

# FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

FOR THE YEAR ENDED  
JUNE 30, 2023

**COUNTY OF SMYTH, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2023**

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COUNTY OF SMYTH, VIRGINIA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023

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## INTRODUCTORY SECTION

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# COUNTY OF SMYTH, VIRGINIA

## BOARD OF SUPERVISORS

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Lori Deel, Vice Chair  
Michael Sturgill  
Kristopher Ratliff, DPH

Charles Atkins, Chair

Courtney Widener  
Roscoe D. Call  
Charles P. Stevenson (Phil)

## COUNTY SCHOOL BOARD

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Susan Williams, Vice Chair  
Paul Grinstead  
Todd Williams

Jesse Choate, Chair

Joseph Johnson  
C.M. "Mac" Buchanan  
Kyle Rhodes

## SOCIAL SERVICES BOARD

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Tom Hess  
Norma Teaters  
Patsy Waddle

Kim Daughtery, Chair

Wanda Sanderson  
Blake Frazier  
Susan Snead

## OTHER OFFICIALS

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Judge of the Circuit Court .....	C. Randall Lowe Sage B. Johnson Deanis L. Simmons Frederick A. Rowlett
Clerk of the Circuit Court .....	John H. Graham
Judge of the General District Court .....	Travis B. Lee Jeffrey Lynn Campbell Robert L. Hobbs
Judge of the Juvenile & Domestic Relations Court .....	Florence A. Powell Joseph B. Lyle Richard S. Buddington Jr.
Commonwealth's Attorney .....	Roy F. Evans, Jr.
Commissioner of the Revenue .....	Jeff Richardson
Treasurer .....	Tom Burkett
Sheriff .....	Chip Shuler
Superintendent of Schools .....	Dr. Dennis Carter
Director of Social Services .....	Chris Austin
County Administrator .....	Shawn Utt

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

## **Independent Auditors' Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Qualified and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### ***Qualified Opinion on the Discretely Presented Component Unit - School Board***

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Discretely Presented Component Unit - School Board as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Unmodified Opinions on the Governmental Activities, Business-type Activities, Discretely Presented Component Units - Library and EDA, Each Major Fund, and the Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units - Library and EDA, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County of Smyth, Virginia, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Matter Giving Rise to the Qualified Opinion on the Discretely Presented Component Unit - School Board***

The opinion on the discretely presented component unit - School Board was qualified because the School Activity Fund audit opinion was modified due to the exclusion of Marion Senior High School and Northwood High School.

### ***Restatement of Beginning Balances***

As described in Note 28 to the financial statements, in 2023, the School Board and School Activity Fund restated beginning balances due to the exclusion of Marion Senior High School and Northwood High School.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Smyth, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 County of Smyth, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about County of Smyth, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information and schedules related to pension and OPEB funding as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Smyth, Virginia's basic financial statements. The accompanying other supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of County of Smyth, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Smyth, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Smyth, Virginia's internal control over financial reporting and compliance.

*Robinson, Jarmon, Cox, Associates*

Blacksburg, Virginia  
November 17, 2023

## Basic Financial Statements

County of Smyth, Virginia  
Statement of Net Position  
June 30, 2023

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Library	EDA
<b>ASSETS</b>						
Cash and cash equivalents	\$ 22,622,445	\$ -	\$ 22,622,445	\$ 3,187,250	\$ 421,067	\$ 113,875
Investments	637,125	-	637,125	810,885	35,765	610,943
Receivables (net of allowance for uncollectibles):						
Taxes receivable	26,510,812	-	26,510,812	-	-	-
Accounts receivable	910,682	438,062	1,348,744	236,257	-	-
Leases receivable	-	-	-	-	-	390,822
Due from component unit	802,506	-	802,506	-	-	-
Due from primary government	-	-	-	5,329,114	-	-
Due from other governmental units	2,606,934	-	2,606,934	2,892,053	-	-
Inventories	-	-	-	90,360	-	-
Advances to component unit	1,505,877	-	1,505,877	-	-	-
Prepaid items	179,287	-	179,287	492,754	6,765	-
Restricted assets:						
Investments	-	-	-	-	18,807	-
Cash and cash equivalents - unspent bond proceeds	504,785	-	-	-	-	-
Investments - unspent bond proceeds	9,366,923	-	9,366,923	-	-	-
Net pension asset	-	-	-	-	-	-
Capital assets not being depreciated	2,510,288	44,831	2,555,119	1,793,280	-	391,047
Capital assets, net of accumulated depreciation/amortization	42,198,658	19,415,045	61,613,703	8,515,085	16,056	3,387,938
Total assets	\$ 110,356,322	\$ 19,897,938	\$ 129,749,475	\$ 23,347,038	\$ 498,460	\$ 4,894,625
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred charge on refunding	\$ 890,244	\$ -	\$ 890,244	\$ -	\$ -	\$ -
Pension related items	1,669,029	54,717	1,723,746	7,621,296	68,975	-
OPEB related items	563,353	18,718	582,071	1,526,226	23,260	-
Total deferred outflows of resources	\$ 3,122,626	\$ 73,435	\$ 3,196,061	\$ 9,147,522	\$ 92,235	\$ -
<b>LIABILITIES</b>						
Accounts payable	\$ 1,111,257	\$ 75,471	\$ 1,186,728	\$ 729,997	\$ -	\$ 196,852
Accrued liabilities	-	-	-	5,541,128	20,389	-
Accrued wages and health claims	192,638	-	192,638	-	-	-
Customers' deposits	-	1,914	1,914	-	-	-
Accrued interest payable	316,698	62,313	379,011	-	-	-
Due to primary government	-	-	-	-	-	802,506
Due to component unit	5,329,114	-	5,329,114	-	-	-
Cash bond held in escrow	26,875	-	26,875	-	-	-
Unearned revenue	100,000	-	100,000	-	-	-
Advances from primary government	-	-	-	-	-	1,505,877
Long-term liabilities:						
Due within one year	4,088,404	639,560	4,727,964	370,344	32,327	35,520
Due in more than one year	46,506,229	7,874,609	54,380,838	35,284,998	207,712	898,587
Total liabilities	\$ 57,671,215	\$ 8,653,867	\$ 66,325,082	\$ 41,926,467	\$ 260,428	\$ 3,439,342
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue-property taxes	\$ 23,326,529	\$ -	\$ 23,326,529	\$ -	\$ -	\$ -
Property taxes paid in advance	348,597	-	348,597	-	-	-
Pension related items	1,389,989	58,073	1,448,062	6,671,881	85,358	-
OPEB related items	662,110	22,082	684,192	2,268,230	27,269	-
Lease related items	-	-	-	-	-	387,155
Total deferred inflows of resources	\$ 25,727,225	\$ 80,155	\$ 25,807,380	\$ 8,940,111	\$ 112,627	\$ 387,155
<b>NET POSITION</b>						
Net investment in capital assets	\$ 11,390,729	\$ 11,130,382	\$ 22,521,111	\$ 10,224,653	\$ 16,056	\$ 1,339,001
Restricted (See note 27)	11,434,317	-	11,434,317	3,095,893	18,807	-
Unrestricted (Deficit)	7,255,462	106,969	7,362,431	(31,692,564)	182,777	(270,873)
Total net position	\$ 30,080,508	\$ 11,237,351	\$ 41,317,859	\$ (18,372,018)	\$ 217,640	\$ 1,068,128

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

County of Smyth, Virginia  
Statement of Activities  
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School Board	Component Units	
					Governmental Activities	Business-type Activities			Library	EDA
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 4,464,208	\$ 255,316	\$ 406,054	-	\$ (3,802,838)	\$ -	\$ (3,802,838)	\$ -	\$ -	\$ -
Judicial administration	2,415,446	606,883	1,078,646	-	(729,917)	-	(729,917)	-	-	-
Public safety	11,344,430	321,981	7,252,400	-	(3,770,049)	-	(3,770,049)	-	-	-
Public works	3,426,027	1,118,739	257,730	-	(2,049,558)	-	(2,049,558)	-	-	-
Health and welfare	9,736,165	-	7,435,076	-	(2,301,089)	-	(2,301,089)	-	-	-
Education	10,500,166	-	-	-	(10,500,166)	-	(10,500,166)	-	-	-
Parks, recreation, and cultural	1,051,973	-	-	-	(1,051,973)	-	(1,051,973)	-	-	-
Community development	571,139	-	-	-	(571,139)	-	(571,139)	-	-	-
Interest on long-term debt	1,142,077	-	-	-	(1,142,077)	-	(1,142,077)	-	-	-
Total governmental activities	\$ 44,651,631	\$ 2,302,919	\$ 16,429,906	\$ -	\$ (25,918,806)	\$ -	\$ (25,918,806)	\$ -	\$ -	\$ -
Business-type activities:										
Water and sewer	\$ 3,312,810	\$ 2,451,843	\$ -	\$ -	\$ -	\$ (860,967)	\$ (860,967)	\$ -	\$ -	\$ -
Total primary government	\$ 47,964,441	\$ 4,754,762	\$ 16,429,906	\$ -	\$ (25,918,806)	\$ (860,967)	\$ (26,779,773)	\$ -	\$ -	\$ -
COMPONENT UNITS:										
School Board	\$ 54,055,196	\$ 1,615,795	\$ 54,156,286	\$ -	\$ -	\$ -	\$ -	\$ 1,716,885	\$ -	\$ -
Library	1,034,467	9,216	1,041,007	-	-	-	-	-	15,756	-
Economic Development Authority	5,295,507	57,607	110,901	-	-	-	-	-	-	(5,126,999)
Total component units	\$ 60,385,170	\$ 1,682,618	\$ 55,308,194	\$ -	\$ -	\$ -	\$ -	\$ 1,716,885	\$ 15,756	\$ (5,126,999)
General revenues:										
General property taxes					\$ 21,908,032	\$ -	\$ 21,908,032	\$ -	\$ -	\$ -
Other local taxes:										
Local sales and use taxes					2,969,408	-	2,969,408	-	-	-
Consumers' utility taxes					654,317	-	654,317	-	-	-
Motor vehicle taxes					496,202	-	496,202	-	-	-
Taxes on recordation and wills					148,000	-	148,000	-	-	-
Restaurant food taxes					91,811	-	91,811	-	-	-
Other local taxes					402,436	-	402,436	-	-	-
Unrestricted revenues from the use of money					865,922	-	865,922	14,727	38	9,060
Miscellaneous					1,165,902	7,248	1,173,150	55,251	44,151	54,192
Grants and contributions not restricted to specific programs					2,571,592	-	2,571,592	8,310,580	-	273,354
Transfers					(175,247)	175,247	-	-	-	-
Total general revenues and transfers					\$ 31,098,375	\$ 182,495	\$ 31,280,870	\$ 8,380,558	\$ 44,189	\$ 336,606
Change in net position					\$ 5,179,569	\$ (678,472)	\$ 4,501,097	\$ 10,097,443	\$ 59,945	\$ (4,790,393)
Net position (deficit) - beginning, as restated					24,900,939	11,915,823	36,816,762	(28,469,461)	157,695	5,858,521
Net position (deficit) - ending					\$ 30,080,508	\$ 11,237,351	\$ 41,317,859	\$ (18,372,018)	\$ 217,640	\$ 1,068,128

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

County of Smyth, Virginia  
Balance Sheet  
Governmental Fund  
June 30, 2023

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,622,445
Investments	637,125
Receivables (net of allowance for uncollectibles):	
Taxes receivable	26,510,812
Accounts receivable	910,682
Due from component unit	802,506
Due from other governmental units	2,606,934
Advances to component unit	1,505,877
Prepaid items	179,287
Restricted assets:	
Cash and cash equivalents - unspent bond proceeds	504,785
Investments - unspent bond proceeds	9,366,923
Total assets	<u>\$ 65,647,376</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,111,257
Accrued liabilities	192,638
Due to component unit	5,329,114
Cash bond held in escrow	26,875
Unearned revenue	100,000
Total liabilities	<u>\$ 6,759,884</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue-property taxes	\$ 26,135,407
Property taxes paid in advance	348,597
Unavailable revenue-opioid settlement	547,288
Total deferred inflows of resources	<u>\$ 27,031,292</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	\$ 179,287
Restricted (See note 27)	10,887,029
Committed:	
Animal control	10,667
Public safety	165,350
Unassigned	20,613,867
Total fund balances	<u>\$ 31,856,200</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 65,647,376</u>

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

County of Smyth, Virginia  
Reconciliation of the Balance Sheet of Governmental Fund  
To the Statement of Net Position  
June 30, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Fund	\$	31,856,200
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets not depreciated	\$ 2,510,288	
Capital assets being depreciated	42,198,658	44,708,946

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

Unavailable revenue - property taxes	\$ 2,808,878	
Unavailable revenue - opioid settlement	547,288	3,356,166

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

Deferred charge on refunding	\$ 890,244	
Pension related items	1,669,029	
OPEB related items	563,353	3,122,626

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (37,365,623)	
Bond premium (to be amortized over life of debt)	(1,005,423)	
School construction bonds	(5,424,123)	
Loans payable	(285,000)	
Accrued interest payable	(316,698)	
Landfill postclosure liability	(386,020)	
Compensated absences	(1,346,650)	
Net pension liability	(2,668,715)	
Net OPEB liabilities	(2,113,079)	(50,911,331)

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

Pension related items	\$ (1,389,989)	
OPEB related items	(662,110)	(2,052,099)

Net position of governmental activities	\$	30,080,508
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The notes to the financial statements are an integral part of this statement.

