loss	<u>(995,045)</u>
NON-OPERATING EXPENSES	
Interest expense	<u>(383,252)</u>
Total non-operating expenses	<u>(383,252)</u>
Loss before contributions and transfers	(1,378,297)
TRANSFERS IN	<u>291,116</u>
Change in position	(1,087,181)
NET POSITION JULY 1, 2013	<u>18,225,518</u>
NET POSITION JUNE 30, 2014	<u><u>\$ 17,138,337</u></u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 1,959,627
Payments to suppliers	(1,165,545)
Payments to employees	(264,517)
Other receipts	3,886
Net cash provided by operating activities	<u>533,451</u>
NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>291,116</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(60,094)
Principal payments on debt	(380,408)
Interest payments on debt	<u>(384,065)</u>
Net cash used in capital and related financing activities	<u>(824,567)</u>
Net change in cash and cash equivalents	-
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>11,546</u>
Ending at June 30	<u><u>\$ 11,546</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (995,045)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,432,366
Decrease in accounts receivable	37,197
Increase in accounts payable	50,731
Increase in accrued payroll and related liabilities	8,202
Net cash provided by operating activities	<u><u>\$ 533,451</u></u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Imputed interest	<u>9,416</u>
Capital asset purchases included in accounts payable at year end	<u><u>\$ 1,250</u></u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2014

	Agency Funds	Expendable Trust Fund Employee Retirement Plan
ASSETS		
Cash and cash equivalents	\$ 139,875	\$ 1,512,939
Accrued interest	4	-
Due from other governmental units	725	-
Total assets	<u>\$ 140,604</u>	<u>\$ 1,512,939</u>
LIABILITIES		
Amounts held for social services clients	\$ 138,917	\$ -
Amounts held for Carnegie fund	1,687	-
Amounts held for participants	-	1,512,939
Total liabilities	<u>\$ 140,604</u>	<u>\$ 1,512,939</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EXPENDABLE TRUST FUND
For the Year Ended June 30, 2014

	Employee Retirement Plan
ADDITIONS	
Plan member contributions	\$ 54,402
Investment income	233,487
Total additions	<u>287,889</u>
DEDUCTIONS	
Withdrawals	13,235
Transfers out	12,732
Life insurance	210
Administrative expenses	9,233
Total deductions	<u>35,410</u>
Change in net positions	252,479
Net position - beginning of the year	<u>1,260,460</u>
Net position - end of the year	<u><u>\$ 1,512,939</u></u>

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Smyth County School Board

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

Smyth County Economic Development Authority

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

The following entities are excluded from the financial statements:

Joint Ventures

Smyth-Bland Regional Library

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Smyth-Wythe Airport Commission

The County along with the Town of Marion, the Town of Wytheville, and the County of Wythe established the Smyth-Wythe Airport Commission. The County provides funding annually and appoints one member to the governing board. The County along with the Town of Marion appoints an additional member to the board. During the year the County provided \$48,583 to the airport. Complete financial statements of the Airport Commission can be obtained by contacting the Commission at 8223 Lee Highway, Rural Retreat, VA 24368.

Southwest Virginia Regional Jail Authority

The Southwest Virginia Regional Jail Authority was created by the County, the City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Washington, and Wise for the purpose of constructing and operating jail facilities for these participating localities. The County paid fees in the amount of \$1,477,662 during 2014 to the Authority.

Joint Venture – Discretely Presented Component Unit-EDA

Smyth-Washington Regional Industrial Facilities Authority

Smyth County Economic Development Authority and Washington County Industrial Development Authority created the Smyth-Washington Regional Industrial Facilities Authority (the “Authority”) for the purpose of promoting economic development in those counties. The EDA shares equally in the costs and revenue generated from the development of the Glade Highlands Industrial Park. The EDA reports its investment in the Authority as an equity interest. The investment balance in the Authority as of June 30, 2014, was \$1,866,997. Loss on the investment during the 2014 fiscal year was \$82,611. Complete financial statements for the Authority can be obtained at the administrative office located at 1021 Terrace Drive, Marion, VA 24354.

Related Organizations

Mount Rogers Community Services Board

The Mount Rogers Community Services Board was formed to provide mental health services to participating localities. The County provides funding to the board each year and is represented on the Mount Rogers Planning District Commission which oversees this board. The County provided \$166,022 to the board during the 2014 fiscal year.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

The Appalachian Juvenile Commission

The Appalachian Juvenile Commission (renamed from Highlands Juvenile Detention Center Commission) was organized in 1984 and is jointly governed by the Counties of Smyth, Washington, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, and Scott, the Cities of Bristol and Norton and the County. The County appoints two members to the governing board; however, the County is not financially accountable to the Commission. The County provided \$187,468 to the Commission in the 2014 fiscal year.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

The County reports the following major governmental fund:

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

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

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

Additionally, the County reports the following fund category:

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

D. Budgetary Information

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

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

Deferred Inflows of Resources

Deferred inflows of resources consists primarily of property taxes not collected within 60 days of year end and property taxes collected that are not yet due. For fiscal year 2014, deferred inflows of resources also consists of grant revenue unearned at June 30, 2014.

Compensated Absences

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

Long-term Obligations

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

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

Encumbrances

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

Estimates

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

Net Position

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

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

GASB 54 Fund Balance Reporting and Governmental Fund Type Definitions

Purpose

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

Components of Fund Balance

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; for all funds except the general fund, assigned fund balance is the residual fund balance classification;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

The County has no minimum fund balance requirement.

Resource Flow Policy

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

Net Position Flow Assumption

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2. Deposits and Investments

Deposits

All cash of the County and the discretely presented component units – School Board and EDA - are maintained in accounts covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 *et seq.* of the *Code of Virginia*. The County has restricted cash and cash equivalents of \$21,166,754 for school project and courthouse renovations.

Investments

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

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

Note 3. Receivables/Deferred Inflows of Resources

Receivables at June 30 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Taxes	\$ 22,652,681	\$ -
Accounts	<u>245,343</u>	<u>295,155</u>
Gross receivables	22,898,024	295,155
Less:		
Allowance for uncollectibles	<u>(653,036)</u>	<u>(65,198)</u>
Net total receivables	<u><u>\$ 22,244,988</u></u>	<u><u>\$ 229,957</u></u>

A receivable of \$170,570 is reflected in the EDA fund.

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

	<u>Unavailable Revenue</u>	<u>Deferred</u>
Property taxes receivable	\$ 21,393,916	\$ 18,013,660
Prepaid taxes – unearned	171,324	171,324
	<u>\$ 21,565,240</u>	<u>\$ 18,184,984</u>

Unearned revenue of \$11,546 for the business-type activities consists of grants received from Rural Development in advance of costs incurred on the water and sewer projects. Revenue will be recognized in the year the costs are incurred.

Note 4. Due from Other Governmental Units

Due from other governmental units consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 330,608	\$ -	\$ -
State sales tax	-	-	797,081
Communication tax	99,768	-	-
Categorical aid – shared expenses	226,147	-	-
Comprehensive services act	34,435	-	-
Virginia public assistance funds	106,913	-	-
Other categorical aid	65,677	-	392,610
Non-categorical aid	150,528	-	-
<u>Federal Government:</u>			
Federal public assistance funds	163,205	-	-
School improvement	-	-	122,824
CDBG Grant	7,925	-	-
Title I	-	-	549,117
Title II	-	-	105,010
Title IV-B	-	-	323,724
Pre-School handicapped	-	-	13,345
21 st Century Learning	-	-	19,136
Other federal aid	6,758	-	127,390
<u>Other:</u>			
Other Governmental units	69,336	71,842	438,155
	<u>\$ 1,261,300</u>	<u>\$ 71,842</u>	<u>\$ 2,888,392</u>

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5. Interfund Transfers

Interfund transfers are as follows:

<u>Transfer to Fund</u>	<u>Transfer From Fund</u>	<u>Amount</u>
Water and Sewer	General Fund	\$ 291,116

The general fund provided funds to cover operating and capital costs during the current year.

Note 6. Capital Assets

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

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 652,317	\$ -	\$ -	\$ 652,317
Construction in progress	23,766,673	2,481,727	(23,259,786)	2,988,614
Total capital assets, not depreciated	24,418,990	2,481,727	(23,259,786)	3,640,931
Capital assets, depreciated:				
Infrastructure	56,660	-	-	56,660
Buildings and improvements	28,800,793	23,361,909	(240,500)	51,922,202
Machinery and equipment	8,734,360	449,840	(65,603)	9,118,597
Total capital assets, depreciated	37,591,813	23,811,749	(306,103)	61,097,459
Less accumulated depreciation for:				
Infrastructure	(14,701)	(1,700)	-	(16,401)
Buildings and improvements	(16,147,932)	(1,662,341)	209,184	(17,601,089)
Machinery and equipment	(4,682,096)	(654,274)	65,603	(5,270,767)
Total accumulated depreciation	(20,844,729)	(2,318,315)	274,787	(22,888,257)
Capital assets, depreciated, net	16,747,084	21,493,434	(31,316)	38,209,202
Governmental activities capital assets, net	<u>\$ 41,166,074</u>	<u>\$ 23,975,161</u>	<u>\$ (23,291,102)</u>	<u>\$ 41,850,133</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Construction in progress	439,153	32,247	-	471,400
Total capital assets, not depreciated	483,984	32,247	-	516,231
Capital assets, depreciated:				
Utility system	47,167,562	5,700	-	47,173,262
Machinery and equipment	604,026	19,828	-	623,854
Capital assets, depreciated	47,771,588	25,528	-	47,797,116
Less: accumulated depreciation for:				
Utility system	(18,536,044)	(1,374,770)	-	(19,910,814)
Machinery and equipment	(432,649)	(57,596)	-	(490,245)
Total accumulated depreciation	(18,968,693)	(1,432,366)	-	(20,401,059)
Capital assets, depreciated, net	28,802,895	(1,406,838)	-	27,396,057
Business-type activities capital assets, net	<u>\$ 29,286,879</u>	<u>\$ (1,374,591)</u>	<u>\$ -</u>	<u>\$ 27,912,288</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 154,575
Judicial administration	82,203
Public safety	634,916
Public works	47,019
Health and welfare	27,608
Education	1,330,787
Parks, recreation, and cultural	41,207
	<u>2,318,315</u>
Business-type activities:	
Water and Sewer	<u>1,432,366</u>
Total depreciation expense – primary government	<u>\$ 3,750,681</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6. Capital Assets (Continued)

Primary Government (Continued)

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

Project	Amount Spent to Date	Remaining Commitment
Burwil Construction-Courthouse	\$ 13,796,000	\$ 13,346,327
Gay & Neel-Groseclose Sewer	166,700	12,050
RRMM Architects-School Projects	1,665,436	6,325
Burwil Construction-School Projects	22,512,084	608,161
Moseley-Courthouse Renovations	<u>1,743,563</u>	<u>415,311</u>
Total	<u>\$ 39,883,783</u>	<u>\$ 14,388,174</u>

Discretely Presented Component Unit – School Board

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

Discretely Presented Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Construction in progress	<u>1,754,395</u>	<u>108,456</u>	<u>(1,841,561)</u>	<u>21,290</u>
Total capital assets, not depreciated	<u>2,598,858</u>	<u>108,456</u>	<u>(1,841,561)</u>	<u>865,753</u>
Capital assets, depreciated:				
Buildings and improvements	15,008,967	2,132,110	-	17,141,077
Machinery and equipment	<u>7,191,831</u>	<u>622,713</u>	<u>(156,858)</u>	<u>7,657,686</u>
Total capital assets, depreciated	<u>22,200,798</u>	<u>2,754,823</u>	<u>(156,858)</u>	<u>24,798,763</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,037,752)	(452,853)	(209,184)	(10,699,789)
Machinery and equipment	<u>(4,076,314)</u>	<u>(542,599)</u>	<u>155,884</u>	<u>(4,463,029)</u>
Total accumulated depreciation	<u>(14,114,066)</u>	<u>(995,452)</u>	<u>(53,300)</u>	<u>(15,162,818)</u>
Capital assets, depreciated, net	<u>8,086,732</u>	<u>1,759,371</u>	<u>(210,158)</u>	<u>9,635,945</u>
School Board capital assets, net	<u>\$ 10,685,590</u>	<u>\$ 1,867,827</u>	<u>\$ (2,051,719)</u>	<u>\$ 10,501,698</u>

Total depreciation expense recorded in fiscal year 2014 was \$995,452. All depreciation expense of the School Board was charged to the education function.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit – Economic Development Authority

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

Discretely Presented Component Unit - Economic Development Authority	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 3,874,698	\$ 933,059	\$ -	\$ 4,807,757

Note 7. Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 42,001,335	\$ -	\$ 3,586,739	\$ 38,414,596	\$ 1,449,426
Literary fund loans	4,797,881	-	592,211	4,205,670	520,061
School construction bonds	11,525,893	-	150,000	11,375,893	357,354
Total bonds payable	58,325,109	-	4,328,950	53,996,159	2,326,841
Landfill closure/ post-closure	298,328	4,177	-	302,505	-
Compensated absences	618,978	17,666	-	636,644	477,483
Other post-employment benefits	404,454	109,289	36,431	477,312	-
	<u>\$ 59,646,869</u>	<u>\$ 131,132</u>	<u>\$ 4,365,381</u>	<u>\$ 55,412,620</u>	<u>\$ 2,804,324</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 5,287,434	\$ -	\$ 109,408	\$ 5,178,026	\$ 112,795
Revenue bonds	5,946,000	-	271,000	5,675,000	280,000
Total bonds payable	11,233,434	-	380,408	10,853,026	392,795
Compensated absences	16,505	3,060	-	19,565	14,674
Other post-employment benefits	28,546	7,711	2,569	33,688	-
	<u>\$ 11,278,485</u>	<u>\$ 10,771</u>	<u>\$ 382,977</u>	<u>\$ 10,906,279</u>	<u>\$ 407,469</u>
Component Unit					
School Board:					
Compensated absences	\$ 575,625	\$ -	\$ 44,400	\$ 531,225	\$ 118,835
Other post-employment benefits	698,000	355,000	221,000	832,000	-
	<u>\$ 1,273,625</u>	<u>\$ 355,000</u>	<u>\$ 265,400</u>	<u>\$ 1,363,225</u>	<u>\$ 118,835</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Other Long-Term Debt		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,449,426	\$ 1,385,444	\$ 877,415	\$ 84,835	\$ 392,795	\$ 363,903
2016	11,787,982	1,346,941	859,813	73,712	404,316	351,491
2017	1,175,185	1,005,892	1,144,813	62,590	417,980	338,654
2018	1,213,384	974,993	1,162,788	51,467	428,793	325,338
2019	1,256,751	937,876	1,179,953	40,585	444,761	311,650
2020-2024	7,122,577	3,960,757	5,137,067	106,998	2,446,211	1,334,941
2025-2029	8,410,815	2,401,595	3,567,653	12,727	2,867,695	912,647
2030-2034	5,998,476	435,075	1,553,385	-	1,264,384	527,771
2035-2039	-	-	98,676	-	936,382	348,172
2040-2044	-	-	-	-	1,057,099	141,960
2045-2049	-	-	-	-	190,299	17,351
2050-2054	-	-	-	-	2,311	14
	<u>\$ 38,414,596</u>	<u>\$ 12,448,573</u>	<u>\$ 15,581,563</u>	<u>\$ 432,914</u>	<u>\$ 10,853,026</u>	<u>\$ 4,973,892</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
General Obligation Bonds:						
Landfill	4.5%	03/26/96	2016	\$ 1,129,000	\$ 122,935	\$ -
School Construction	4.9 – 6.35	11/12/92	2012	214,010	-	-
School Construction	5.1 – 6.1	12/21/95	2015	3,430,007	434,141	-
School Construction	4.975 – 5.85	11/01/00	2020	1,836,901	758,881	-
School Construction	4.1-5.6	11/10/04	2024	117,994	72,303	-
Virginia Resource Authority	2.5	10/17/01	2032	133,000	-	92,317
Virginia Resource Authority	0% Coupon	03/05/04	2034	503,049	-	341,200
Virginia Resource Authority	0	11/26/08	2029	473,000	-	354,750
Rural Development Administration	3.250	02/14/05	2045	1,500,000	-	1,332,792
Rural Development Administration	4.375	05/26/04	2044	2,735,500	-	2,450,852
Rural Development Administration	4.00	2/11/10	2049	123,500	-	115,719
Rural Development Administration	2.375	2/11/10	2049	121,500	-	116,725
Rural Development Administration	4.50	02/13/09	2048	500,000	-	481,796
General Obligation Bond Series 2011A	2.0-5.0%	12/5/11	2032	26,985,000	25,220,000	-
General Obligation Bond Series 2011B	3%	12/5/11	2016	12,500,000	10,330,000	-
General Obligation Refunding Bond Series 2012	3.25%	4/25/12	2030	6,208,000	-	5,675,000
					36,938,260	10,961,151
Bond Premiums					1,476,336	-
Imputed Interest	4%				-	(108,125)
					<u>\$ 38,414,596</u>	<u>\$ 10,853,026</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7. Long-Term Debt (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>Other Long-Term Debt:</u>						
State Literary Fund Loan	2.0	04/01/99	2019	\$ 893,655	\$ 223,425	\$ -
State Literary Fund Loan	2.0	03/15/99	2019	1,777,000	444,250	-
State Literary Fund Loan	2.0	10/01/96	2016	125,500	-	-
State Literary Fund Loan	2.0	07/15/98	2018	90,000	22,500	-
State Literary Fund Loan	2.0	07/15/98	2018	1,240,000	310,000	-
State Literary Fund Loan	2.0	01/15/98	2018	1,770,000	442,500	-
State Literary Fund Loan	2.0	03/01/98	2018	557,000	111,400	-
State Literary Fund Loan	2.0	07/01/97	2017	115,000	-	-
State Literary Fund Loan	2.0	08/01/99	2019	187,873	56,371	-
State Literary Fund Loan	2.0	04/01/02	2024	2,418,692	1,347,719	-
State Literary Fund Loan	2.0	04/01/02	2024	2,146,934	1,197,888	-
State Literary Fund Loan	2.0	04/01/02	2022	124,041	49,617	-
Qualified School Construction Bond	0	10/31/2012	2034	2,170,893	2,170,893	-
Qualified School Construction Bond	0	12/15/2011	2031	9,500,000	9,205,000	-
					<u>\$ 15,581,563</u>	<u>\$ -</u>

Note 8. Landfill Closure and Post-Closure Care Costs

The County owns a closed landfill and operates a transfer station. Although the landfill closed in 1995, state and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for ten years after closure. During the fiscal year 2006, the County performed gas remediation activities and the post-closure period was projected to continue for an additional five years. The \$302,505 reported as landfill closure and post-closure care liability at June 30, 2014 represents the post-closure activities for the additional three year period required after the maintenance and monitoring period has ended and closure costs for the transfer station. The amounts are based on what it would cost to perform all closure and post-closure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

School Board

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

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Money in an amount equal to the proceeds received is then provided to the School Board to pay for capital expenditures. Any unspent money at year-end is transferred to the County.
2. The primary government’s budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments as payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be \$49,444,276. That amount is obtained as follows:

Expenditures of School Board – Component Unit (Exhibit B-2)	\$ 45,578,017
Principal and other debt service expenditures included in primary government	<u>3,866,259</u>
Total expenditures for school activities	<u>\$ 49,444,276</u>

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Economic Development Authority

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

As of June 30, 2014, the EDA owed the General Fund \$145,570 for payments made by the General Fund on EDA related projects.

Note 10. Pension Plan

Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer pension plan administered by the Virginia Retirement System (the "System"). In addition, professional and non-professional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

With the VRS Plan, the System administers three different benefit plans for local government employees –Plan 1, Plan 2, and Hybrid Each plan has different eligibility and benefit structures as set out in the table below:

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

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

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Eligible Members Employees are in VRS 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>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>Eligible Members Employees are in VRS 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 VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</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"> • State employees* • School division employees • Political subdivision employees* • Judges appointed or elected to an original term on or after January 1, 2014 • Members in VRS Plan 1 or VRS 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 <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"> • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees
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(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

		<p>Eligible Members (continued) 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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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 Same as VRS Plan 1.</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>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<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 VRS 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. <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>
<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>Vesting Same as VRS 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. VRS Plan 1 or VRS 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>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Vesting (continued) Members are always 100% vested in the contributions that they make.</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> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under VRS Plan 1</p>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Calculating the Benefit (continued) It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>		<p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Normal Retirement Age Age 65.</p>	<p>Normal Retirement Age Normal Social Security retirement age.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as VRS Plan 2.</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 Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at 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>Hazardous duty members are eligible for an unreduced retirement benefit at 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 Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach 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>Hazardous duty members are eligible for an unreduced retirement benefit at 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 <u>Defined Benefit Component:</u> Members are eligible for an unreduced retirement benefit when they reach 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><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as 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 Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

		<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><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>	<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 VRS Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as VRS Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as VRS Plan 1 and VRS Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as VRS Plan 1 and VRS Plan 2.</p>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p><u>Exceptions to COLA Effective Dates (continued):</u></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>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>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>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
AT June 30, 2014**

NOTE 10 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

<p>Disability Coverage (continued) Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</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 (continued) Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</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 (continued) State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or 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 VRS Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as VRS Plan 1.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Pension Plan (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was 17.90% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2014 were 16.66% for professional employees and 15.86% for non-professional employees. The County and School Board's contribution rates include the employer's share of 5% paid by the employer.