County of Smyth, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2023

	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 21,884,538
Other local taxes	4,762,174
Permits, privilege fees, and regulatory licenses	79,688
Fines and forfeitures	595,470
Revenue from the use of money and property	1,046,459
Charges for services	1,447,224
Miscellaneous	1,287,576
Recovered costs	467,089
Intergovernmental	19,460,845
Total revenues	<u>\$ 51,031,063</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 5,741,333
Judicial administration	1,971,504
Public safety	11,713,324
Public works	3,201,439
Health and welfare	9,899,628
Education	9,653,546
Parks, recreation, and cultural	1,114,307
Community development	214,663
Capital projects	1,228,087
Debt service:	
Principal retirement	2,696,717
Interest and other fiscal charges	1,650,434
Issuance cost	168,155
Total expenditures	<u>\$ 49,253,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,777,926</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers out	\$ (175,247)
Issuance of general obligation bonds	10,500,000
Total other financing sources (uses)	<u>\$ 10,324,753</u>
Net change in fund balances	\$ 12,102,679
Fund balances - beginning	19,753,521
Fund balances - ending	<u><u>\$ 31,856,200</u></u>

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

County of Smyth, Virginia  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Fund  
to the Statement of Activities  
For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental fund	\$	12,102,679
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These are the details of items supporting this adjustment:

Capital outlays	\$ 3,167,133	
Depreciation expenses	<u>(2,522,369)</u>	644,764

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

Property taxes	\$ 23,494	
Opioid settlement	<u>(121,674)</u>	(98,180)

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

Debt issued or incurred:

Issuance of refunding bonds	\$ (10,500,000)	
Increase in accrued landfill closure/postclosure liability	(25,590)	

Principal repayments:

General obligation bonds	1,789,040	
School construction bonds	628,677	
Loans payable	<u>279,000</u>	(7,828,873)

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

Change in compensated absences	\$ (198,540)	
Change in accrued interest payable	(36,827)	
Change in pension related items	638,652	
Change in OPEB related items	4,706	
Change in value of the investment in the Smyth-Washington Industrial Facilities Authority	(302,804)	
Amortization of bond premium	352,908	
Amortization of deferred charge on refunding	<u>(98,916)</u>	359,179

Change in net position of governmental activities	\$	<u><u>5,179,569</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Smyth, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2023

	Enterprise Fund Water and Sewer
<b>ASSETS</b>	
Current assets:	
Accounts receivable, net of allowance for uncollectibles	\$ 438,062
Total current assets	<u>\$ 438,062</u>
Noncurrent assets:	
Capital assets not being depreciated	\$ 44,831
Capital assets, net of accumulated depreciation	19,415,045
Total noncurrent assets	<u>\$ 19,459,876</u>
Total assets	<u>\$ 19,897,938</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related items	\$ 54,717
OPEB related items	18,718
Total deferred outflows of resources	<u>\$ 73,435</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 75,471
Customers' deposits	1,914
Accrued interest payable	62,313
Compensated absences - current portion	18,897
Bonds payable - current portion	620,663
Total current liabilities	<u>\$ 779,258</u>
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 6,299
Bonds payable - net of current portion	7,708,831
Net OPEB liabilities	70,474
Net pension liability	89,005
Total noncurrent liabilities	<u>\$ 7,874,609</u>
Total liabilities	<u>\$ 8,653,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	\$ 58,073
OPEB related items	22,082
Total deferred inflows of resources	<u>\$ 80,155</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 11,130,382
Unrestricted (deficit)	106,969
Total net position	<u>\$ 11,237,351</u>

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

County of Smyth, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2023

	Enterprise Fund Water and Sewer
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 1,512,888
Sewer revenues	883,036
Connection fees	11,375
Penalties	13,315
Service charges	27,029
Application fees	4,200
Miscellaneous	7,248
Total operating revenues	<u>\$ 2,459,091</u>
<b>OPERATING EXPENSES</b>	
Personnel services	\$ 468,452
Water purchases	412,022
Water and wastewater service	438,283
Automotive expenses	50,069
Office supplies	24,772
Uniforms	2,598
Utilities	65,860
Permits	12,696
Postage	1,741
Telephone	6,794
Maintenance supplies	78,799
Repair and maintenance	57,514
Miscellaneous	11,318
Depreciation	1,485,138
Total operating expenses	<u>\$ 3,116,056</u>
Operating income (loss)	<u>\$ (656,965)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest expense	<u>\$ (196,754)</u>
Income (loss) before transfers	<u>\$ (853,719)</u>
Transfers in	<u>\$ 175,247</u>
Change in net position	<u>\$ (678,472)</u>
Total net position - beginning	11,915,823
Total net position - ending	<u><u>\$ 11,237,351</u></u>

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

County of Smyth, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2023

	Enterprise Fund Water and Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,382,635
Payments to suppliers	(1,195,708)
Payments to employees	(485,667)
Net cash provided by (used for) operating activities	<u>\$ 701,260</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>\$ 175,247</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to utility plant	\$ (56,386)
Principal payments on bonds	(525,357)
Interest payments	(294,764)
Net cash provided by (used for) capital and related financing activities	<u>\$ (876,507)</u>
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents - beginning	-
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (656,965)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 1,485,138
(Increase) decrease in accounts receivable	(76,456)
(Increase) decrease in net pension asset	11,617
(Increase) decrease in deferred outflows of resources	14,456
Increase (decrease) in accounts payable	(33,242)
Increase (decrease) in compensated absences	1,778
Increase (decrease) in net OPEB liabilities	(8,296)
Increase (decrease) in net pension liability	89,005
Increase (decrease) in deferred inflows of resources	(125,775)
Total adjustments	<u>\$ 1,358,225</u>
Net cash provided by (used for) operating activities	<u><u>\$ 701,260</u></u>

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

County of Smyth, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2023

	Custodial Funds Special Welfare Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 85,951
Investments	42,343
Receivables:	
Loan receivable	900
Total assets	<u>\$ 129,194</u>
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ -
Total liabilities	<u>\$ -</u>
<b>NET POSITION</b>	
Restricted	\$ 129,194
Total net position	<u><u>\$ 129,194</u></u>

County of Smyth, Virginia  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2023

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	<u>Custodial Funds</u>
	<u>Special Welfare Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Expenditure reimbursements	\$ 98,862
Miscellaneous	764
Total contributions	<u>\$ 99,626</u>
<b>DEDUCTIONS</b>	
Checks for SS & SSI Recipients	\$ 1,704
Special Welfare	107,877
Total deductions	<u>\$ 109,581</u>
 Net increase (decrease) in fiduciary net position	 \$ (9,955)
 Total net position - beginning	 <u>139,149</u>
Total net position - ending	<u><u>\$ 129,194</u></u>

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

COUNTY OF SMYTH, VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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**Note 1-Summary of Significant Accounting Policies:**

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

**A. Financial Reporting Entity**

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

Blended component units - None

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

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

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

The Smyth County Public Library (“Library”) was originally established as a jointly owned regional library by the counties of Smyth and Bland, Smyth-Bland Regional Library, located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Starting in fiscal year 2018, the Library is no longer regional. The County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the government-wide statements. As a result, there is a fiscal dependency on the county. The Library issues separate financial statements that can be obtained by contacting the Library at 118 S. Sheffey Street, Marion, VA 24354.

Related Organizations - The County, in conjunction with other local jurisdictions, participates in supporting the Mount Rogers Community Services Board and Appalachian Juvenile Commission. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2023, the County contributed \$195,982 to the Community Services Board and \$155,064 to the Juvenile Commission. The County does not have any ongoing financial responsibility for these organization.

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

A. Financial Reporting Entity (Continued)

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

The Counties of Smyth and Wythe and the Towns of Marion and Wytheville established the Smyth-Wythe Airport Commission. For the year ended June 30, 2023, the County contributed \$40,211 to the Airport Commission.

The Counties of Smyth, Buchanan, Dickenson, Lee, Russell, Scott, Washington, Wise, and the City of Norton established the Southwest Virginia Regional Jail Authority for the purpose of constructing and operating a jail facility for the participating localities. For the year ended June 30, 2023, The County paid fees in the amount of \$2,085,818 to the Authority.

The Counties of Smyth, Washington, and Bland established the Pathway Regional Industrial Facility Authority (PRIFA) for the purpose of promoting economic development in the region. For the year ended June 30, 2023, the EDA donated land with a net book value of \$4,662,983 to PRIFA.

B. Government-wide and fund financial statements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

B. Government-wide and fund financial statements (Continued)

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

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

*Fiduciary funds* account for and report assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The custodial fund includes the Special Welfare Fund.

The School Board reports the following major fund types:

The *School Operating Fund* is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from appropriations from the County and state and federal grants.

The *School Activity Fund* accounts for and reports all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the individual schools.

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

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

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

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

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

**1. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**2. Investments**

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

**3. Receivables and Payables**

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

**4. Property Taxes**

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

**5. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,165,235 at June 30, 2023. The allowance consists of delinquent taxes in the amount of \$420,421 and delinquent water and sewer bills of \$744,814.

**6. Use of Estimates**

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

**7. Compensated Absences**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

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

8. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County and Component Unit School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

As the County and Component Unit School Board constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-40
Machinery and equipment	3-20
Water and wastewater systems	20-40
Infrastructure	30-35
Right-to-use lease machinery and equipment	4-5

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

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

9. Long-term Obligations

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

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

10. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." County's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable -amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund).
- Restricted -amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed -amounts that can be used only for specific purposes determined by the adoption of an ordinance committing fund balance for a specific purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.
- Assigned -amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned -amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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.

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

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

11. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

12. Prepaid Items

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

13. Restricted Assets

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

14. Inventories

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

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

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

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualifies for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes and opioid settlement receivables are reported in the governmental funds balance sheet. The property tax amount is comprised of prepaid tax amounts and uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, prepaid tax amounts are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

16. Pensions

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

17. Other Postemployment Employee Benefits (OPEB)

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

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

**E. Leases**

The School Board and EDA have various lease assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

*Lessor*

The EDA recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at the present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives).

*Lessee*

The School Board recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

*Key Estimates and Judgments*

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School Board and EDA use the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the School Board and EDA use an estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease liability (lessee) or lease receivable (lessor).

The School Board and EDA monitor changes in circumstances that would require a remeasurement or modification of its leases. The School Board and EDA will remeasure the lease asset and liability (lessee) or the lease receivable and deferred inflows of resources (lessor) if certain changes occur that are expected to significantly affect the amount of the lease liability or lease receivable.

**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary information

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

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

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2023, there were no departments that exceeded appropriations.

C. Deficit fund balance

At June 30, 2023, no funds reported negative fund balance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 3-Deposits and Investments:**

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

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following rates: P-1 by Moody’s Investors Service Inc.; A-1 by Standard & Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Interest Rate Risk

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

Investments Maturities (in years)			
Investment Type	Fair Value	<1 Year	1-5 Years
Certificates of Deposit \$	11,468,219 \$	- \$	11,468,219

Custodial Credit Risk

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 4-Due from Other Governmental Units:**

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

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 523,909	\$ -
Categorical aid-State sales tax	-	482,340
Categorical aid-Other	391,099	-
Non-categorical aid	739,202	-
Categorical aid-Virginia Public Assistance	193,755	-
Categorical aid-Comprehensive Services Act	454,429	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance	286,456	-
Categorical aid-Other	18,084	2,409,713
Totals	<u>\$ 2,606,934</u>	<u>\$ 2,892,053</u>

**Note 5-Component-Unit Contributions and Obligations:**

Primary government contributions to component units for the year ended June 30, 2023, consisted of payments to the School Board and Library of \$9,584,482 and \$750,000, respectively.

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
<u>Primary Government:</u>		
General Fund	\$ 5,329,114	\$ 802,506
<u>Component Unit:</u>		
School Board	\$ -	\$ 5,329,114
EDA	802,506	-
Totals	<u>\$ 6,131,620</u>	<u>\$ 6,131,620</u>

**Note 6-Interfund Transfers:**

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 175,247
Water and Sewer Fund	175,247	-
Total	<u>\$ 175,247</u>	<u>\$ 175,247</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 6-Interfund Transfers: (Continued)**

Details of advanced to component unit amounts are as follows:

Smyth County Economic Development Authority

During fiscal year 2023, \$1,505,877 was advanced to the Authority for the purchase of the Teleperformance Building. This advance was made with no repayment terms and is not included in the totals reported above.

**Note 7-Long-Term Obligations:**Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2023.

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance
Direct Borrowings and Placements:				
General Obligation Bonds	\$ 28,654,663	\$ 10,500,000	\$ (1,789,040)	\$ 37,365,623
Unamortized Premiums	1,358,331	-	(352,908)	1,005,423
School Construction Bonds	6,052,800	-	(628,677)	5,424,123
Loans payable	564,000	-	(279,000)	285,000
Landfill closure/post-closure liability	360,430	25,590	-	386,020
Compensated absences	1,148,110	1,059,623	(861,083)	1,346,650
Net OPEB liabilities	2,207,439	630,673	(725,033)	2,113,079
Net pension liability (A)	-	3,778,374	(1,109,659)	2,668,715
Total	<u>\$ 40,345,773</u>	<u>\$ 15,994,260</u>	<u>\$ (5,745,400)</u>	<u>\$ 50,594,633</u>

(A) Net pension asset as of June 30, 2022 therefore beginning balance not reported above.

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

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2024	\$ 2,775,895	\$ 1,309,466
2025	2,891,082	1,355,894
2026	3,529,677	1,232,874
2027	3,689,677	1,093,142
2028	3,820,677	946,354
2029-2033	17,739,385	2,810,348
2034-2038	6,854,353	900,816
2039-2040	1,774,000	69,132
Totals	<u>\$ 43,074,746</u>	<u>\$ 9,718,026</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 7-Long-Term Obligations: (Continued)****Primary Government - Governmental Activities Obligations: (Continued)**

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>General Obligation Bonds:</b>						
School construction GO Bonds	4.100-5.600%	11/10/2004	2024	\$ 117,994	\$ 14,623	\$ 7,218
General Obligation bond series 2014C	2.050-5.050%	11/20/2014	2036	10,970,000	7,925,000	675,000
General Obligation bond series 2017	2.000-5.000%	4/26/2017	2032	17,980,000	16,455,000	1,035,000
General Obligation bond series 2022A	2.48%	5/19/2022	2031	673,000	591,000	85,000
General Obligation bond series 2022A	2.48%	5/19/2022	2037	1,960,000	1,880,000	60,000
General Obligation bond series 2023	3.86%	5/10/2023	2040	10,500,000	10,500,000	-
Total General Obligation Bonds					<u>\$ 37,365,623</u>	<u>\$ 1,862,218</u>
<b>Bond Premiums:</b>						
Unamortized premium on issuance	n/a	n/a	n/a	n/a	\$ 206,151	\$ 69,697
Unamortized premium on issuance	n/a	n/a	n/a	n/a	663	418
Unamortized premium on issuance	n/a	n/a	n/a	n/a	798,609	232,406
Total bond premiums					<u>\$ 1,005,423</u>	<u>\$ 302,521</u>
<b>School Construction QSCB Bonds:</b>						
School construction	0.000%	10/31/2012	2034	2,170,893	\$ 4,240,000	\$ 530,000
School construction	0.000%	12/15/2011	2031	9,500,000	1,184,123	98,677
Total School Construction Bonds					<u>\$ 5,424,123</u>	<u>\$ 628,677</u>
<b>Loans Payable:</b>						
Northwood HVAC	1.68%	2/1/2017	2024	1,746,000	\$ 263,000	\$ 263,000
Solid Waste Truck	1.68%	2/1/2017	2024	143,000	22,000	22,000
Total Loans Payable					<u>\$ 285,000</u>	<u>\$ 285,000</u>
<b>Other Long-term Obligations:</b>						
Landfill closure/post-closure liability	n/a	n/a	n/a	n/a	\$ 386,020	\$ -
Compensated absences	n/a	n/a	n/a	n/a	1,346,650	1,009,988
Net pension liability	n/a	n/a	n/a	n/a	2,668,715	-
Net OPEB liabilities	n/a	n/a	n/a	n/a	2,113,079	-
Total Other Long-term Obligations					<u>\$ 6,514,464</u>	<u>\$ 1,009,988</u>
Total Long-term Obligations					<u>\$ 50,594,633</u>	<u>\$ 4,088,404</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 7-Long-Term Obligations: (Continued)**Primary Government - Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2023.

	Beginning Balance	Increases / Issuances	Decreases / Retirements	Ending Balance
Direct Borrowings and Placements:				
GO Bonds	\$ 3,695,176	\$ -	\$ (84,916)	\$ 3,610,260
Revenue Bonds	4,844,919	-	(440,441)	4,404,478
Unamortized Premiums	406,931	-	(92,175)	314,756
Compensated absences	23,418	19,342	(17,564)	25,196
Net OPEB liabilities	78,770	20,815	(29,111)	70,474
Net pension liability (A)	-	125,981	(36,976)	89,005
Total	<u>\$ 9,049,214</u>	<u>\$ 166,138</u>	<u>\$ (701,183)</u>	<u>\$ 8,514,169</u>

(A) Net pension asset as of June 30, 2022 therefore beginning balance not reported above.

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

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2024	\$ 541,953	\$ 272,663
2025	564,720	248,371
2026	592,459	223,702
2027	615,286	198,545
2028	638,097	173,227
2029-2033	2,021,884	570,913
2034-2038	1,032,673	339,640
2039-2043	712,405	218,488
2044-2048	567,194	117,935
2049-2053	358,774	58,381
2054-2058	369,293	20,273
Totals	<u>\$ 8,014,738</u>	<u>\$ 2,442,138</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**Note 7-Long-Term Obligations: (Continued)****Primary Government - Business-type Activities Obligations: (Continued)****Details of long-term obligations:**

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
<b>Direct Borrowings and Placements:</b>						
GO Bonds:						
Rural Development GO Bond	3.250%	2/14/2005	2045	\$ 1,500,000	\$ 1,064,991	\$ 34,954
Rural Development GO Bond	4.000%	2/11/2010	2049	123,500	97,263	2,235
Rural Development GO Bond	2.750%	2/11/2010	2049	121,500	95,679	2,628
Rural Development GO Bond	4.500%	2/13/2009	2048	500,000	416,944	8,953
Rural Development GO Bond	2.125%	6/21/2018	2058	2,044,000	1,935,383	37,615
Subtotal GO Bonds					<u>\$ 3,610,260</u>	<u>\$ 86,385</u>
Revenue Bonds:						
VRA Revenue Bond	2.500%	10/17/2001	2032	113,300	\$ 51,298	\$ 5,150
VRA Revenue Bond	0.000%	3/5/2004	2034	503,049	191,280	16,768
VRA Revenue Bond	0.000%	11/26/2008	2029	473,000	141,900	23,650
VRA Revenue Bond	3.779-5.125%	5/25/2016	2016	6,420,000	4,020,000	410,000
Unamortized premium on issuance	n/a	n/a	n/a	n/a	314,756	78,710
Subtotal Revenue Bonds					<u>\$ 4,719,234</u>	<u>\$ 534,278</u>
Other Obligations:						
Compensated absences	n/a	n/a	n/a	n/a	\$ 25,196	\$ 18,897
Net OPEB liabilities	n/a	n/a	n/a	n/a	70,474	-
Net pension liability	n/a	n/a	n/a	n/a	89,005	-
Total Other Obligations					<u>\$ 184,675</u>	<u>\$ 18,897</u>
Total Long-term Obligations					<u>\$ 8,514,169</u>	<u>\$ 639,560</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 8-Long-Term Obligations-Component Units:**Discretely Presented Component Unit - School Board Obligations:

The following is a summary of long-term obligation transactions of the Component Unit-School Board for the year ended June 30, 2023.

	Beginning Balance	Increases	Decreases	Ending Balance
Lease liabilities	\$ 83,513	\$ 45,764	\$ (45,565)	\$ 83,712
Net OPEB liabilities	9,738,901	2,039,960	(3,045,084)	8,733,777
Compensated absences	466,350	330,788	(349,763)	447,375
Net pension liability	20,762,803	22,194,884	(16,567,209)	26,390,478
Total	<u>\$ 31,051,567</u>	<u>\$ 24,611,396</u>	<u>\$ (20,007,621)</u>	<u>\$ 35,655,342</u>

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2024	\$ 34,813	\$ 1,000
2025	31,074	626
2026	13,431	276
2027	3,080	91
2028	1,314	10
Totals	<u>\$ 83,712</u>	<u>\$ 2,003</u>

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Component Unit School Board	Amount Due Within One Year
<b>Lease Liabilities:</b>						
Xerox C8045/H2 System	0.47%	6/30/2021	2024	\$ 27,090	\$ 4,104	\$ 4,104
Konica Minolta bizhub 650i System (2 copiers)	0.33%	7/13/2021	2026	19,671	9,868	4,926
PrimeLink B9100	0.47%	6/30/2021	2026	16,253	7,361	3,262
AltaLink C8170/H2	0.47%	6/30/2021	2026	16,253	7,361	3,262
Xerox AltaLink B8170 Copier	0.33%	9/9/2021	2026	12,007	6,524	3,005
Xerox AltaLink B8170 Copier	0.33%	9/9/2021	2026	12,007	6,524	3,005
Konica Minolta bizhub 650i Copier	0.33%	9/9/2021	2026	10,134	5,506	2,536
Xerox AltaLink C8170 Copier	3.04%	12/12/2022	2027	14,689	13,089	2,811
Xerox AltaLink B8145 Copier	2.55%	7/2/2022	2026	10,717	8,022	2,766
Konica Minolta bizhub 650i System	2.55%	7/14/2022	2026	20,358	15,353	5,136
Total Lease Liabilities					<u>\$ 83,712</u>	<u>\$ 34,813</u>
<b>Other Obligations:</b>						
Net OPEB liabilities					\$ 8,733,777	\$ -
Compensated absences					447,375	335,531
Net pension liability					26,390,478	-
Total Other Obligations					<u>\$ 35,571,630</u>	<u>\$ 335,531</u>
Total Long-term Obligations					<u>\$ 35,655,342</u>	<u>\$ 370,344</u>

The leases payable, net pension liability, net OPEB liabilities, and compensated absences of the Component Unit - School Board are liquidated by the School Operating Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 8-Long-Term Obligations-Component Units: (Continued)**Discretely Presented Component Unit - EDA Obligations:

The following is a summary of long-term obligation transactions of the Component Unit-EDA for the year ended June 30, 2023.