For the three years ended June 30, 2014, 2013, and 2012, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$3,926,743, \$3,949,273, and \$2,668,197 and represented 16.66%, 16.66%, and 11.33% of annual covered payroll, respectively, and 100% of the required contributions for 2014, 2013, and 2012.

Annual Pension Cost

For fiscal year ended June 30, 2014, the County and School Board's annual pension costs of \$1,346,323 and \$390,307, respectively, for VRS were equal to their required and actual contributions. The FY2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers and sheriffs, and (c) a cost of living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 10. Pension Plan (Continued)

Three-Year Trend Information for the County of Smyth			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 1,346,323	100%	\$ -
June 30, 2013	\$ 1,307,633	100%	\$ -
June 30, 2012	\$ 990,416	100%	\$ -

Three-Year Trend Information for the County of Smyth School Board Non-Professional			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 390,307	100%	\$ -
June 30, 2013	\$ 402,464	100%	\$ -
June 30, 2012	\$ 299,579	100%	\$ -

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 73.52% funded for the County and 75.66% funded for the School Board. The actuarial accrued liability for benefits was \$39,184,561 for the County and \$12,187,410 for the School Board and the actuarial value of assets was \$28,806,633 for the County and \$9,221,509 for the School Board, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,377,928 for the County and \$2,965,901 for the School Board. The covered payroll (annual payroll of active employees covered by the plan) was \$7,373,065 for the County and \$2,528,204 for the School Board, and ratio of the UAAL to the covered payroll was 140.75% for the County and 117.31% for the School Board.

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 liability for benefits.

Note 11. Other Post-Employment Benefits

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11. Other Post-Employment Benefits (Continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the County and School Board's annual OPEB costs of \$117,000 and \$355,000, respectively, were equal to the Annual Required Contribution (ARC).

	Primary Government	School Board
Annual required contribution	\$ 118,000	\$ 356,000
Interest on net OPEB obligation	17,000	28,000
Adjustment to annual required contribution	(18,000)	(29,000)
Annual OPEB cost	117,000	355,000
Contributions made	(39,000)	(221,000)
Increase in net OPEB obligation	78,000	134,000
Net OPEB obligation-beginning of year	433,000	698,000
Net OPEB obligation-end of year	<u>\$ 511,000</u>	<u>\$ 832,000</u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 117,000	33.3%	\$ 511,000
June 30, 2013	\$ 117,000	29.1%	\$ 433,000
June 30, 2012	\$ 125,000	35.2%	\$ 350,000

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 355,000	62.3%	\$ 832,000
June 30, 2013	\$ 342,000	65.5%	\$ 698,000
June 30, 2012	\$ 327,000	64.5%	\$ 580,000

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11. Other Post-Employment Benefits (Continued)

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2013 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Accrued Liability (AAL)	\$ 1,443,000	\$ 4,741,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,443,000	4,741,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	7,637,173	26,781,633
UAAL as a Percentage of Covered Payroll	18.89%	17.70%

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used to determine liabilities. Under this method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2014 is 24 years.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11. Other Post-Employment Benefits (Continued)

Plan Description

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

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

The number of participants at June 30, 2014 was as follows:

	Primary	
	<u>Government</u>	<u>School Board</u>
Retirees currently receiving benefits	12	104
Active employees	188	718
Total	<u>200</u>	<u>822</u>

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2014, neither the County nor the Schools designated any funding for the OPEB liability.

Note 12. Property Taxes

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12. Property Taxes (Continued)

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

Note 13. Risk Management

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

Note 14. Leases

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

Note 15. Commitments and Contingencies

Purchase Commitments

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 15. Commitments and Contingencies (Continued)

Purchase Commitments (Continued)

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

The County entered into an agreement with a certain Town to purchase up to 256,000 gallons of water per day at a rate of \$20.50 for first 5,000 gallons, the next 495,000 gallons at a rate of \$3.51 and over 500,000 gallons at a rate of \$2.81 subject to increase of commercial rate capped at 2%. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County.

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

Other Commitments

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

Special Purpose Grants

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

Note 16. Intergovernmental Agreements

Mountain Empire Regional Wastewater Facility

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

The user charge is determined monthly. The County also remits a semi-annual payment for debt service which ended February 2014. The term of the agreement ends August 2030 and is renewable for an additional 40-year period. During fiscal year 2014, the County remitted a total of \$284,416 to Marion. As part of the agreement, Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 16. Intergovernmental Agreements (Continued)

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie ("Chilhowie") for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater. The user charge is determined each month based on a percentage of the plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2014, the County remitted a total of \$134,024 to Chilhowie. As part of the agreement, Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Saltville-Smyth County Regional Wastewater Treatment Facility

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

The term of agreement ends March 2041 and is renewable for a term of 40 years. During fiscal year 2014, the County remitted a total of \$15,237 to Saltville in user charges. As part of the agreement, Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 17. Net Position/Fund Balance

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

	Primary Government General Fund
Fund Balances:	
Nonspendable:	
Prepaid Expenses	\$ 181,436
Restricted for:	
E-911	277,857
Community Development	60,000
School Construction Project	2,056,498
Courthouse Project	18,491,831
DARE	32,397
Public Safety	43,153
Commonwealth Attorney	279,716
Courthouse Security	94,355
Total Restricted	\$ 21,335,807

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 17. Net Position/Fund Balance (Continued)

	Primary Government General Fund
	<hr/>
Fund Balances (continued):	
Assigned to:	
Animal Control	\$ 71,786
	<hr/>
	Discretely Presented Component Unit
	<hr/>
	School Board
	<hr/>
Fund Balances:	
Nonspendable:	
Inventory	\$ 81,476
Prepaid Expenses	721,896
	<hr/>
Total Nonspendable	\$ 803,372
	<hr/>
Assigned to:	
Textbooks	\$ 937,576
Food Services	458,028
	<hr/>
Total Assigned	\$ 1,395,604
	<hr/>

Note 18. New Accounting Standards

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* amends GASB Statement No. 27. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 18. New Accounting Standards (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* is an amendment of GASB Statement No. 68 and the provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68.

Management has not yet evaluated the effects, if any, of adopting the other standards above, but does not expect them to be material.

Note 19. Section 457 Deferred Compensation Plan

The County has a Section 457 Deferred Compensation Plan for their employees that has been in existence for several years. It was discovered during the June 30, 2014 audit that the Plan has never been accounted for in the fiduciary funds of the County as it should be in accordance with Governmental Accounting Standards Board No. 32 – *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Plan assets and liabilities have been recorded at Exhibit 9 and A-1.

Note 20. Subsequent Events

The County entered into a parking garage agreement with the Town of Marion. The agreement was dated July 7, 2014. The County and Town have negotiated a new agreement to solidify the percentage share provided in the 2009 Agreement for future repair and renovations of the parking facility and clarify responsibilities with regard to basic upkeep and maintenance throughout the year. The cost sharing agreement for future renovations or repairs of the parking garage is as follows: County pays 54.75% and Town pays 45.25% for any future renovations or repairs. The agreement provided for other provisions and the division of costs between the County and Town.

The County signed a grant application for \$109,800 in funding from the Tobacco Commission for the engineering design, environmental assessment, and permitting for the proposed Seven Mile Ford Sewer Project.

The Board of Supervisors proposed to authorize the issuance of a line of credit or revenue anticipation note in anticipation of the collection of the taxes and revenues of the County pursuant to the Section 15.2-2629 of the Code of Virginia of 1950, as amended. The Board of Supervisors hereby authorizes the issuance and sale of the County's line of credit or revenue anticipation note in the maximum principal amount of \$5,000,000 in anticipation of the collection of the taxes and revenues of the County for the fiscal year ending June 30, 2015, pursuant to Section 15.2-2629 of the Virginia Code.

In October 2014, the County approved a Bond Sale Agreement with the Virginia Public School Authority (VPSA) in the amount of \$13,275,000 with proceeds requested of \$12,220,000.



REQUIRED SUPPLEMENTARY INFORMATION



COUNTY OF SMYTH, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress
As of June 30, 2014

DEFINED BENEFIT PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio Assets as Percentage of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. Smyth County						
June 30, 2013	\$ 28,806,633	\$ 39,184,561	\$ 10,377,928	73.52%	\$ 7,373,065	140.75%
June 30, 2012	\$ 27,926,944	\$ 38,842,525	\$ 10,915,581	71.90%	\$ 7,031,202	155.24%
June 30, 2011	\$ 28,273,501	\$ 37,432,773	\$ 9,159,272	75.53%	\$ 7,011,820	130.63%
B. Smyth County Schools Non-professional Employees						
June 30, 2013	\$ 9,221,509	\$ 12,187,410	\$ 2,965,901	75.66%	\$ 2,528,204	117.31%
June 30, 2012	\$ 9,175,924	\$ 12,298,361	\$ 3,122,437	74.61%	\$ 2,491,408	125.33%
June 30, 2011	\$ 9,446,295	\$ 11,845,671	\$ 2,399,376	79.74%	\$ 2,507,730	95.68%

OTHER POST-EMPLOYMENT BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio Assets as Percentage of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. Smyth County						
July 1, 2013	\$ -	\$ 1,443,000	\$ 1,443,000	0.00%	\$ 7,637,173	18.89%
July 1, 2012	\$ -	\$ 1,365,000	\$ 1,365,000	0.00%	\$ 7,298,702	18.70%
July 1, 2011	\$ -	\$ 1,354,000	\$ 1,354,000	0.00%	\$ 7,070,980	19.15%
B. Smyth County School Board						
July 1, 2013	\$ -	\$ 4,741,000	\$ 4,741,000	0.00%	\$ 26,781,633	17.70%
July 1, 2012	\$ -	\$ 4,627,000	\$ 4,627,000	0.00%	\$ 27,332,248	16.93%
July 1, 2011	\$ -	\$ 4,087,000	\$ 4,087,000	0.00%	\$ 27,199,166	15.03%



OTHER SUPPLEMENTARY INFORMATION



FIDUCIARY 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.