	Beginning Balance	Increases / Issuances	Decreases / Retirements	Ending Balance
Direct Borrowings and Placements:				
Promissory Note	\$ -	\$ 960,000	\$ (25,893)	\$ 934,107
Total	\$ -	\$ 960,000	\$ (25,893)	\$ 934,107

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

Year Ending June 30,	Direct Borrowings and Placements	
	Principal	Interest
2024	\$ 35,520	\$ 29,832
2025	36,691	28,661
2026	37,902	27,450
2027	39,152	26,200
2028	40,444	24,908
2029-2033	223,133	103,627
2034-2038	262,448	64,314
2039-2043	258,817	18,602
Totals	\$ 934,107	\$ 323,594

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Direct Borrowings and Placements:						
Promissory Note	(1)	9/19/2022	2043	\$ 960,000	\$ 934,107	\$ 35,520
Total Long-term Obligations					\$ 934,107	\$ 35,520

(1) Interest will be 3.5% for the first 60 months. The rate will change every 12th month beginning 9/19/27 and will be 0.5 percent above the Wall Street Journal US Prime Rate. The rate will be no more than 6.990% and no less than 3.25%.

In the event of default, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable. The promissory note is secured by the underlying building that was purchased with proceeds of issuance.

**Note 9-Pension Plan:**

***Plan Description***

All full-time, salaried permanent employees of the County, Smyth County Library ("Component Unit"), and (nonprofessional) employees of the public school divisions are automatically covered by the VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

***Benefit Structures***

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees with a membership date before July 1, 2020, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Note 9-Pension Plan: (Continued)*****Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

***Employees Covered by Benefit Terms***

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government and Library</b>	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	196	127
Inactive members:		
Vested inactive members	27	16
Non-vested inactive members	39	37
Inactive members active elsewhere in VRS	87	25
Total inactive members	153	78
Active members	197	101
Total covered employees	546	306

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement

The County's and Component Unit's contractually required employer contribution rate for the year ended June 30, 2023 was 10.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$976,258 and \$731,782 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the pension plan from the Component Unit Library were \$40,047 and \$29,166 for the years ended June 30, 2023 and June 30, 2022, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2023 was 8.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$185,387 and \$191,085 for the years ended June 30, 2023 and June 30, 2022, respectively.

***Net Pension Liability (Asset)***

The net pension liability (asset) (NPLA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities (assets) were measured as of June 30, 2022. The total pension liabilities used to calculate the net pension liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

## Mortality rates:

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

## Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

## Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

## Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

## Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

## Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

**Mortality rates:**

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

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

**Mortality Improvement:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 9-Pension Plan: (Continued)*****Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
<b>Total</b>	<b>100.00%</b>		<b>5.33%</b>
		Inflation	2.50%
		Expected arithmetic nominal return**	<b>7.83%</b>

\*The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2023, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability (Asset)**

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 48,829,986	\$ 49,167,147	\$ (337,161)
Changes for the year:			
Service cost	\$ 842,951	\$ -	\$ 842,951
Interest	3,265,020	-	3,265,020
Differences between expected and actual experience	71,804	-	71,804
Impact in change in proportion	34,959	35,200	(241)
Contributions - employer	-	731,986	(731,986)
Contributions - employee	-	412,563	(412,563)
Net investment income	-	(30,096)	30,096
Benefit payments, including refunds	(2,674,496)	(2,674,496)	-
Administrative expenses	-	(30,918)	30,918
Other changes	-	1,118	(1,118)
Net changes	\$ 1,540,238	\$ (1,554,643)	\$ 3,094,881
Balances at June 30, 2022	\$ 50,370,224	\$ 47,612,504	\$ 2,757,720

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)****Changes in Net Pension Liability (Asset) (Continued)**

	Component Unit Library		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 1,982,475	\$ 1,996,163	\$ (13,688)
Changes for the year:			
Service cost	\$ 33,596	\$ -	\$ 33,596
Interest	130,129	-	130,129
Differences between expected and actual experience	2,862	-	2,862
Impact in change in proportion	(34,959)	(35,200)	241
Contributions - employer	-	29,174	(29,174)
Contributions - employee	-	16,443	(16,443)
Net investment income	-	(1,200)	1,200
Benefit payments, including refunds	(106,594)	(106,594)	-
Administrative expenses	-	(1,232)	1,232
Other changes	-	45	(45)
Net changes	\$ 25,034	\$ (98,564)	\$ 123,598
Balances at June 30, 2022	\$ 2,007,509	\$ 1,897,599	\$ 109,910

	Component Unit School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 14,476,558	\$ 14,262,673	\$ 213,885
Changes for the year:			
Service cost	\$ 167,597	\$ -	\$ 167,597
Interest	957,566	-	957,566
Differences between expected and actual experience	(572,364)	-	(572,364)
Contributions - employer	-	191,144	(191,144)
Contributions - employee	-	104,529	(104,529)
Net investment income	-	(5,200)	5,200
Benefit payments, including refunds	(915,994)	(915,994)	-
Administrative expenses	-	(9,038)	9,038
Other changes	-	320	(320)
Net changes	\$ (363,195)	\$ (634,239)	\$ 271,044
Balances at June 30, 2022	\$ 14,113,363	\$ 13,628,434	\$ 484,929

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents net pension liability of the County, Component Unit Library, and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County's, Component Unit Library's, and Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County - Primary Government			
Net Pension Liability (Asset)	\$ 9,220,987	\$ 2,757,720	\$ (2,539,132)
Component Unit Library			
Net Pension Liability (Asset)	\$ 367,508	\$ 109,910	\$ (101,198)
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 2,022,875	\$ 484,929	\$ (795,852)

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

For the year ended June 30, 2023, the County, Component Unit Library, and Component Unit School Board (nonprofessional) recognized pension expense of \$324,178, \$(11,934), and \$(92,956), respectively. At June 30, 2022, the County, Component Unit Library, and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit Library		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,605	\$ -	\$ 7,825	\$ -	\$ 12,210	\$ 307,381
Change in assumptions	519,785	-	21,103	-	71,659	-
Net difference between projected and actual earnings on pension plan investments	-	1,444,523	-	54,799	-	427,708
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,098	3,539	-	30,559	-	-
Employer contributions subsequent to the measurement date	976,258	-	40,047	-	185,387	-
Total	\$ 1,723,746	\$ 1,448,062	\$ 68,975	\$ 85,358	\$ 269,256	\$ 735,089

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)*****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$976,258, \$40,047, and \$185,387 reported as deferred outflows of resources related to pensions resulting from the County's, Component Unit Library's, and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit Library</u>	<u>Component Unit School Board (Nonprofessional)</u>
2024	\$ 133,348	\$ (13,983)	\$ (343,155)
2025	(530,396)	(29,204)	(212,521)
2026	(963,250)	(39,537)	(284,884)
2027	659,724	26,294	189,340

***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**Component Unit School Board (Professional)*****Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$4,204,877 and \$4,042,304 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)****Component Unit School Board (Professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2023, the school division reported a liability of \$25,905,549 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.27210% as compared to 0.26470% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$837,036. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,786,290
Change in assumptions	2,442,371	-
Net difference between projected and actual earnings on pension plan investments	-	3,377,541
Changes in proportion and differences between employer contributions and proportionate share of contributions	704,792	772,961
Employer contributions subsequent to the measurement date	4,204,877	-
Total	\$ <u>7,352,040</u>	\$ <u>5,936,792</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

**Component Unit School Board (Professional) (Continued)**

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

\$4,204,877 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b><u>Year Ended June 30</u></b>	
2024	\$ (1,126,483)
2025	(1,224,743)
2026	(2,129,118)
2027	1,690,715

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

**Mortality rates:**

- Pre-Retirement:
  - Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
  - Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:
  - Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors:
  - Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement:
  - Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)****Component Unit School Board (Professional) (Continued)*****Actuarial Assumptions (Continued)***

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	45,211,731
Employers' Net Pension Liability (Asset)	\$ <u>9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 9-Pension Plan: (Continued)****Component Unit School Board (Professional) (Continued)*****Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 46,269,294	\$ 25,905,549	\$ 9,324,983

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Primary Government and Component Units***

## Aggregate Pension Information

	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government				
VRS Pension Plans:	\$ 1,723,746	\$ 1,448,062	\$ 2,757,720	\$ 324,178
Component Unit Library				
VRS Pension Plans:	\$ 68,975	\$ 85,358	\$ 109,910	\$ (11,934)
Component Unit School Board				
VRS Pension Plans:				
School Board Nonprofessional	\$ 269,256	\$ 735,089	\$ 484,929	\$ (92,956)
School Board Professional	7,352,040	5,936,792	25,905,549	837,036
Totals	\$ 7,621,296	\$ 6,671,881	\$ 26,390,478	\$ 744,080

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 10-Other Postemployment Benefits-Health Insurance:**

In addition to the pension benefits described in Note 9, the County and Component Unit School Board administer a single-employer defined benefit healthcare plan. The plans provide postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's and School Board's pension plans. The plans do not issue a publicly available financial report.

**Benefits Provided**

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

**Plan Membership**

At July 1, 2022 (measurement date), the following employees were covered by the benefit terms:

	<b>Primary Government and Library</b>	<b>Component Unit- School Board</b>
Total active employees with coverage	188	613
Total retirees with coverage	8	29
Total	<u>196</u>	<u>642</u>

**Contributions**

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County, Component Unit Library, and Component Unit School Board for OPEB as the benefits came due during the year ended June 30, 2023 was \$36,543, \$1,457, and \$142,000, respectively.

**Total OPEB Liability**

The County's and School Board's total OPEB liability was measured as of July 1, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Primary Government and Component Unit Library:

Inflation	2.50%
Healthcare Cost Trend Rates	9.91% for fiscal year end 2023 (to reflect actual experience), then 6.75% for fiscal year end 2024, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	3.69%

Mortality rates use RP-2014 Mortality Table, fully generated with base year 2006, using two-dimensional improvement scale MP-2021.