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



COUNTY OF SMYTH, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Funds</u>			<u>Expendable Trust Fund</u>
	<u>Special Welfare</u>	<u>Carnegie</u>	<u>Total</u>	<u>Employee Retirement Plan</u>
ASSETS				
Cash and cash equivalents	\$ 138,188	\$ 1,687	\$ 139,875	\$ 1,512,939
Accrued interest	4	-	4	-
Due from other governmental units	725	-	725	-
Total assets	<u>\$ 138,917</u>	<u>\$ 1,687</u>	<u>\$ 140,604</u>	<u>\$ 1,512,939</u>
LIABILITIES				
Amounts held for social services clients	\$ 138,917	-	\$ 138,917	-
Amounts held for Carnegie fund	-	1,687	1,687	-
Amounts held for participants	-	-	-	1,512,939
Total liabilities	<u>\$ 138,917</u>	<u>\$ 1,687</u>	<u>\$ 140,604</u>	<u>\$ 1,512,939</u>



DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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



COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2014

	<u>School Operating</u>
ASSETS	
Cash and cash equivalents	\$ 1,394,618
Due from primary government	4,110,127
Due from other governmental units	2,888,392
Accrued interest	1,064
Prepaid expense	721,896
Inventories	<u>81,476</u>
Total assets	<u><u>\$ 9,197,573</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 180,973
Accrued payroll and related liabilities	<u>4,148,972</u>
Total liabilities	<u>4,329,945</u>
Fund Balance:	
Nonspendable	803,372
Restricted	-
Committed	-
Assigned	1,395,604
Unassigned	<u>2,668,652</u>
Total fund balance	<u>4,867,628</u>
Total liabilities and fund balance	<u><u>\$ 9,197,573</u></u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balance	\$ 4,867,628
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	10,501,698
Long-term liabilities, including compensated absences and other post-employment benefits are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(1,363,225)</u>
Net position of governmental activities	<u><u>\$ 14,006,101</u></u>

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2014**

	School Operating
REVENUES	
Revenue from use of money and property	\$ 2,659
Charges for services	1,452,017
Miscellaneous	17,338
Recovered costs	401,685
Intergovernmental	<u>43,592,843</u>
Total revenues	<u>45,466,542</u>
EXPENDITURES	
Current:	
Instruction	34,804,207
Administration, attendance and health	1,500,217
Transportation	2,275,289
Operation and maintenance	4,291,235
School nutrition	2,521,934
Capital projects	<u>185,135</u>
Total expenditures	<u>45,578,017</u>
Excess of expenditures over revenues	(111,475)
OTHER FINANCING SOURCES	
Insurance recovery	<u>8,693</u>
Total other financing sources	<u>8,693</u>
Net change in fund balance	(102,782)
FUND BALANCE AT JULY 1, 2013	<u>4,970,410</u>
FUND BALANCE AT JUNE 30, 2014	<u><u>\$ 4,867,628</u></u>

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

Net change in fund balance	\$ (102,782)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$1,031,599) exceeds depreciation (\$961,329).	(183,892)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(89,600)</u>
Change in net position of governmental activities	<u><u>\$ (376,274)</u></u>

COUNTY OF SMYTH, VIRGINIA

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

For the Year Ended June 30, 2014

	School Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 11,750	\$ 11,750	\$ 2,659	\$ (9,091)
Charges for services	1,810,208	1,810,208	1,452,017	(358,191)
Miscellaneous	418,051	418,051	17,338	(400,713)
Recovered costs	347,444	347,444	401,685	54,241
Intergovernmental	44,192,799	44,192,799	43,592,843	(599,956)
Total revenues	46,780,252	46,780,252	45,466,542	(1,313,710)
EXPENDITURES				
Current:				
Instruction	35,758,367	35,758,367	34,804,207	954,160
Administration, attendance and health	1,602,304	1,602,304	1,500,217	102,087
Transportation	2,256,299	2,256,299	2,275,289	(18,990)
Operation and maintenance	4,252,996	4,252,996	4,291,235	(38,239)
School nutrition	3,033,210	3,033,210	2,521,934	511,276
Capital projects	185,138	185,138	185,135	3
Total expenditures	47,088,314	47,088,314	45,578,017	1,510,297
Excess of revenues over (under) expenditures	(308,062)	(308,062)	(111,475)	196,587
OTHER FINANCING SOURCES				
Proceeds from school construction bonds	487,113	487,113	-	(487,113)
Insurance recovery	-	-	8,693	8,693
Total other financing sources	487,113	487,113	8,693	(478,420)
Net change in fund balance	\$ 179,051	\$ 179,051	\$ (102,782)	\$ (281,833)



SUPPORTING SCHEDULES



COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,398,000	\$ 10,398,000	\$ 10,153,057	\$ (244,943)
Public service corporation taxes	950,000	950,000	903,828	(46,172)
Personal property taxes	2,519,000	2,519,000	2,806,614	287,614
Mobile home taxes	103,500	103,500	100,141	(3,359)
Machinery and tools taxes	1,967,600	1,967,600	2,042,577	74,977
Merchant's capital taxes	197,500	197,500	218,508	21,008
Special assessment taxes	23,250	23,250	-	(23,250)
Penalties and interest	275,000	275,000	308,077	33,077
Total General Property Taxes	16,433,850	16,433,850	16,532,802	98,952
Other local taxes:				
Local sales and use taxes	2,100,000	2,100,000	1,802,518	(297,482)
Consumers' utility taxes	543,000	543,000	589,217	46,217
Local consumption tax	93,000	93,000	103,177	10,177
Communication tax	660,000	660,000	592,069	(67,931)
Franchise license taxes	4,500	4,500	-	(4,500)
Motor vehicle licenses	263,800	263,800	477,185	213,385
Taxes on recordation and wills	185,000	185,000	89,568	(95,432)
Special conveyance tax	25,000	25,000	24,542	(458)
Lodging tax	60,000	60,000	28,224	(31,776)
Total Other Local Taxes	3,934,300	3,934,300	3,706,500	(227,800)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	154,150	154,150	145,749	(8,401)
Animal licenses	11,500	11,500	16,237	4,737
Total Permits, Privilege Fees, and Regulatory Licenses	165,650	165,650	161,986	(3,664)
Fines and forfeitures	877,250	877,250	888,941	11,691
Revenue from use of money and property:				
Revenue from use of money	203,408	203,408	171,143	(32,265)
Revenue from use of property	139,074	139,074	48,074	(91,000)
Total Revenue from Use of Money and Property	342,482	342,482	219,217	(123,265)
Charges for services:				
Sheriff's fees	2,076	2,076	2,199	123
Courthouse maintenance	24,000	24,000	25,916	1,916
Courthouse security fees	126,000	126,000	136,321	10,321
Commonwealth's attorney	3,500	3,500	4,334	834
Prisoners	15,000	15,000	6,949	(8,051)
Correction and detention	100	100	-	(100)
Court appointed attorney	500	500	700	200
Law library fees	7,000	7,000	7,185	185
Sanitation and waste removal	896,000	896,000	882,002	(13,998)
Total Charges for Services	1,074,176	1,074,176	1,065,606	(8,570)

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Recovered costs:				
Rye Valley water salary reimbursement	\$ 91,988	\$ 91,988	\$ 34,343	\$ (57,645)
Insurance recoveries	35,000	35,000	37,677	2,677
Local board of welfare	11,000	11,000	11,531	531
School resource officer	84,000	84,000	84,000	-
Other recovered costs	54,461	54,461	92,668	38,207
Total recovered costs	<u>276,449</u>	<u>276,449</u>	<u>260,219</u>	<u>(16,230)</u>
Other revenue:				
Payments in lieu of taxes	-	-	97,971	97,971
Miscellaneous	588,500	588,500	142,217	(446,283)
Total Other Revenue	<u>588,500</u>	<u>588,500</u>	<u>240,188</u>	<u>(348,312)</u>
Total Revenue from Local Sources	<u>23,692,657</u>	<u>23,692,657</u>	<u>23,075,459</u>	<u>(617,198)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	44,000	44,000	49,359	5,359
Motor vehicle rental tax	2,300	2,300	2,725	425
Personal Property Tax Relief Act	1,804,310	1,804,310	1,804,316	6
Rolling stock taxes	38,000	38,000	37,561	(439)
State recordation tax	-	-	33,941	33,941
Total Non-categorical Aid	<u>1,888,610</u>	<u>1,888,610</u>	<u>1,927,902</u>	<u>39,292</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	460,678	460,678	455,925	(4,753)
Sheriff	1,607,633	1,607,633	1,615,430	7,797
Clerk of Court	285,073	285,073	316,357	31,284
Commissioner of the Revenue	105,959	105,959	106,520	561
Treasurer	104,508	104,508	104,177	(331)
Registrar/Electoral Board	57,694	57,694	41,504	(16,190)
Total Shared Expenses	<u>2,621,545</u>	<u>2,621,545</u>	<u>2,639,913</u>	<u>18,368</u>
Other categorical aid:				
Life EMS	29,000	29,000	28,012	(988)
National Forest	12,682	12,682	1,699	(10,983)
Litter control grant	5,000	5,000	9,124	4,124
Public assistance and welfare administration	1,430,970	1,430,970	1,404,773	(26,197)
Victim witness	45,200	45,200	48,406	3,206
E-911 grant	41,000	41,000	41,068	68
Fire programs	60,000	60,000	67,220	7,220
Comprehensive Services Act program	587,079	587,079	382,605	(204,474)
Asset forfeiture funds	24,500	24,500	2,640	(21,860)
Tobacco grant	1,730,000	1,730,000	-	(1,730,000)
School resource officer	-	-	61,724	61,724
Circuit court clerk grant	-	-	17,304	17,304
VDOT parttime payroll reimbursement	-	-	34,800	34,800
Community oriented policing service	-	-	3,852	3,852
Law enforcement block grant	5,000	5,000	1,710	(3,290)
Court technology trust fund grant	30,000	30,000	-	(30,000)
Court record preservation grant	25,000	25,000	19,692	(5,308)
Other state aid	22,557	22,557	40,865	18,308
Total other categorical aid	<u>4,047,988</u>	<u>4,047,988</u>	<u>2,165,494</u>	<u>(1,882,494)</u>
Total categorical aid	<u>6,669,533</u>	<u>6,669,533</u>	<u>4,805,407</u>	<u>(1,864,126)</u>
Total Revenue from the Commonwealth	<u>8,558,143</u>	<u>8,558,143</u>	<u>6,733,309</u>	<u>(1,824,834)</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,306,771	\$ 2,306,771	\$ 2,264,541	\$ (42,230)
Emergency preparedness grant	7,500	7,500	35,100	27,600
Community development block grant	505,405	505,405	328,763	(176,642)
Commonwealth attorney federal asset forfeiture	4,000	4,000	311,615	307,615
Sheriff federal drug asset forfeiture	3,600	3,600	-	(3,600)
Homeland security grant	5,000	5,000	-	(5,000)
Stormwater grant	18,000	18,000	13,423	(4,577)
Department of Transportation-highway safety	40,000	40,000	15,812	(24,188)
Department of Transportation-alcohol safety	20,000	20,000	2,550	(17,450)
Total Categorical Aid	<u>2,910,276</u>	<u>2,910,276</u>	<u>2,971,804</u>	<u>61,528</u>
Total Revenue from the Federal Government	<u>2,910,276</u>	<u>2,910,276</u>	<u>2,971,804</u>	<u>61,528</u>
Total Intergovernmental Revenues	<u>11,468,419</u>	<u>11,468,419</u>	<u>9,705,113</u>	<u>(1,763,306)</u>
Total General Fund	<u><u>\$35,161,076</u></u>	<u><u>\$35,161,076</u></u>	<u><u>\$32,780,572</u></u>	<u><u>\$ (2,380,504)</u></u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School Operating Fund:				
Revenue from local services:				
Revenue from the use of money	\$ 11,000	\$ 11,000	\$ 1,909	\$ (9,091)
Revenue from the use of property	750	750	750	-
Tuition and payments from other divisions	381,000	381,000	457,068	76,068
Cafeteria sales	1,329,208	1,329,208	848,472	(480,736)
Charges for Medicaid payments	100,000	100,000	146,477	46,477
Miscellaneous revenue	-	-	17,338	17,338
Textbooks	418,051	418,051	-	(418,051)
Sale of supplies	20,000	20,000	17,118	(2,882)
Other recovered costs	327,444	327,444	384,567	57,123
Total revenue from local services	<u>2,587,453</u>	<u>2,587,453</u>	<u>1,873,699</u>	<u>(713,754)</u>
Intergovernmental revenues:				
Revenue from local governments:				
Contribution from County of Smyth, Virginia	<u>8,025,600</u>	<u>8,025,600</u>	<u>7,985,331</u>	<u>(40,269)</u>
Revenue from the Commonwealth:				
Share of state sales tax	4,590,628	4,590,628	4,492,894	(97,734)
Basic school aid	15,994,271	15,994,271	15,773,602	(220,669)
Remedial summer education	96,565	96,565	132,083	35,518
Regular foster care	61,735	61,735	22,404	(39,331)
Adult secondary education	11,961	11,961	-	(11,961)
Gifted and talented	167,636	167,636	165,143	(2,493)
Remedial education	652,324	652,324	642,620	(9,704)

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Commonwealth (Continued):				
Special education	\$ 1,862,222	\$ 1,862,222	\$ 1,834,518	\$ (27,704)
Textbook payment	327,000	327,000	322,136	(4,864)
Hospitals, clinics and detention homes	11,089	11,089	11,008	(81)
Vocational education	674,190	674,190	664,160	(10,030)
Fringe benefits	2,747,779	2,747,779	2,706,902	(40,877)
Early reading intervention	73,263	73,263	85,474	12,211
GED prep course	23,576	23,576	25,076	1,500
Homebound education	16,752	16,752	11,451	(5,301)
Vocational education - adult	76,682	76,682	21,959	(54,723)
Vocational education - equipment	-	-	12,825	12,825
Vocational occupational preparedness	-	-	28,691	28,691
Special education - foster children	-	-	33,994	33,994
At risk payments	747,340	747,340	736,251	(11,089)
Jobs for Virginia Grads	21,000	21,000	38,814	17,814
Primary class size	914,338	914,338	880,827	(33,511)
Technology	388,000	388,000	388,000	-
Standards of learning algebra readiness	87,565	87,565	87,448	(117)
Title III, LEP	2,070	2,070	2,857	787
At risk four year olds	567,877	567,877	567,877	-
Mentor teacher program	3,679	3,679	3,407	(272)
English as a second language	10,261	10,261	9,328	(933)
Compensation supplement	383,903	383,903	378,179	(5,724)
School nutrition	30,334	30,334	30,565	231
School safety grant	-	-	18,453	18,453
Supplemental support	303,302	303,302	303,302	-
Other state funds	25,940	25,940	34,599	8,659
Total Revenue from the Commonwealth	<u>30,873,282</u>	<u>30,873,282</u>	<u>30,466,847</u>	<u>(406,435)</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Federal Government:				
Title I	\$ 1,305,578	\$ 1,305,578	\$ 1,317,203	\$ 11,625
Title VI-B, special education - grants to states	1,075,400	1,075,400	999,685	(75,715)
Title VI-B, special education - preschool grants	53,773	53,773	51,853	(1,920)
Vocational Education - basic grants to states	95,000	95,000	83,681	(11,319)
Improving teacher quality state grants	210,544	210,544	210,544	-
National school lunch program	1,810,243	1,810,243	1,210,177	(600,066)
School breakfast program	-	-	441,402	441,402
Twenty-first Century community learning centers	20,000	20,000	171,226	151,226
Title II Part D - Enhancing Education Thru Technology	41,121	41,121	39,205	(1,916)
Forest reserve	92,000	92,000	92,531	531
Title VI-rural and low	90,258	90,258	171,612	81,354
School improvement 1003A	500,000	500,000	333,015	(166,985)
Other federal funds	-	-	18,531	18,531
Total Revenue from the Federal Government	<u>5,293,917</u>	<u>5,293,917</u>	<u>5,140,665</u>	<u>(153,252)</u>
Total Intergovernmental Revenues	<u>44,192,799</u>	<u>44,192,799</u>	<u>43,592,843</u>	<u>(599,956)</u>
Other financing sources:				
Insurance recoveries	-	-	8,693	8,693
Total Revenue from Other Financing Sources	-	-	8,693	8,693
Total Component Unit - School Board	<u>\$46,780,252</u>	<u>\$46,780,252</u>	<u>\$ 45,475,235</u>	<u>\$ (1,305,017)</u>

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND				
General government administration:				
Legislative:				
Board of supervisors	\$ 761,641	\$ 725,436	\$ 485,584	\$ 239,852
Total Legislative	761,641	725,436	485,584	239,852
General and financial administration:				
County administrator	432,363	459,568	435,468	24,100
Accounting	143,287	143,287	142,868	419
Data processing	333,530	346,530	343,096	3,434
Legal	124,582	124,582	112,897	11,685
Commissioner of revenue	294,577	294,577	285,039	9,538
Treasurer	379,060	379,060	392,813	(13,753)
Assessor	45,000	45,000	48,736	(3,736)
Total General and Financial Administration	1,752,399	1,792,604	1,760,917	31,687
Board of Elections:				
Registrar	172,497	172,497	165,976	6,521
Total Registrar	172,497	172,497	165,976	6,521
Total General Government Administration	2,686,537	2,690,537	2,412,477	278,060
Judicial administration:				
Courts:				
Circuit Court	76,177	76,177	79,771	(3,594)
General District Court	6,600	6,600	6,489	111
Juvenile and domestic relations court	194,918	194,918	193,312	1,606
Law library	11,000	11,000	857	10,143
Victim Witness program	57,711	57,711	56,364	1,347
Clerk of the circuit court	554,204	554,204	548,775	5,429
Total courts	900,610	900,610	885,568	15,042
Commonwealth Attorney	587,220	587,970	804,938	(216,968)
Total Commonwealth Attorney	587,220	587,970	804,938	(216,968)
Total Judicial Administration	1,487,830	1,488,580	1,690,506	(201,926)
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,530,267	3,679,517	3,507,018	172,499
Smyth County basic E-911	537,617	537,617	438,874	98,743
Central dispatch	3,500	3,500	2,827	673
Total Law Enforcement and Traffic Control	4,071,384	4,220,634	3,948,719	271,915
Fire and rescue services:				
Fire department	229,250	229,250	235,828	(6,578)
Volunteer emergency operations	129,800	129,800	156,985	(27,185)
Forestry	9,000	9,000	7,951	1,049
Total Fire and Rescue Squad	368,050	368,050	400,764	(32,714)
Correction and detention:				
Sheriff - Jail	1,491,768	1,491,768	1,477,662	14,106
Total Correction and Detention	1,491,768	1,491,768	1,477,662	14,106
Inspections:				
Building	384,922	384,922	349,735	35,187
Total Building	384,922	384,922	349,735	35,187
Other protection:				
Animal control	454,478	454,478	433,437	21,041
Medical examiner	500	500	500	-
Emergency services	21,238	21,238	40,288	(19,050)
E-911	66,420	66,420	24,927	41,493
Total Other Protection	542,636	542,636	499,152	43,484
Total Public Safety	6,858,760	7,008,010	6,676,032	331,978

(Continued)