Component Unit School Board:

Inflation	2.50%
Healthcare Cost Trend Rates	6.15% for fiscal year end 2023 (to reflect actual experience), then 6.75% for fiscal year end 2024, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increases	2.50%
Discount Rate	3.69%

Mortality rates use RP-2014 Mortality Table, fully generated with base year 2006, using two-dimensional improvement scale MP-2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 10-Other Postemployment Benefits-Health Insurance: (Continued)****Discount Rate**

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from the Municipal GO AA 20-year curve. The final equivalent single discount rate used for this year's valuation is 3.69% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

**Changes in Total OPEB Liability**

	Primary Government	Component Unit Library	Component Unit School Board
Balances at June 30, 2022	\$ 1,841,244	\$ 74,756	\$ 4,627,000
Changes for the year:			
Service cost	93,282	3,718	236,000
Interest	36,544	1,456	92,000
Difference between expected and actual experience	225,993	9,007	(754,000)
Changes in assumptions	(458,719)	(18,281)	(525,000)
Contributions - employer	(36,543)	(1,457)	(142,000)
Change in proportionate share	1,320	(1,320)	-
Net changes	(138,123)	(6,877)	(1,093,000)
Balances at June 30, 2023	\$ 1,703,121	\$ 67,879	\$ 3,534,000

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

The following amounts present the total OPEB liability of the County and Component Unit-Library, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.69%) or one percentage point higher (4.69%) than the current discount rate:

	Rate		
	1% Decrease 2.69%	Current Discount 3.69%	1% Increase 4.69%
County	\$ 1,892,570	\$ 1,703,121	\$ 1,535,790
Component Unit Library	\$ 75,430	\$ 67,879	\$ 61,210
Component Unit School Board	\$ 3,827,000	\$ 3,534,000	\$ 3,262,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 10-Other Postemployment Benefits-Health Insurance: (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

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

	Rate		
	1% Decrease (1.00%)	Current Discount 0.00%	1% Increase 1.00%
County	\$ 1,503,093	\$ 1,703,121	\$ 1,939,692
Component Unit Library	\$ 59,907	\$ 67,879	\$ 77,308
Component Unit School Board	\$ 3,183,000	\$ 3,534,000	\$ 3,938,000

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

For the year ended June 30, 2023, the County, Component Unit Library, and Component Unit School Board recognized OPEB expense in the amount of \$94,244, \$3,756, and (\$20,000), respectively. At June 30, 2023, the County, Component Unit Library, and Component Unit-School Board, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit-Library		Component Unit-School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 187,526	\$ 198,104	\$ 7,474	\$ 7,896	\$ 4,000	\$ 1,072,000
Changes in assumptions	219,261	379,860	8,739	15,140	448,000	460,000
Employer contributions subsequent to the measurement date	36,543	-	1,457	-	142,000	-
Total	\$ 443,330	\$ 577,964	\$ 17,670	\$ 23,036	\$ 594,000	\$ 1,532,000

\$36,543, \$1,457, and \$142,000 was reported as deferred outflows of resources related to OPEB resulting from the County, Component Unit-Library, and Component Unit-School Board, respectively, contributions subsequent to the measurement date will be recognized as reduction of the Total OPEB liability in the fiscal year ended June 30, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 10-Other Postemployment Benefits-Health Insurance: (Continued)*****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

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

Year Ended June 30:	Primary Government	Component Unit-Library	Component Unit- School Board
2024	\$ (45,199)	\$ (1,801)	\$ (356,000)
2025	(43,275)	(1,725)	(239,000)
2026	(28,849)	(1,151)	(160,000)
2027	(26,927)	(1,073)	(171,000)
2028	(26,927)	(1,073)	(154,000)

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

**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan):*****Plan Description***

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

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

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

***Eligible Employees***

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

**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ( $1.34\% \times 60\%$ ) and the employer component was 0.54% ( $1.31\% \times 40\%$ ). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Plan from the County were \$52,608 and \$46,866 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit Library were \$2,158 and \$1,868 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Nonprofessional) were \$13,564 and \$12,313 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit-School Board (Professional) were \$141,192 and \$134,884 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

***Primary Government GLI Program***

At June 30, 2023, the entity reported a liability of \$480,432 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the County's proportion was 0.03991% as compared to 0.03825% at June 30, 2021.

For the year ended June 30, 2023, the County recognized GLI OPEB expense of \$15,501. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

***Component Unit Library GLI Program***

At June 30, 2023, the entity reported a liability of \$19,148 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Component Unit Library's proportion was 0.00159% as compared to 0.00155% at June 30, 2021.

For the year ended June 30, 2023, the Component Unit Library recognized GLI OPEB expense of \$618. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

***Component Unit School Board (Nonprofessional) GLI Program***

At June 30, 2023, the Component Unit-School Board (Nonprofessional) reported a liability of \$126,189 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Component Unit-School Board (non-professional) proportion was 0.01050% as compared to 0.01010% at June 30, 2021.

For the year ended June 30, 2023, the Component-Unit School Board (Nonprofessional) recognized GLI OPEB expense of \$(929). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB (Continued)******Component Unit School Board (Professional) GLI Program***

At June 30, 2023, the Component Unit-School Board (Professional) reported a liability of \$1,382,664 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Component Unit-School Board (professional) proportion was 0.11480% as compared to 0.11190% at June 30, 2021.

For the year ended June 30, 2023, the Component Unit School Board (Professional) recognized GLI OPEB expense of \$15,600. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,044	\$ 19,274	\$ 1,516	\$ 768
Net difference between projected and actual earnings on GLI OPEB plan investments	-	30,020	-	1,196
Change in assumptions	17,920	46,796	714	1,865
Changes in proportionate share	30,169	10,138	1,202	404
Employer contributions subsequent to the measurement date	52,608	-	2,158	-
Total	\$ 138,741	\$ 106,228	\$ 5,590	\$ 4,233

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Plan OPEB (Continued)***

	Component Unit School Board (Nonprofessional)		Component Unit School Board (Professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,993	\$ 5,062	\$ 109,490	\$ 55,469
Net difference between projected and actual earnings on GLI OPEB plan investments	-	7,885	-	86,396
Change in assumptions	4,707	12,291	51,571	134,677
Changes in proportionate share	4,473	12,710	35,493	62,533
Employer contributions subsequent to the measurement date	13,564	-	141,192	-
Total	\$ 32,737	\$ 37,948	\$ 337,746	\$ 339,075

\$52,608, \$2,158, \$13,564, and \$141,192 reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit Library, Component Unit School Board (nonprofessional), and Component Unit School Board (professional)'s, respectively, contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit Library	Component Unit School Board (Nonprofessional)	Component Unit School Board (Professional)
2024	\$ (6,598)	\$ (263)	\$ (6,676)	\$ (47,600)
2025	(4,121)	(164)	(5,174)	(34,163)
2026	(19,343)	(771)	(7,904)	(72,464)
2027	9,725	388	1,038	15,342
2028	242	9	(59)	(3,636)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

**Mortality Rates - Teachers**

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Plan is as follows (amounts expressed in thousands):

	<b>GLI OPEB Plan</b>
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	2,467,989
GLI Net OPEB Liability (Asset)	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72% including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 11-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate**

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
<b>Proportional share of the GLI Plan Net OPEB Liability:</b>			
Primary Government	\$ 699,085	\$ 480,432	\$ 303,731
Component Unit Library	\$ 27,862	\$ 19,148	\$ 12,105
Component Unit School Board (Nonprofessional)	\$ 183,620	\$ 126,189	\$ 79,777
Component Unit School Board (Professional)	\$ 2,011,938	\$ 1,382,664	\$ 874,124

**Group Life Insurance Plan Fiduciary Net Position**

Detailed information about the Group Life Insurance Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 12-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):**

***Plan Description***

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

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Plan Notes***

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

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$315,319 and \$301,036 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 12-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB***

At June 30, 2023, the school division reported a liability of \$3,334,205 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee Health Insurance Credit was 0.26694% as compared to 0.25961% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC OPEB expense of \$215,874. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 135,907
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,347
Change in assumptions	97,409	8,514
Change in proportionate share and differences between actual and expected contributions	81,561	184,465
Employer contributions subsequent to the measurement date	<u>315,319</u>	<u>-</u>
Total	<u>\$ 494,289</u>	<u>\$ 332,233</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 12-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

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

\$315,319 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (60,765)
2025	(51,833)
2026	(32,308)
2027	(6,851)
2028	(4,435)
Thereafter	2,929

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

**Mortality Rates - Teachers**

- Pre-Retirement:  
Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:  
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:  
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors:  
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:  
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 12-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**Net Teacher Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	221,845
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%

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

**Note 12-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

\*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 12-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Discount Rate**

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,757,687	\$ 3,334,205	\$ 2,975,230

**Teacher Employee HIC OPEB Fiduciary Net Position**

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan):**

***Plan Description***

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

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

***Benefit Amounts***

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

***HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Employees Covered by Benefit Terms***

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>67</u>
Inactive members:	
Vested inactive members	<u>2</u>
Total inactive members	<u>2</u>
Active members	<u>101</u>
Total covered employees	<u>170</u>

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board to the HIC Plan were \$36,373 and \$27,530 for the years ended June 30, 2023 and June 30, 2022, respectively.

***Net HIC OPEB Liability***

The Component Unit School Board's net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

***Actuarial Assumptions***

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

**Post-Retirement:**

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

**Post-Disablement:**

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

**Beneficiaries and Survivors:**

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

**Mortality Improvement Scale:**

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Actuarial Assumptions (Continued)*****Mortality Rates - Non-Largest Ten Locality Employers - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Long-term Target Asset Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
		Inflation	2.50%
		Expected arithmetic nominal return**	<u>7.83%</u>

\*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)****Discount Rate**

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

**Changes in Net HIC OPEB Liability**

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 387,144	\$ 28,394	\$ 358,750
Changes for the year:			
Service cost	\$ 2,500	\$ -	\$ 2,500
Interest	25,860	-	25,860
Benefit changes	(13,077)	(13,077)	-
Differences between expected and actual experience	(36,405)	-	(36,405)
Assumption changes	33,313	-	33,313
Contributions - employer	-	27,529	(27,529)
Net investment income	-	(283)	283
Administrative expenses	-	(82)	82
Other changes	-	135	(135)
Net changes	\$ 12,191	\$ 14,222	\$ (2,031)
Balances at June 30, 2022	\$ 399,335	\$ 42,616	\$ 356,719

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****Sensitivity of the Component Unit School Board's HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the Component Unit School Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the Component Unit School Board's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board Net HIC OPEB Liability	\$ 390,153	\$ 356,719	\$ 327,777

***HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB***

For the year ended June 30, 2023, the Component Unit School Board recognized HIC Plan OPEB expense of \$28,118. At June 30, 2023, the Component Unit School Board reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 26,974
Net difference between projected and actual earnings on HIC OPEB plan investments	633	-
Change in assumptions	30,448	-
Employer contributions subsequent to the measurement date	36,373	-
Total	\$ 67,454	\$ 26,974

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 13-Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)*****HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB (Continued)***

\$36,373 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in the future reporting periods as follows:

**Year Ended June 30**

2024	\$	2,218
2025		2,009
2026		(658)
2027		538

***HIC Plan Data***

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 14-Aggregate OPEB Information:**

	Primary Government				Component Unit Library			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program:								
County	\$ 138,741	\$ 106,228	\$ 480,432	\$ 15,501	\$ 5,590	\$ 4,233	\$ 19,148	\$ 618
County Stand-Alone Plan	443,330	577,964	1,703,121	94,244	17,670	23,036	67,879	3,756
Totals	<u>\$ 582,071</u>	<u>\$ 684,192</u>	<u>\$ 2,183,553</u>	<u>\$ 109,745</u>	<u>\$ 23,260</u>	<u>\$ 27,269</u>	<u>\$ 87,027</u>	<u>\$ 4,374</u>
	Component Unit School Board							
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense				
VRS OPEB Plans:								
Group Life Insurance Program:								
School Board Nonprofessional	\$ 32,737	\$ 37,948	\$ 126,189	\$ (929)				
School Board Professional	337,746	339,075	1,382,664	15,600				
Health Insurance Credit Program:								
School Board	67,454	26,974	356,719	28,118				
Teacher Health Insurance Credit Program	494,289	332,233	3,334,205	215,874				
School Stand-Alone Plan	594,000	1,532,000	3,534,000	(20,000)				
Totals	<u>\$ 1,526,226</u>	<u>\$ 2,268,230</u>	<u>\$ 8,733,777</u>	<u>\$ 238,663</u>				

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 15-Unearned and Deferred/Unavailable Revenue:**

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

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Long-term portion of opioid settlement receivable that is not available for funding of current expenditures	\$ -	\$ 547,288
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	-	2,808,878
Tax assessments due after June 30	23,326,529	23,326,529
Prepaid property taxes due after June 30 but paid in advance by taxpayers	348,597	348,597
Total	<u>\$ 23,675,126</u>	<u>\$ 27,031,292</u>

**Note 16 - Lease Receivable - Component Unit EDA:**

The following is a summary of lease receivable transactions of the EDA for the year ended June 30, 2023:

	Beginning Balance	Increases/ Issuances	Decreases/ Retirements	Ending Balance	Interest Income
Lease receivable	<u>\$ -</u>	<u>\$ 444,762</u>	<u>\$ (53,940)</u>	<u>\$ 390,822</u>	<u>\$ 9,060</u>

Details of leases receivable:

Lease Description	Original Issuance Date	End Date	Payment Frequency	Discount Rate	Ending Balance	Amount Due Within One Year
Building - Project Learn	10/1/2022	2028	Monthly	2.87%	<u>\$ 390,822</u>	<u>\$ 73,749</u>