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Public works:				
Water and sewer:				
Rye Valley water authority	\$ 91,988	\$ 91,988	\$ 34,130	\$ 57,858
Total Water and Sewer	<u>91,988</u>	<u>91,988</u>	<u>34,130</u>	<u>57,858</u>
Sanitation and waste removal:				
Refuse collection and disposal	1,446,320	1,446,320	1,337,949	108,371
On-site wastewater treatment	33,000	33,000	29,280	3,720
Total Sanitation and Waste Removal	<u>1,479,320</u>	<u>1,479,320</u>	<u>1,367,229</u>	<u>112,091</u>
Maintenance of general buildings and grounds:				
General properties	475,400	475,400	539,609	(64,209)
Health department/social services building	88,806	88,806	78,197	10,609
Total Maintenance of General Buildings and Grounds	<u>564,206</u>	<u>564,206</u>	<u>617,806</u>	<u>(53,600)</u>
Total Public Works	<u>2,135,514</u>	<u>2,135,514</u>	<u>2,019,165</u>	<u>116,349</u>
Health and welfare:				
Health:				
Supplement of local health department	441,023	441,023	441,023	-
Total Health	<u>441,023</u>	<u>441,023</u>	<u>441,023</u>	<u>-</u>
Mental health and mental retardation				
Community services board	166,022	166,022	166,022	-
Total Mental Health and Mental Retardation	<u>166,022</u>	<u>166,022</u>	<u>166,022</u>	<u>-</u>
Welfare:				
Board members	4,200	4,200	3,100	1,100
Administration and public assistance	4,648,720	4,648,720	4,279,485	369,235
Comprehensive Services Act	811,354	811,354	789,544	21,810
Total Welfare	<u>5,464,274</u>	<u>5,464,274</u>	<u>5,072,129</u>	<u>392,145</u>
Total Health and Welfare	<u>6,071,319</u>	<u>6,071,319</u>	<u>5,679,174</u>	<u>392,145</u>
Education:				
Other instructional costs:				
Contributions to community colleges	55,480	55,480	55,479	1
Contribution to discretely presented component unit - school board	7,757,979	7,757,979	7,985,331	(227,352)
Total Education	<u>7,813,459</u>	<u>7,813,459</u>	<u>8,040,810</u>	<u>(227,351)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	29,000	29,000	29,000	-
Total Parks and Recreation	<u>29,000</u>	<u>29,000</u>	<u>29,000</u>	<u>-</u>
Cultural:				
Library administration	947,479	947,479	947,479	-
Total Cultural	<u>947,479</u>	<u>947,479</u>	<u>947,479</u>	<u>-</u>
Total Parks, Recreation, and Cultural	<u>976,479</u>	<u>976,479</u>	<u>976,479</u>	<u>-</u>
Community development:				
Planning and development:				
Community development	213,650	212,650	152,421	60,229
Planning	12,973	12,973	4,094	8,879
County engineer	10,100	10,100	6,659	3,441
Economic development authority	2,490,835	2,490,835	4,210	2,486,625
Contribution to discretely presented component unit - EDA	-	-	171,685	(171,685)
Contribution to community organizations	615,227	612,227	724,031	(111,804)
Total Planning and Development	<u>3,342,785</u>	<u>3,338,785</u>	<u>1,063,100</u>	<u>2,275,685</u>
Environmental Management:				
Contribution to soil and water districts	28,250	28,250	28,250	-
Total Environmental Management	<u>28,250</u>	<u>28,250</u>	<u>28,250</u>	<u>-</u>
Cooperative extension program:				
Extension office	87,234	87,234	85,050	2,184
Total Cooperative Extension Program	<u>87,234</u>	<u>87,234</u>	<u>85,050</u>	<u>2,184</u>
Total Community Development	<u>3,458,269</u>	<u>3,454,269</u>	<u>1,176,400</u>	<u>2,277,869</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Capital Projects:				
School construction	\$ 3,200,000	\$ 3,200,000	\$ 1,698,863	1,501,137
Capital Improvements	6,955,000	6,955,000	1,061,787	5,893,213
Allison Gap-Lick Skillet project	511,255	511,255	334,612	176,643
Total Capital Projects	<u>10,666,255</u>	<u>10,666,255</u>	<u>3,095,262</u>	<u>7,570,993</u>
Debt Service:				
Principal retirement	6,975,351	6,975,351	4,190,481	2,784,870
Interest and finance charges	2,084,983	2,084,983	1,585,060	499,923
Total Debt Service	<u>9,060,334</u>	<u>9,060,334</u>	<u>5,775,541</u>	<u>3,284,793</u>
Total General Fund	<u>\$ 51,214,756</u>	<u>\$ 51,364,756</u>	<u>\$ 37,541,846</u>	<u>\$ 13,822,910</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School operating fund:				
Education:				
Instructional costs	\$ 35,758,367	\$ 35,758,367	\$ 34,804,207	\$ 954,160
Administration, attendance and health	1,602,304	1,602,304	1,500,217	102,087
Transportation	2,256,299	2,256,299	2,275,289	(18,990)
Operation and maintenance	4,252,996	4,252,996	4,291,235	(38,239)
School nutrition	3,033,210	3,033,210	2,521,934	511,276
Total Education	<u>46,903,176</u>	<u>46,903,176</u>	<u>45,392,882</u>	<u>1,510,294</u>
Capital projects	<u>185,138</u>	<u>185,138</u>	<u>185,135</u>	<u>3</u>
Total Component Unit - School Board	<u>\$ 47,088,314</u>	<u>\$ 47,088,314</u>	<u>\$ 45,578,017</u>	<u>\$ 1,510,297</u>

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	458,222
<u>Department of Agriculture and Consumer Services:</u>		
Food Distribution - Commodities	10.555	147,396
<u>Department of Education:</u>		
School Nutrition Cluster:		
National School Lunch Program	10.555	1,210,177
School Breakfast Program	10.553	441,402
School and Roads - Grants to States	10.665	92,531
Fresh Fruits & Vegetables	10.582	16,386
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Family Preservation and Support Services	93.556	3,440
Temporary Assistance for Needy Families	93.558	500,507
Refugee and Entrant Assistance	93.566	2,871
Low Income Home Energy Assistance	93.568	51,377
Child Care Cluster:		
Child Care and Development Fund	93.596	70,807
Chafee Education and Training Vouchers	93.599	(392)
Child Welfare Services	93.645	3,506
Foster Care - Title IV-E	93.658	238,599
Adoption Assistance	93.659	133,624
Social Service Block Grant	93.667	378,191
Independent Living	93.674	4,520
State Children's Insurance Program	93.767	13,987
Medical Assistance Program	93.778	405,284
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Services:</u>		
Emergency Management Preparedness Grant	97.042	35,100
<u>Department of Housing and Community Development</u>		
<u>Pass-through Payments:</u>		
Community Development Block Grant	14.218	328,763

(Continued)

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation:		
<u>Pass-through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
Alcohol Safety	20.601	2,550
State Highway	20.600	15,812
Department of Education:		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	999,686
Preschool Handicapped	84.173	51,853
Title I: Grants to Local Educational Agencies	84.010	1,317,203
Vocational Education: Basic Grants to States	84.048	83,681
21st Century Community Learning Center	84.287	171,226
Title II Part D - Enhancing Education Through Technology	84.318	39,205
Title VI-Rural and Low	84.358	171,612
Title II Part A - Improving Teacher Quality	84.367	210,544
1003G School Improvement Grant	84.377	333,015
Total Expenditures of Federal Awards		<u>\$ 7,932,685</u>

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

Note 2. Nonmonetary Assistance
Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2014, the School Board had food commodities total \$62,980 in inventory.

STATISTICAL SECTION

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

Contents

Table

Financial Trends..... 1-4

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

Revenue Capacity 5-7

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

Debt Capacity.....8

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

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

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

Operating Information11

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

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



TABLE 1

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities										
Net Investment in capital assets	\$ 9,020,728	9,654,051	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508	\$ 3,581,230	\$ 3,301,826	\$ 3,115,818	\$ 3,185,987
Restricted	-	-	-	-	-	-	-	250,000	250,000	250,000
Unrestricted	4,988,505	4,115,583	4,037,414	10,205,224	7,438,060	7,465,890	8,115,162	9,117,169	9,015,623	7,959,108
Total governmental activities net position	<u>\$ 14,009,233</u>	<u>\$ 13,769,634</u>	<u>\$ 12,787,424</u>	<u>\$ 12,903,334</u>	<u>\$ 14,283,535</u>	<u>\$ 12,386,398</u>	<u>\$ 11,696,392</u>	<u>\$ 12,668,995</u>	<u>\$ 12,381,441</u>	<u>\$ 11,395,095</u>
Business-type activities										
Net Investment in capital assets	\$ 17,059,262	18,053,445	\$ 18,674,951	\$ 19,522,775	\$ 19,024,141	\$ 19,010,037	\$ 19,417,943	\$ 20,190,139	\$ 19,568,066	\$ 18,914,120
Restricted	-	-	-	-	-	-	-	-	-	394,249
Unrestricted	79,075	172,073	290,087	314,120	126,899	50,238	327,387	760,422	2,462,888	2,862,173
Total business-type activities net position	<u>\$ 17,138,337</u>	<u>\$ 18,225,518</u>	<u>\$ 18,965,038</u>	<u>\$ 19,836,895</u>	<u>\$ 19,151,040</u>	<u>\$ 19,060,275</u>	<u>\$ 19,745,330</u>	<u>\$ 20,950,561</u>	<u>\$ 22,030,954</u>	<u>\$ 22,170,542</u>
Primary government										
Net Investment in capital assets	\$ 26,079,990	27,707,496	\$ 27,424,961	\$ 22,220,885	\$ 25,869,616	23,930,545	\$ 22,999,173	\$ 23,491,965	\$ 22,683,884	\$ 22,100,107
Restricted	-	-	-	-	-	-	-	250,000	250,000	644,249
Unrestricted	5,067,580	4,287,656	4,327,501	10,519,344	7,564,959	7,516,128	8,442,549	9,877,591	11,478,511	10,821,281
Total primary government net position	<u>\$ 31,147,570</u>	<u>\$ 31,995,152</u>	<u>\$ 31,752,462</u>	<u>\$ 32,740,229</u>	<u>\$ 33,434,575</u>	<u>31,446,673</u>	<u>\$ 31,441,722</u>	<u>\$ 33,619,556</u>	<u>\$ 34,412,395</u>	<u>\$ 33,565,637</u>

TABLE 2

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities										
General government administration	\$ 2,432,123	\$ 2,615,616	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740	\$ 1,849,741	\$ 1,798,211	\$ 1,588,256
Judicial administration	1,682,907	1,493,566	1,442,451	1,438,437	1,405,720	1,383,156	1,322,884	1,173,548	1,004,397	699,119
Public safety	7,142,779	6,668,145	6,606,593	6,073,909	5,840,409	5,500,772	5,391,050	5,129,494	5,008,159	4,513,196
Public works	2,056,232	2,122,689	2,085,140	3,197,528	1,977,527	1,911,028	1,737,587	1,813,216	1,893,212	2,036,828
Health and welfare	5,662,739	5,601,627	5,069,915	5,252,653	5,438,893	5,982,328	5,933,667	5,818,134	5,340,240	5,376,523
Education	9,565,569	8,487,813	8,016,040	9,247,181	7,835,194	7,747,394	10,260,678	7,996,023	7,561,914	8,249,931
Parks, recreation, and cultural	1,027,887	1,007,108	1,019,793	1,012,568	1,083,058	1,161,738	1,085,631	1,025,768	923,338	895,027
Community development	1,476,366	1,195,480	1,266,069	1,310,375	1,324,655	1,682,985	1,666,394	2,037,957	1,349,434	1,188,554
Interest on long-term debt	1,414,721	1,505,797	1,009,693	253,607	287,397	309,053	349,358	388,695	326,663	367,014
Total governmental activities	32,461,323	30,697,841	28,759,424	29,780,664	27,389,176	27,979,204	29,772,989	27,232,576	25,205,568	24,914,448
Business-type activities										
Water and wastewater	3,304,613	3,327,527	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total business-type activities expense	3,304,613	3,327,527	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total primary government expenses	\$ 35,765,936	\$ 34,025,368	\$ 32,098,669	\$ 33,071,390	\$ 30,516,339	\$ 31,142,837	\$ 32,887,829	\$ 30,263,591	\$ 27,800,982	\$ 27,397,832
Program Revenues										
Governmental activities										
Charges for services										
General government administration	\$ -	-	-	-	-	-	-	-	\$ 86,193	\$ 69,884
Judicial administration	195,270	176,714	163,113	178,057	177,857	137,056	106,231	72,015	217,113	117,277
Public safety	1,039,261	819,844	850,353	800,787	791,428	409,169	296,931	296,821	408,371	705,951
Public works	916,345	967,251	1,415,524	826,827	766,143	644,738	690,295	728,359	540,601	575,424
Health and welfare	11,531	13,602	11,369	20,993	54,743	81,851	108,244	126,414	110,191	147,418
Operating grants and contributions	7,861,211	7,405,851	6,915,771	7,003,283	7,058,063	7,713,727	7,570,255	7,692,029	6,954,740	6,295,096
Capital grants and contributions	-	145,000	-	25,000	1,199,255	1,311,013	102,528	33,007	165,803	30,030
Total governmental activities program revenues	10,023,618	9,528,262	9,356,130	8,854,947	10,047,489	10,297,554	8,874,484	8,948,645	8,483,012	7,941,080
Business-type activities										
Charges for services										
Water and wastewater	1,922,430	2,008,325	1,881,076	1,859,391	1,684,425	1,558,151	1,425,665	1,387,876	1,390,247	1,333,993
Capital grants and contributions	#REF!	155,463	172,048	1,299,201	1,012,032	564,829	476,526	560,528	1,242,009	5,088,559
Total business-type activities program revenues	#REF!	2,163,788	2,053,124	3,158,592	2,696,457	2,122,980	1,902,191	1,948,404	2,632,256	6,422,552
Total primary government program revenues	#REF!	\$ 11,692,050	\$ 11,409,254	\$ 12,013,539	\$ 12,743,946	\$ 12,420,534	\$ 10,776,675	\$ 10,897,049	\$ 11,115,268	\$ 14,363,632
Net (expense) revenue										
Governmental activities	\$ (22,437,705)	\$ (21,169,579)	\$ (19,403,294)	\$ (20,925,717)	\$ (17,341,687)	\$ (17,681,650)	\$ (20,898,505)	\$ (18,283,931)	\$ (16,722,556)	\$ (16,973,368)
Business-type activities	#REF!	(1,163,739)	(1,286,121)	(132,134)	(430,706)	(1,040,653)	(1,212,649)	(1,082,611)	36,842	3,939,168
Total primary government net expense	#REF!	\$ (22,333,318)	\$ (20,689,415)	\$ (21,057,851)	\$ (17,772,393)	\$ (18,722,303)	\$ (22,111,154)	\$ (19,366,542)	\$ (16,685,714)	\$ (13,034,200)

TABLE 3

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 327,213	\$ 271,965	\$ 158,967	\$ 8,827	\$ 1,981,918	\$ 711,907
Unreserved	-	-	-	-	6,426,347	6,763,770	7,602,076	10,056,388	11,599,572	11,761,210
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,753,560</u>	<u>\$ 7,035,735</u>	<u>\$ 7,761,043</u>	<u>\$ 10,065,215</u>	<u>\$ 13,581,490</u>	<u>\$ 12,473,117</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>						
Post GASB 54 implementation:										
General Fund										
Nonspendable	\$ 181,436	\$ 180,909	\$ 51,925	\$ 65,811						
Restricted	21,335,807	25,697,568	39,125,509	3,665,624						
Committed	-	-	-	100,491						
Assigned	71,786	62,900	58,485	69,019						
Unassigned	<u>2,914,839</u>	<u>3,614,881</u>	<u>4,932,136</u>	<u>5,559,366</u>						
Total General Fund	<u>\$ 24,503,868</u>	<u>\$ 29,556,258</u>	<u>\$ 44,168,055</u>	<u>\$ 9,460,311</u>						

TABLE 4

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues										
General property taxes	\$ 16,532,802	\$ 15,861,854	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792	\$ 12,165,251	\$ 11,873,268	\$ 11,283,125
Other local taxes	3,706,500	3,739,754	3,684,150	3,563,510	3,602,074	3,543,160	3,570,670	3,547,279	3,550,806	3,723,594
Permits, privilege fees, and licenses	161,986	124,647	127,045	73,903	106,118	73,893	89,988	82,670	85,645	60,404
Fines and forfeitures	888,941	714,666	726,131	730,320	686,447	332,601	200,981	210,993	148,330	23,834
Revenue from use of money and property	219,217	335,497	289,596	193,732	460,995	306,665	558,089	699,966	515,149	261,390
Charges for services	1,065,606	1,010,630	1,033,161	923,651	864,853	706,364	724,269	720,455	631,928	611,687
Recovered costs	260,219	335,169	760,405	368,489	456,267	474,954	477,831	408,106	334,381	554,857
Other	240,188	218,097	210,723	229,645	272,431	295,065	167,518	134,939	169,844	244,318
Intergovernmental	9,705,113	9,292,314	8,580,386	8,592,450	10,121,606	10,705,838	9,638,440	9,681,765	8,963,118	9,180,879
Total revenues	<u>32,780,572</u>	<u>31,632,628</u>	<u>29,706,509</u>	<u>29,047,615</u>	<u>29,850,247</u>	<u>29,151,431</u>	<u>27,765,578</u>	<u>27,651,424</u>	<u>26,272,469</u>	<u>25,944,088</u>
Expenditures										
General government administration	2,412,477	2,735,775	2,140,645	1,859,579	2,065,201	2,272,484	1,951,748	1,828,775	1,719,072	1,559,607
Judicial administration	1,690,506	1,438,614	1,405,780	1,394,442	1,357,675	1,350,907	1,298,991	1,183,222	973,734	667,940
Public safety	6,676,032	6,718,463	6,408,287	6,091,332	7,394,977	6,744,660	5,474,643	5,176,579	4,981,007	4,440,041
Public works	2,019,165	2,051,755	2,090,119	2,075,657	1,991,431	1,918,849	1,796,938	1,809,116	1,940,590	1,692,701
Health and welfare	5,679,174	5,563,404	5,073,079	5,231,583	5,418,921	5,926,197	5,937,048	5,767,503	5,339,338	5,333,706
Education	8,040,810	7,638,606	7,131,034	8,299,224	6,886,448	6,788,029	9,299,298	7,035,326	6,594,696	7,284,396
Parks, recreation, and cultural	976,479	955,046	968,916	963,066	1,030,216	1,106,836	1,040,590	980,727	872,093	841,352
Community development	1,176,400	1,091,483	1,321,245	1,427,807	1,476,745	1,839,806	1,836,396	2,138,369	1,344,954	1,184,787
Capital projects	3,095,262	16,269,549	11,022,959	1,895,888	681,967	236,725	284,836	190,817	-	278,672
Debt service										
Principal	4,190,481	1,966,989	6,033,554	1,018,164	1,006,630	1,013,399	1,003,216	993,341	1,094,053	765,683
Interest	1,585,060	1,654,575	891,381	270,749	302,630	334,029	365,079	397,828	338,183	597,770
Total expenditures	<u>37,541,846</u>	<u>48,084,259</u>	<u>44,486,999</u>	<u>30,527,491</u>	<u>29,612,841</u>	<u>29,531,921</u>	<u>30,288,783</u>	<u>27,501,603</u>	<u>25,197,720</u>	<u>24,646,655</u>
Excess of revenues over (under) expenditures	<u>(4,761,274)</u>	<u>(16,451,631)</u>	<u>(14,780,490)</u>	<u>(1,479,876)</u>	<u>237,406</u>	<u>(380,490)</u>	<u>(2,523,205)</u>	<u>149,821</u>	<u>1,074,749</u>	<u>1,297,433</u>
Other Financing Sources (Uses)										
Proceeds from bond issuances	-	2,170,893	48,985,000	5,003,600	-	-	-	-	-	372,978
Bond issuance costs	-	-	(86,000)	-	-	-	-	-	-	-
Premium on bonds	-	-	1,840,039	-	-	-	-	-	-	-
Underwriter's discount on bonds	-	-	(493,563)	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	181,889	-
Transfers out	(291,116)	(469,443)	(409,228)	(816,973)	(519,581)	(344,818)	(5,307)	-	-	(44,515)
Total other financing sources (uses)	<u>(291,116)</u>	<u>1,701,450</u>	<u>49,836,248</u>	<u>4,186,627</u>	<u>(519,581)</u>	<u>(344,818)</u>	<u>(5,307)</u>	<u>-</u>	<u>181,889</u>	<u>328,463</u>
Net change in fund balance	<u>\$ (5,052,390)</u>	<u>\$ (14,750,181)</u>	<u>\$ 35,055,758</u>	<u>\$ 2,706,751</u>	<u>\$ (282,175)</u>	<u>\$ (725,308)</u>	<u>\$ (2,528,512)</u>	<u>\$ 149,821</u>	<u>\$ 1,256,638</u>	<u>\$ 1,625,896</u>
Debt service as a percentage of noncapital expenditures	<u>16.77%</u>	<u>11.38%</u>	<u>20.69%</u>	<u>4.50%</u>	<u>4.53%</u>	<u>4.60%</u>	<u>4.56%</u>	<u>5.09%</u>	<u>5.68%</u>	<u>5.60%</u>

TABLE 5

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

Fiscal Year	Real Estate	Personal Property	Public Service Corporation (1)	Total Assessed Value	Tax Rate (per \$100)				
					Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Interstate Commerce
2014	\$ 1,429,094,226	\$ 401,053,105	\$ 124,002,508	\$ 1,954,149,839	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2013	\$ 1,444,667,238	\$ 360,243,649	\$ 129,520,200	\$ 1,934,431,087	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2012	\$ 1,420,768,624	\$ 351,413,101	\$ 119,374,517	\$ 1,891,556,242	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.55
2011	\$ 1,415,159,070	\$ 351,573,398	\$ 121,374,173	\$ 1,888,106,641	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2010	\$ 1,200,972,525	\$ 364,320,155	\$ 83,886,362	\$ 1,649,179,042	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2009	\$ 1,192,258,091	\$ 387,895,958	\$ 87,327,987	\$ 1,667,482,036	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2008	\$ 1,182,446,544	\$ 375,631,251	\$ 86,246,420	\$ 1,644,324,215	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2007	\$ 1,171,330,028	\$ 371,286,389	\$ 85,188,111	\$ 1,627,804,528	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2006	\$ 1,158,250,454	\$ 328,284,520	\$ 102,597,017	\$ 1,589,131,991	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2005	\$ 1,137,376,821	\$ 311,939,620	\$ 104,088,101	\$ 1,553,404,542	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20