Lease revenue totaled \$57,607 during fiscal year 2023. There were no variable payments for leases receivable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 17-Capital Assets:**

Capital asset activity for the year ended June 30, 2023 was as follows:

## Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 636,687	\$ 551,347	\$ -	\$ 1,188,034
Construction in progress	573,869	1,322,254	(573,869)	1,322,254
Total capital assets not being depreciated	<u>\$ 1,210,556</u>	<u>\$ 1,873,601</u>	<u>\$ (573,869)</u>	<u>\$ 2,510,288</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 71,220,583	\$ -	\$ -	\$ 71,220,583
Machinery and equipment	12,738,465	1,293,532	(170,288)	13,861,709
Infrastructure	56,660	573,869	-	630,529
Total capital assets being depreciated	<u>\$ 84,015,708</u>	<u>\$ 1,867,401</u>	<u>\$ (170,288)</u>	<u>\$ 85,712,821</u>
Accumulated depreciation:				
Buildings and improvements	\$ (31,336,047)	\$ (1,542,967)	\$ -	\$ (32,879,014)
Machinery and equipment	(9,794,569)	(963,395)	170,288	(10,587,676)
Infrastructure	(31,466)	(16,007)	-	(47,473)
Total accumulated depreciation	<u>\$ (41,162,082)</u>	<u>\$ (2,522,369)</u>	<u>\$ 170,288</u>	<u>\$ (43,514,163)</u>
Total capital assets being depreciated, net	<u>\$ 42,853,626</u>	<u>\$ (654,968)</u>	<u>\$ -</u>	<u>\$ 42,198,658</u>
Governmental activities capital assets, net	<u>\$ 44,064,182</u>	<u>\$ 1,218,633</u>	<u>\$ (573,869)</u>	<u>\$ 44,708,946</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 17-Capital Assets: (Continued)**

## Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 44,831	\$ -	\$ -	\$ 44,831
Total capital assets not being depreciated	<u>\$ 44,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,831</u>
Capital assets, being depreciated:				
Utility system	\$ 51,935,369	\$ -	\$ -	\$ 51,935,369
Machinery and equipment	856,213	56,386	-	912,599
Total capital assets being depreciated	<u>\$ 52,791,582</u>	<u>\$ 56,386</u>	<u>\$ -</u>	<u>\$ 52,847,968</u>
Accumulated depreciation:				
Utility system	\$ (31,272,199)	\$ (1,425,363)	\$ -	\$ (32,697,562)
Machinery and equipment	(675,586)	(59,775)	-	(735,361)
Total accumulated depreciation	<u>\$ (31,947,785)</u>	<u>\$ (1,485,138)</u>	<u>\$ -</u>	<u>\$ (33,432,923)</u>
Total capital assets being depreciated, net	<u>\$ 20,843,797</u>	<u>\$ (1,428,752)</u>	<u>\$ -</u>	<u>\$ 19,415,045</u>
Business-type activities capital assets, net	<u>\$ 20,888,628</u>	<u>\$ (1,428,752)</u>	<u>\$ -</u>	<u>\$ 19,459,876</u>

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

Governmental activities:	
General government administration	\$ 94,704
Judicial administration	515,723
Public safety	805,868
Public works	183,336
Health and welfare	10,835
Education	886,284
Parks, recreation, and cultural	<u>25,619</u>
Total depreciation expense-governmental activities	<u>\$ 2,522,369</u>
Business-type activities	<u>\$ 1,485,138</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 17-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2023 was as follows:

## Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 844,463	\$ -	\$ -	\$ 844,463
Construction in progress	-	948,817	-	948,817
Total capital assets not being depreciated	<u>\$ 844,463</u>	<u>\$ 948,817</u>	<u>\$ -</u>	<u>\$ 1,793,280</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,303,076	\$ 2,404,215	\$ -	\$ 21,707,291
Machinery and equipment	9,878,157	359,772	(248,145)	9,989,784
Right-to-use lease machinery and equipment	123,988	45,764	(27,511)	142,241
Total capital assets being depreciated	<u>\$ 29,305,221</u>	<u>\$ 2,809,751</u>	<u>\$ (275,656)</u>	<u>\$ 31,839,316</u>
Accumulated depreciation:				
Buildings and improvements	\$ (14,594,234)	\$ (429,523)	\$ -	\$ (15,023,757)
Machinery and equipment	(7,860,720)	(629,789)	248,145	(8,242,364)
Right-to-use lease machinery and equipment	(39,587)	(46,034)	27,511	(58,110)
Total accumulated depreciation	<u>\$ (22,494,541)</u>	<u>\$ (1,105,346)</u>	<u>\$ 275,656</u>	<u>\$ (23,324,231)</u>
Total capital assets being depreciated, net	<u>\$ 6,810,680</u>	<u>\$ 1,704,405</u>	<u>\$ -</u>	<u>\$ 8,515,085</u>
Component Unit-School Board capital assets, net	<u>\$ 7,655,143</u>	<u>\$ 2,653,222</u>	<u>\$ -</u>	<u>\$ 10,308,365</u>

## Discretely Presented Component Unit - EDA:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,683,062	\$ 54,331	\$ (4,662,983)	\$ 74,410
Construction in progress	-	316,637	-	316,637
Total capital assets, not being depreciated	<u>\$ 4,683,062</u>	<u>\$ 370,968</u>	<u>\$ (4,662,983)</u>	<u>\$ 391,047</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ -	\$ 3,418,349	\$ -	\$ 3,418,349
Accumulated depreciation:				
Buildings and improvements	\$ -	\$ (30,411)	\$ -	\$ (30,411)
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ 3,387,938</u>	<u>\$ -</u>	<u>\$ 3,387,938</u>
Component Unit-EDA capital assets, net	<u>\$ 4,683,062</u>	<u>\$ 3,442,269</u>	<u>\$ (4,662,983)</u>	<u>\$ 3,778,985</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023

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**Note 18-Investment in the Smyth-Washington Industrial Facilities Authority (SWIFA):**

The County entered into a joint venture with Washington County, Virginia for the development of a regional industrial park. Terms of the agreement stipulate that proceeds from the sale of lots in the park share be distributed equally to Washington and Smyth County. Previously, the County has recorded an investment in SWIFA on the statement of net position that represents  $\frac{1}{2}$  of the current carrying costs of lots in the Highlands Business Park. During fiscal year 2023, SWIFA dissolved and all of the capital assets went to Washington County IDA while Smyth County received a final payment of \$273,354 as a result of the dissolution.

**Note 19-Risk Management:**

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

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

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

**Note 20-Contingent Liabilities:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 21-Surety Bonds:**

## Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

John Graham, Clerk of the Circuit Court	\$	425,000
Tom Burkett, Treasurer		50,000
Jeff Richardson, Commissioner of the Revenue		3,000
Chip Shuler, Sheriff		30,000
All constitutional officers' employees: blanket bond		50,000

Virginia Association of Counties Group

Self Insurance Risk Pool		
Public Officials Liability - Limit	\$	2,000,000
Defense Cost Limit		100,000

Virginia Liability Risk Management Program

Social Services Employees	\$	1,000,000
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## Component Unit - School Board:

Virginia Association of Counties Group

Self Insurance Risk Pool		
School Leaders	\$	5,000,000

**Note 22-Landfill Closure and Post-closure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The County closed the landfill in 1995, however, certain monitoring functions will be continued at the landfill for a period of up to 30 years. \$386,020 was reported as landfill closure and post-closure care liability at June 30, 2023. This amount is based on what it would cost to perform all closure and post-closure in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**Note 23-Arbitrage Rebate Compliance:**

As of June 30, 2023 and for the year then ended, the County was not liable for any amounts due under current rules governing arbitrage earnings.

**Note 24-Commitments and Contingencies:**

The County and a local Town entered into an agreement in May 2023 to purchase up to 240,000 gallons of water per day at a rate of \$4.50 per 1,000 gallons (subject to increase with residential rates). The initial term of the agreement was five years with the option of five year renewals.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 24-Commitments and Contingencies: (Continued)**

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

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

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

The County and its Component Units were involved in major construction projects during the fiscal year as presented below along with the anticipated funding source:

Project	Contract Amount	Contract Amount	Funding Source
		Outstanding at June 30, 2023	
County - Transfer Station	\$ 302,800	\$ 63,800	Local
County - E911 Communications Tower	6,688,224	5,684,990	Local
School Board - Restroom Renovations Marion, Chilhowie, and Northwood	2,153,942	1,332,491	Federal
School Board - Marion High School Baseball Field	295,200	211,068	Local
EDA - Pathway Park Site	426,000	192,413	Local

**Note 25-Intergovernmental Agreements:****Mountain Empire Regional Wastewater Facility**

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

The user charge is determined monthly. The initial agreement ends August 2030; however, the agreement may be renewed for an additional 40-year period. During fiscal year 2023, the County remitted a total of \$238,668 to the Town of Marion. As part of the agreement, the Town of Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 25-Intergovernmental Agreements: (Continued)**

## Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. The Town of Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by the Town of Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year's income or loss derived from the treatment of wastewater. The user charge is determined each month based on a percentage of plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2023, the County remitted a total of \$199,083 to the Town of Chilhowie. As part of the agreement, the Town of Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

## Saltville-Smyth Regional Wastewater Treatment Facility

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

The term of agreement ends March 2041 and is renewable for a term of 40 years. During the fiscal year 2023, the County remitted a total of \$0 to the Town of Saltville in user charges. As part of the agreement, the Town of Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

**Note 26-Litigation:**

As of June 30, 2023, a claim has been filed against the County in regard to erroneous assessment of taxes for a combined total of \$800,000. The County is vigorously defending itself against the claim and does not believe the payout of same is probable or reasonably estimable as of the date of the report; therefore, no liability has been recognized in the financial statements.

**Note 27-Restricted Fund Balance and Net Position:**

Governmental Activities / Funds:	Governmental	Component Unit	
	Activities	School Board	General Fund
Restricted:			
E-911	\$ 477,159	\$ -	\$ 477,159
Courthouse construction	49,712	-	49,712
Public Safety	258,079	-	258,079
Courthouse security	73,335	-	73,335
E-summons program	4,641	-	4,641
Restricted bond proceeds	9,871,708	-	9,871,708
Opioid settlement	699,683	-	152,395
Cafeteria Program	-	909,594	-
School construction	-	2,186,299	-
Total restricted balances	<u>\$ 11,434,317</u>	<u>\$ 3,095,893</u>	<u>\$ 10,887,029</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2023**Note 28-Restatement of Beginning Balances:**

Beginning net position and fund balance for the School Board and School Activity Fund, respectively, was restated due to the exclusion of Marion Senior High School and Northwood High School from the report:

	Fund Balance	Net Position
	School Activity Fund	School Board
Beginning balance, as previously stated	\$ 1,225,316	\$ (28,174,750)
SAF audit restatement	(294,711)	(294,711)
Beginning balance, as restated	<u>\$ 930,605</u>	<u>\$ (28,469,461)</u>

**Note 29-Upcoming Pronouncements:**

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, provides more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability for accounting changes and error corrections. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