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

TABLE 6

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

Personal Property

Taxpayer	Assessed Value	Rank
Phillip S. Martin	\$ 22,668,420	1
TRW Inc Rack and Pinion Division	\$ 19,389,050	2
Royal Mouldings Limited	\$ 11,514,584	3
Ford Motor Company-Tooling	\$ 8,882,100	4
General Dynamics Armament & Tech Pro	\$ 8,771,889	5
Utility Trailer Manufacturing Co.	\$ 7,839,364	6
General Motors LLC	\$ 7,547,536	7
American Wood Fibers Inc.	\$ 7,438,661	8
United Salt Corporation	\$ 4,870,967	9
Marion Chevrolet Buick GMC Inc.	\$ 4,854,111	10

Real Estate

Taxpayer	Assessed Value	Rank
Utility Trailer Manufacturing	\$ 9,133,500	1
RGTL Nevada Limited	\$ 6,864,800	2
Smyth County Community Foundation	\$ 6,621,600	3
940 E Lee Street Real Estate, LLC	\$ 5,933,800	4
Saltville Gas Storage Co LLC	\$ 5,788,300	5
Marion Properties Inc.	\$ 5,417,700	6
Myrtle Properties LLC	\$ 5,402,100	7
United Salt Corporation	\$ 4,817,100	8
IRT Property Co.	\$ 4,774,300	9
Highland Development Co. LLC	\$ 3,947,500	10

Source: Commissioner of Revenue

TABLE 7

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (1)	Total Collections to Date		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy		
2014	\$ 18,532,906	\$ 15,564,710	83.98%	\$ 659,241	\$ 16,223,951	87.54%	\$ 4,126,146	22.26%
2013	\$ 18,035,837	\$ 14,839,925	82.28%	\$ 686,541	\$ 15,526,466	86.09%	\$ 3,800,525	21.07%
2012	\$ 16,472,150	\$ 13,522,831	82.10%	\$ 616,523	\$ 14,139,354	85.84%	\$ 3,206,313	19.47%
2011	\$ 14,543,200	\$ 13,549,846	93.17%	\$ 489,730	\$ 14,039,576	96.54%	\$ 2,747,133	18.89%
2010	\$ 13,420,595	\$ 12,566,068	93.63%	\$ 436,121	\$ 13,002,189	96.88%	\$ 2,331,515	17.37%
2009	\$ 12,593,867	\$ 11,897,779	94.47%	\$ 489,314	\$ 12,387,093	98.36%	\$ 2,007,598	15.94%
2008	\$ 12,164,434	\$ 11,625,491	95.57%	\$ 421,584	\$ 12,047,075	99.04%	\$ 1,899,238	15.61%
2007	\$ 11,923,961	\$ 11,350,877	95.19%	\$ 442,015	\$ 11,792,892	98.90%	\$ 1,873,378	15.71%
2006	\$ 11,479,534	\$ 10,893,503	94.89%	\$ 646,019	\$ 11,539,522	100.52%	\$ 1,199,515	10.45%
2005	\$ 11,295,032	\$ 10,738,343	95.07%	\$ 300,034	\$ 11,038,377	97.73%	\$ 1,682,207	14.89%

Note: (1) Exclusive of penalties and interest.

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

TABLE 8

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

Fiscal Year	General Obligation Bonds					Other Governmental Activities Debt	Business-type Activities	Total Debt	
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Other Debt	Revenue Bonds	Total Primary Government	Per Capita (1)
2014	\$ 26,608,260	\$ 5,178,026	\$ 31,786,286	\$ 0	\$ 987	\$ 25,911,563	\$ 5,675,000	\$ 63,372,849	\$ 1,968
2013	\$ 27,886,530	\$ 5,287,434	\$ 33,173,964	\$ 0	\$ 1,030	\$ 28,823,774	\$ 5,946,000	\$ 67,943,738	\$ 2,110
2012	\$ 29,152,383	\$ 5,393,536	\$ 34,545,919	\$ 0	\$ 1,073	\$ 27,354,017	\$ 6,208,000	\$ 68,107,936	\$ 2,115
2011	\$ 7,549,801	\$ 11,859,427	\$ 19,409,228	\$ 0	\$ 603	\$ 6,005,153	\$ -	\$ 25,414,381	\$ 789
2010	\$ 2,913,233	\$ 12,154,042	\$ 15,067,275	\$ 0	\$ 475	\$ 6,656,286	\$ -	\$ 21,723,561	\$ 684
2009	\$ 3,268,724	\$ 12,136,059	\$ 15,404,783	\$ 0	\$ 481	\$ 7,307,425	\$ -	\$ 22,712,208	\$ 709
2008	\$ 3,613,270	\$ 11,462,817	\$ 15,076,087	\$ 0	\$ 470	\$ 7,975,860	\$ -	\$ 23,051,947	\$ 719
2007	\$ 3,947,631	\$ 11,359,736	\$ 15,307,367	\$ 0	\$ 478	\$ 8,644,296	\$ -	\$ 23,951,663	\$ 747
2006	\$ 4,272,536	\$ 11,566,310	\$ 15,838,846	\$ 0	\$ 487	\$ 9,312,732	\$ -	\$ 25,151,578	\$ 774
2005	\$ 4,587,340	\$ 8,121,174	\$ 12,708,514	\$ 0	\$ 389	\$ 10,091,982	\$ 3,781,396	\$ 26,581,892	\$ 814

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

(1) See Table 9 for population data

TABLE 9

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

Fiscal Year Ended	Population
2014	32,208
2013	32,208
2012	32,208
2011	32,208
2010	31,738
2009	32,050
2008	32,050
2007	32,050
2006	32,506
2005	32,640

Source: United States Bureau of the Census

TABLE 10

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

<u>Function/Program</u>	<u>2014</u>
General Government	
Management Services	8
Legal	1
Finance	2
Engineering	1
Planning	1
Building & Zoning	5
Building Maintenance	6
Constitutional Offices	
Treasurer	5
Commonwealth Attorney	7
Commissioner of Revenue	4
General District Court Secretary	1
Clerk of Circuit Court	7
Part Time Equivalent	3
Sheriff	
Officers	35
Civilians	12
Part Time Equivalent	8
Refuse Collection	
Landfill	7
Convenience Station Part Time Equivalent	15
Library	14
Part Time Equivalent	7
Water	9
Total	<u>158</u>

COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 25, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 08-1, 14-1 and 14-2 to be material weaknesses.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 08-3 to be a significant deficiency.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 items 11-5, 13-3 and 13-5.**

County of Smyth, Virginia Response to Findings

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 25, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Smyth, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County of Smyth, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 14-3 and 14-4. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 25, 2014

COUNTY OF SMYTH, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2014

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

STATE COMPLIANCE MATTERS

Code of Virginia

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

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Four significant deficiencies** relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Significant deficiencies 08-1, 14-1 and 14-2 were considered to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **two audit findings relating to major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA Number</u>
IDEA Special Education and Preschool	84.027 & 84.173
Supplemental Nutrition Assistance Program	10.561
Medical Assistance Program	93.778
Temporary Assistance for Needy Families	93.558
Child Nutrition Cluster	10.553 & 10.555
Social Services Block Grant	93.667
Community Development Block Grant	14.218

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

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

08-1: Segregation of Duties (Material Weakness)

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

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

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

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

08-1: Segregation of Duties (Material Weakness) (Continued)

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

Management Response: The County concurs and has already begun reorganizing duties to address this issue.

08-3: Deficiencies in Controls Over the Disbursement Process (Significant Deficiency)

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

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

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

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

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

14-1: Improper Classification of Construction-in-Progress and Uncaptured Depreciation (Material Weakness)

Condition: Certain items were improperly classified as construction-in-progress when work had been substantially completed, the assets were placed in service, and consequently, depreciation should have been recorded.

Criteria: Construction-in-progress should be reclassified to buildings and depreciated once progress has reached substantial completion, and the building is placed into service.

Effect: This resulted in a reclassification of property, plant and equipment in the financial statements and additional depreciation being recorded.

(Continued)

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

14-1: Improper Classification of Construction-in-Progress and Uncaptured Depreciation (Material Weakness) (Continued)

Recommendation: We recommend that construction-in-progress be reviewed for completed projects and assets in service and reclassifications made accordingly for proper depreciation calculations, as soon as projects are substantially completed.

Management Response: The County concurs.

14-2: Unrecorded Section 457 Plan (Material Weakness)

Condition: A Section 457 plan has existed for Smyth County employees for several years and has significant plan assets, but had not yet been reported as a fiduciary fund.

Criteria: Section 457 plans should be recorded in accordance with Governmental Accounting Standards Board No. 32 – *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

Effect: This resulted in an understatement of fiduciary assets and liabilities in the financial statements.

Recommendation: We recommend that the County begin recording, adjusting and reviewing reports from the 457 plan as part of their fiduciary fund assets in accordance with GASB No. 32.

Management Response: The County concurs.

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

14-3: Child Nutrition Cluster – CFDA 10.553 & 10.555 Eligibility

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

Criteria: Children who are approved for lunch benefits are categorized as either free or reduced lunch based on income levels.

Effect: Student was receiving incorrect level of benefits for part of the school year.

Recommendation: We recommend that all system data be reviewed against free/reduced applications to ensure input data is correct and appropriate benefits are provided.

Management Response: The School Division will make the necessary adjustments.

(Continued)

COUNTY OF SMYTH, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

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

14-4: IDEA Special Education and Preschool – CFDA 84.027 & 84.173 Cash Management

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

Criteria: Reimbursement grants disallow reimbursements until the goods or services have been paid for by the locality.

Effect: Reimbursement was granted prior to the payment of services.

Recommendation: We recommend that all goods and services are paid prior to the reimbursement request occurring to avoid any potential repayment of federal funds or compliance issues.

Management Response: The Virginia Department of Education allows for this to occur. However, the School System will make the necessary adjustments.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-5: Conflicts of Interest Act

Condition: As in prior years, for the year ending June 30, 2014, there were sixteen instances where the required statements were not filed timely.

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

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

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

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

13-3: Annual Review of Program Access

Condition: As in the prior year, within the Department of Social Services, there was no evidence that an annual review of program access had been conducted.

Criteria: The local department must complete a review of all users' access to various benefits programs on an annual basis.

Effect: The County is not in compliance with Virginia Department of Social Services (VDSS) requirements.

(Continued)

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

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

13-3: Annual Review of Program Access (Continued)

Recommendation: All local department users should have their program access reviewed on an annual basis by a member of management to ensure their access aligns with their respective job responsibilities.

Management Response: The County concurs.

13-5: Virginia Security for Public Deposits Act

Condition: As in the prior year, for the year ending June 30, 2014, there were two deposit accounts not marked as public.

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

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

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

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

COUNTY OF SMYTH, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

13-2: 1003G School Improvement Plan – CFDA 84.377 Allowable Costs/Costs Principles

Condition: Documentation of employee time and effort was not made by personnel being reimbursed under the School Improvement grant.

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