## Required Supplementary Information

County of Smyth, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2023

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts		
REVENUES					
General property taxes	\$ 20,217,533	\$ 20,217,533	\$ 21,884,538	\$	1,667,005
Other local taxes	5,051,016	5,051,016	4,762,174		(288,842)
Permits, privilege fees, and regulatory licenses	74,147	74,147	79,688		5,541
Fines and forfeitures	1,070,179	1,070,179	595,470		(474,709)
Revenue from the use of money and property	634,229	634,229	1,046,459		412,230
Charges for services	1,614,416	1,614,416	1,447,224		(167,192)
Miscellaneous	3,775,057	3,775,057	1,287,576		(2,487,481)
Recovered costs	6,182,141	6,182,141	467,089		(5,715,052)
Intergovernmental	21,313,968	21,313,968	19,460,845		(1,853,123)
Total revenues	\$ 59,932,686	\$ 59,932,686	\$ 51,031,063	\$	(8,901,623)
EXPENDITURES					
Current:					
General government administration	\$ 7,145,635	\$ 7,145,635	\$ 5,741,333	\$	1,404,302
Judicial administration	2,149,834	2,149,834	1,971,504		178,330
Public safety	12,554,200	12,554,200	11,713,324		840,876
Public works	2,898,125	2,898,125	3,201,439		(303,314)
Health and welfare	10,410,462	10,410,462	9,899,628		510,834
Education	10,144,612	10,144,612	9,653,546		491,066
Parks, recreation, and cultural:	6,209,864	6,209,864	1,114,307		5,095,557
Community development:	1,368,041	1,368,041	214,663		1,153,378
Capital projects	4,034,380	4,034,380	1,228,087		2,806,293
Debt service					
Principal retirement	2,696,717	2,696,717	2,696,717		-
Interest and other fiscal charges	1,640,924	1,640,924	1,650,434		(9,510)
Issuance cost	-	-	168,155		(168,155)
Total expenditures	\$ 61,252,794	\$ 61,252,794	\$ 49,253,137	\$	11,999,657
Excess (deficiency) of revenues over (under) expenditures					
	\$ (1,320,108)	\$ (1,320,108)	\$ 1,777,926	\$	3,098,034
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ (3,040,692)	\$ (3,040,692)	\$ (175,247)	\$	2,865,445
Issuance of general obligation bonds	4,615,000	4,615,000	10,500,000		5,885,000
Total other financing sources (uses)	\$ 1,574,308	\$ 1,574,308	\$ 10,324,753	\$	8,750,445
Net change in fund balances					
	\$ 254,200	\$ 254,200	\$ 12,102,679	\$	11,848,479
Fund balances - beginning	(254,200)	(254,200)	19,753,521		20,007,721
Fund balances - ending	\$ -	\$ -	\$ 31,856,200	\$	31,856,200

Note 1: GAAP serves as the budgetary basis of accounting

County of Smyth, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Primary Government  
Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 842,951	\$ 851,619	\$ 785,923	\$ 747,402	\$ 728,015	\$ 747,608	\$ 751,868	\$ 752,948	\$ 745,432
Interest	3,265,020	2,987,363	2,922,240	2,807,088	2,722,028	2,734,891	2,679,557	2,587,924	2,483,851
Changes in benefit terms	-	-	-	-	-	28,506	-	-	-
Differences between expected and actual experience	71,804	429,909	(709,981)	98,593	(364,407)	(1,406,952)	(1,311,424)	(350,079)	-
Impact in change of proportion	34,959	306,265	482,352	167,660	(101,517)	547,126	209,852	-	-
Changes of assumptions	-	1,529,074	-	1,238,114	-	(275,572)	-	-	-
Benefit payments	(2,674,496)	(2,450,357)	(2,229,007)	(2,135,703)	(1,940,594)	(1,880,848)	(1,872,458)	(1,910,763)	(1,541,442)
<b>Net change in total pension liability</b>	<b>\$ 1,540,238</b>	<b>\$ 3,653,873</b>	<b>\$ 1,251,527</b>	<b>\$ 2,923,154</b>	<b>\$ 1,043,525</b>	<b>\$ 494,759</b>	<b>\$ 457,395</b>	<b>\$ 1,080,030</b>	<b>\$ 1,687,841</b>
<b>Total pension liability - beginning</b>	<b>48,829,986</b>	<b>45,176,113</b>	<b>43,924,586</b>	<b>41,001,432</b>	<b>39,957,907</b>	<b>39,463,148</b>	<b>39,005,753</b>	<b>37,925,723</b>	<b>36,237,882</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 50,370,224</b>	<b>\$ 48,829,986</b>	<b>\$ 45,176,113</b>	<b>\$ 43,924,586</b>	<b>\$ 41,001,432</b>	<b>\$ 39,957,907</b>	<b>\$ 39,463,148</b>	<b>\$ 39,005,753</b>	<b>\$ 37,925,723</b>
<b>Plan fiduciary net position</b>									
Impact in change of proportion	\$ 35,201	\$ 268,170	\$ 435,586	\$ 156,307	\$ (92,886)	\$ 456,481	\$ 176,742	\$ -	\$ -
Contributions - employer	731,986	671,335	590,795	572,706	698,076	692,122	888,989	884,699	897,039
Contributions - employee	412,563	392,489	362,025	350,100	344,780	364,136	341,581	340,522	348,858
Net investment income	(30,096)	10,755,063	758,805	2,524,778	2,680,609	4,030,826	559,765	1,453,396	4,402,828
Benefit payments	(2,674,496)	(2,450,357)	(2,229,007)	(2,135,703)	(1,940,594)	(1,880,848)	(1,872,458)	(1,910,763)	(1,541,442)
Administrator charges	(30,918)	(27,364)	(26,417)	(25,581)	(23,414)	(23,611)	(20,658)	(20,297)	(23,762)
Other	1,117	1,009	(892)	(1,583)	(2,372)	(3,573)	(241)	(306)	1,204
<b>Net change in plan fiduciary net position</b>	<b>\$ (1,554,643)</b>	<b>\$ 9,610,345</b>	<b>\$ (109,105)</b>	<b>\$ 1,441,024</b>	<b>\$ 1,664,199</b>	<b>\$ 3,635,533</b>	<b>\$ 73,720</b>	<b>\$ 747,251</b>	<b>\$ 4,084,725</b>
<b>Plan fiduciary net position - beginning</b>	<b>49,167,147</b>	<b>39,556,802</b>	<b>39,665,907</b>	<b>38,224,883</b>	<b>36,560,684</b>	<b>32,925,151</b>	<b>32,851,431</b>	<b>32,104,180</b>	<b>28,019,455</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 47,612,504</b>	<b>\$ 49,167,147</b>	<b>\$ 39,556,802</b>	<b>\$ 39,665,907</b>	<b>\$ 38,224,883</b>	<b>\$ 36,560,684</b>	<b>\$ 32,925,151</b>	<b>\$ 32,851,431</b>	<b>\$ 32,104,180</b>
<b>County's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 2,757,720</b>	<b>\$ (337,161)</b>	<b>\$ 5,619,311</b>	<b>\$ 4,258,679</b>	<b>\$ 2,776,549</b>	<b>\$ 3,397,223</b>	<b>\$ 6,537,997</b>	<b>\$ 6,154,322</b>	<b>\$ 5,821,543</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	94.53%	100.69%	87.56%	90.30%	93.23%	91.50%	83.43%	84.22%	84.65%
<b>Covered payroll</b>	\$ 8,665,663	\$ 7,884,466	\$ 7,601,747	\$ 7,234,586	\$ 6,922,774	\$ 6,922,002	\$ 6,875,983	\$ 6,849,772	\$ 6,840,025
<b>County's net pension liability (asset) as a percentage of covered payroll</b>	31.82%	-4.28%	73.92%	58.87%	40.11%	49.08%	95.08%	89.85%	85.11%

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

County of Smyth, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Component Unit-Library

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 33,596	\$ 34,576	\$ 37,453	\$ 44,216	\$ 46,222	\$ 45,446	\$ 56,763	\$ 61,200	\$ 60,615
Interest	130,129	121,287	139,258	166,065	172,823	166,250	202,295	210,349	200,731
Changes in benefit terms	-	-	-	-	-	1,733	-	-	-
Differences between expected and actual experience	2,862	17,454	(33,834)	5,834	(23,136)	(85,527)	(99,007)	(28,455)	-
Impact in change of proportion	(34,959)	(306,265)	(482,352)	(167,660)	101,517	(547,126)	(209,852)	-	-
Changes of assumptions	-	62,081	-	73,246	-	(16,752)	-	-	-
Benefit payments	(106,594)	(99,485)	(106,223)	(126,347)	(123,209)	(114,334)	(141,363)	(155,309)	(126,532)
<b>Net change in total pension liability</b>	<b>\$ 25,034</b>	<b>\$ (170,352)</b>	<b>\$ (445,698)</b>	<b>\$ (4,646)</b>	<b>\$ 174,217</b>	<b>\$ (550,310)</b>	<b>\$ (191,164)</b>	<b>\$ 87,785</b>	<b>\$ 134,814</b>
<b>Total pension liability - beginning</b>	<b>1,982,475</b>	<b>2,152,827</b>	<b>2,598,525</b>	<b>2,603,171</b>	<b>2,428,954</b>	<b>2,979,264</b>	<b>3,170,428</b>	<b>3,082,643</b>	<b>2,946,679</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,007,509</b>	<b>\$ 1,982,475</b>	<b>\$ 2,152,827</b>	<b>\$ 2,598,525</b>	<b>\$ 2,603,171</b>	<b>\$ 2,428,954</b>	<b>\$ 2,979,264</b>	<b>\$ 3,170,428</b>	<b>\$ 3,081,493</b>
<b>Plan fiduciary net position</b>									
Impact in change of proportion	\$ (35,200)	\$ (268,170)	\$ (435,586)	\$ (156,306)	\$ 92,886	\$ (456,481)	\$ (176,742)	\$ -	\$ -
Contributions - employer	29,174	27,256	28,154	33,881	44,321	42,073	67,115	71,909	72,943
Contributions - employee	16,443	15,935	17,252	20,712	21,890	22,135	25,785	27,678	28,367
Net investment income	(1,200)	436,656	36,161	149,364	170,193	245,028	42,260	118,131	358,015
Benefit payments	(106,594)	(99,485)	(106,223)	(126,347)	(123,209)	(114,334)	(141,363)	(155,309)	(125,342)
Administrator charges	(1,232)	(1,111)	(1,259)	(1,513)	(1,485)	(1,435)	(1,560)	(1,650)	(1,932)
Other	45	41	(42)	(94)	(151)	(217)	(18)	(25)	(988)
<b>Net change in plan fiduciary net position</b>	<b>\$ (98,564)</b>	<b>\$ 111,122</b>	<b>\$ (461,543)</b>	<b>\$ (80,303)</b>	<b>\$ 204,445</b>	<b>\$ (263,231)</b>	<b>\$ (184,523)</b>	<b>\$ 60,734</b>	<b>\$ 331,063</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,996,163</b>	<b>1,885,041</b>	<b>2,346,584</b>	<b>2,426,887</b>	<b>2,222,442</b>	<b>2,485,673</b>	<b>2,670,196</b>	<b>2,609,462</b>	<b>2,278,399</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,897,599</b>	<b>\$ 1,996,163</b>	<b>\$ 1,885,041</b>	<b>\$ 2,346,584</b>	<b>\$ 2,426,887</b>	<b>\$ 2,222,442</b>	<b>\$ 2,485,673</b>	<b>\$ 2,670,196</b>	<b>\$ 2,609,462</b>
<b>Component Unit Library's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 109,910</b>	<b>\$ (13,688)</b>	<b>\$ 267,786</b>	<b>\$ 251,941</b>	<b>\$ 176,284</b>	<b>\$ 206,512</b>	<b>\$ 493,591</b>	<b>\$ 500,232</b>	<b>\$ 472,031</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>94.53%</b>	<b>100.69%</b>	<b>87.56%</b>	<b>90.30%</b>	<b>93.23%</b>	<b>91.50%</b>	<b>83.43%</b>	<b>84.22%</b>	<b>84.68%</b>
<b>Covered payroll</b>	<b>\$ 351,836</b>	<b>\$ 320,118</b>	<b>\$ 362,367</b>	<b>\$ 459,327</b>	<b>\$ 488,528</b>	<b>\$ 427,372</b>	<b>\$ 531,258</b>	<b>\$ 567,731</b>	<b>\$ 555,966</b>
<b>Component Unit Library's net pension liability (asset) as a percentage of covered payroll</b>	<b>31.24%</b>	<b>-4.28%</b>	<b>73.90%</b>	<b>54.85%</b>	<b>36.08%</b>	<b>48.32%</b>	<b>92.91%</b>	<b>88.11%</b>	<b>84.90%</b>

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

County of Smyth, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit-School Board (nonprofessional)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>									
Service cost	\$ 167,597	\$ 196,337	\$ 209,582	\$ 210,020	\$ 223,289	\$ 235,070	\$ 250,631	\$ 266,352	\$ 269,417
Interest	957,566	897,294	878,230	903,484	887,093	877,621	869,360	858,200	829,370
Differences between expected and actual experience	(572,364)	80,044	138,019	(450,217)	(95,917)	(191,498)	(191,576)	(206,989)	-
Changes of assumptions	-	469,763	-	321,229	-	(2,989)	-	-	-
Benefit payments	(915,994)	(920,243)	(966,562)	(794,669)	(765,955)	(799,816)	(820,987)	(695,293)	(678,546)
<b>Net change in total pension liability</b>	<b>\$ (363,195)</b>	<b>\$ 723,195</b>	<b>\$ 259,269</b>	<b>\$ 189,847</b>	<b>\$ 248,510</b>	<b>\$ 118,388</b>	<b>\$ 107,428</b>	<b>\$ 222,270</b>	<b>\$ 420,241</b>
<b>Total pension liability - beginning</b>	<b>14,476,558</b>	<b>13,753,363</b>	<b>13,494,094</b>	<b>13,304,247</b>	<b>13,055,737</b>	<b>12,937,349</b>	<b>12,829,921</b>	<b>12,607,651</b>	<b>12,187,410</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 14,113,363</b>	<b>\$ 14,476,558</b>	<b>\$ 13,753,363</b>	<b>\$ 13,494,094</b>	<b>\$ 13,304,247</b>	<b>\$ 13,055,737</b>	<b>\$ 12,937,349</b>	<b>\$ 12,829,921</b>	<b>\$ 12,607,651</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 191,144	\$ 176,133	\$ 188,850	\$ 192,386	\$ 208,894	\$ 211,195	\$ 249,040	\$ 261,267	\$ 259,497
Contributions - employee	104,529	96,578	98,906	100,364	103,259	116,397	108,352	114,873	121,131
Net investment income	(5,200)	3,143,765	228,720	779,231	845,637	1,284,634	184,071	491,896	1,505,249
Benefit payments	(915,994)	(920,243)	(966,562)	(794,669)	(765,955)	(799,816)	(820,987)	(695,293)	(678,546)
Administrator charges	(9,038)	(8,234)	(8,216)	(8,064)	(7,525)	(7,718)	(7,019)	(6,949)	(8,292)
Other	320	293	(266)	(488)	(743)	(1,132)	(79)	(103)	79
<b>Net change in plan fiduciary net position</b>	<b>\$ (634,239)</b>	<b>\$ 2,488,292</b>	<b>\$ (458,568)</b>	<b>\$ 268,760</b>	<b>\$ 383,567</b>	<b>\$ 803,560</b>	<b>\$ (286,622)</b>	<b>\$ 165,691</b>	<b>\$ 1,199,118</b>
<b>Plan fiduciary net position - beginning</b>	<b>14,262,673</b>	<b>11,774,381</b>	<b>12,232,949</b>	<b>11,964,189</b>	<b>11,580,622</b>	<b>10,777,062</b>	<b>11,063,684</b>	<b>10,897,993</b>	<b>9,698,875</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 13,628,434</b>	<b>\$ 14,262,673</b>	<b>\$ 11,774,381</b>	<b>\$ 12,232,949</b>	<b>\$ 11,964,189</b>	<b>\$ 11,580,622</b>	<b>\$ 10,777,062</b>	<b>\$ 11,063,684</b>	<b>\$ 10,897,993</b>
<b>School Division's net pension liability - ending (a) - (b)</b>	<b>\$ 484,929</b>	<b>\$ 213,885</b>	<b>\$ 1,978,982</b>	<b>\$ 1,261,145</b>	<b>\$ 1,340,058</b>	<b>\$ 1,475,115</b>	<b>\$ 2,160,287</b>	<b>\$ 1,766,237</b>	<b>\$ 1,709,658</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>96.56%</b>	<b>98.52%</b>	<b>85.61%</b>	<b>90.65%</b>	<b>89.93%</b>	<b>88.70%</b>	<b>83.30%</b>	<b>86.23%</b>	<b>86.44%</b>
<b>Covered payroll</b>	<b>\$ 2,274,190</b>	<b>\$ 2,076,828</b>	<b>\$ 2,106,689</b>	<b>\$ 2,116,635</b>	<b>\$ 2,156,076</b>	<b>\$ 2,163,422</b>	<b>\$ 2,208,654</b>	<b>\$ 2,297,419</b>	<b>\$ 2,393,110</b>
<b>School Division's net pension liability as a percentage of covered payroll</b>	<b>21.32%</b>	<b>10.30%</b>	<b>93.94%</b>	<b>59.58%</b>	<b>62.15%</b>	<b>68.18%</b>	<b>97.81%</b>	<b>76.88%</b>	<b>71.44%</b>

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

County of Smyth, Virginia  
Schedule of Employer's Share of Net Pension Liability (Asset) VRS Teacher Retirement Plan  
Pension Plans  
For the Measurement Dates of June 30, 2014 through June 30, 2022

Date (1)	Employer's Proportion of the Net Pension Liability (Asset) (2)	Employer's Proportionate Share of the Net Pension Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (6)
2022	0.27210%	\$ 25,905,549	\$ 24,882,873	104.11%	82.61%
2021	0.26470%	20,548,918	22,956,780	89.51%	85.46%
2020	0.26650%	38,787,115	22,988,670	168.72%	71.47%
2019	0.27144%	35,723,046	22,434,009	159.24%	73.51%
2018	0.27854%	32,756,000	22,285,300	146.98%	74.81%
2017	0.28721%	35,321,000	22,470,905	157.19%	72.92%
2016	0.29649%	41,550,000	22,605,674	183.80%	68.28%
2015	0.30972%	38,983,000	23,023,786	169.32%	70.68%
2014	0.32331%	39,071,000	23,643,816	165.25%	70.88%

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

County of Smyth, Virginia  
Schedule of Employer Contributions  
Pension Plans  
For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2023	\$ 976,258	\$ 976,258	- \$	9,745,365	10.02%
2022	731,782	731,782	-	8,665,663	8.44%
2021	671,344	671,344	-	7,884,466	8.51%
2020	589,434	589,434	-	7,601,747	7.75%
2019	573,323	573,323	-	7,234,586	7.92%
2018	693,662	693,662	-	6,922,774	10.02%
2017	694,789	694,789	-	6,922,002	10.04%
2016	891,693	891,693	-	6,875,983	12.97%
2015	885,099	885,099	-	6,849,722	12.92%
2014	897,067	897,067	-	6,840,025	13.11%
<b>Component Unit Library</b>					
2023	\$ 40,047	\$ 40,047	- \$	399,759	10.02%
2022	29,166	29,166	-	351,836	8.29%
2021	27,257	27,257	-	320,118	8.51%
2020	28,090	28,090	-	362,367	7.75%
2019	33,917	33,917	-	459,327	7.38%
2018	44,065	44,065	-	488,528	9.02%
2017	49,913	49,913	-	427,337	11.68%
2016	67,319	67,319	-	531,326	12.67%
2015	71,942	71,942	-	567,814	12.67%
2014	67,434	67,434	-	555,966	12.13%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 185,387	\$ 185,387	- \$	2,498,566	7.42%
2022	191,085	191,085	-	2,274,190	8.40%
2021	176,132	176,132	-	2,076,828	8.48%
2020	188,862	188,862	-	2,106,689	8.96%
2019	192,187	192,187	-	2,116,635	9.08%
2018	208,889	208,889	-	2,156,076	9.69%
2017	211,186	211,186	-	2,163,422	9.76%
2016	249,040	249,040	-	2,208,654	11.28%
2015	261,267	261,267	-	2,297,419	11.37%
2014	259,497	259,497	-	2,393,110	10.84%
<b>Component Unit School Board (professional)</b>					
2023	\$ 4,204,877	\$ 4,204,877	- \$	26,031,060	16.15%
2022	4,042,304	4,042,304	-	24,882,873	16.25%
2021	3,746,068	3,746,068	-	22,956,780	16.32%
2020	3,545,251	3,545,251	-	22,988,670	15.42%
2019	3,475,866	3,475,866	-	22,434,009	15.49%
2018	3,601,232	3,601,232	-	22,285,300	16.16%
2017	3,268,316	3,268,316	-	22,470,905	14.54%
2016	3,165,416	3,165,416	-	22,605,674	14.00%
2015	3,339,265	3,339,265	-	23,023,786	14.50%
2014	2,756,869	2,756,869	-	23,643,816	11.66%

\*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

County of Smyth, Virginia  
Notes to Required Supplementary Information  
Pension Plans  
For the Year Ended June 30, 2023

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Smyth, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Primary Government  
Healthcare OPEB Plan  
For the Years Ended June 30, 2018 through June 30, 2023

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 93,282	\$ 83,606	\$ 69,680	\$ 66,090	\$ 68,642	\$ 66,924
Interest	36,544	42,283	51,544	56,648	53,597	50,901
Changes in assumptions	(458,719)	172,977	119,314	82,141	37,612	-
Differences between expected and actual experience	225,993	(105,708)	(122,178)	(131,236)	(65,821)	-
Contributions	(36,543)	(24,025)	(39,135)	(33,045)	(34,792)	(16,967)
Change in proportionate share	1,320	11,260	17,178	6,206	(3,567)	-
<b>Net change in total OPEB liability</b>	<b>\$ (138,123)</b>	<b>\$ 180,393</b>	<b>\$ 96,403</b>	<b>\$ 46,804</b>	<b>\$ 55,671</b>	<b>\$ 100,858</b>
<b>Total OPEB liability - beginning</b>	<b>1,841,244</b>	<b>1,660,851</b>	<b>1,564,448</b>	<b>1,517,644</b>	<b>1,461,973</b>	<b>1,361,115</b>
<b>Total OPEB liability - ending</b>	<b>\$ 1,703,121</b>	<b>\$ 1,841,244</b>	<b>\$ 1,660,851</b>	<b>\$ 1,564,448</b>	<b>\$ 1,517,644</b>	<b>\$ 1,461,973</b>
<b>Covered-employee payroll</b>	<b>\$ 8,519,452</b>	<b>\$ 7,671,527</b>	<b>\$ 6,919,265</b>	<b>\$ 7,328,453</b>	<b>\$ 7,298,609</b>	<b>\$ 6,832,907</b>
<b>Primary Government's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>19.99%</b>	<b>24.00%</b>	<b>24.00%</b>	<b>21.35%</b>	<b>20.79%</b>	<b>21.40%</b>

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

County of Smyth, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Component Unit Library  
Healthcare OPEB Plan  
For the Years Ended June 30, 2018 through June 30, 2023

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 3,718	\$ 3,394	\$ 3,320	\$ 3,910	\$ 4,358	\$ 4,075
Interest	1,456	1,717	2,456	3,352	3,403	3,100
Changes in assumptions	(18,281)	7,023	5,686	4,859	2,388	-
Differences between expected and actual experience	9,007	(4,292)	(5,822)	(7,764)	(4,179)	-
Contributions	(1,457)	(975)	(1,865)	(1,955)	(2,209)	(1,033)
Change in proportionate share	(1,320)	(11,260)	(17,178)	(6,206)	3,567	-
<b>Net change in total OPEB liability</b>	<b>\$ (6,877)</b>	<b>\$ (4,393)</b>	<b>\$ (13,403)</b>	<b>\$ (3,804)</b>	<b>\$ 7,328</b>	<b>\$ 6,142</b>
<b>Total OPEB liability - beginning</b>	<b>74,756</b>	<b>79,149</b>	<b>92,552</b>	<b>96,356</b>	<b>89,028</b>	<b>82,886</b>
<b>Total OPEB liability - ending</b>	<b>\$ 67,879</b>	<b>\$ 74,756</b>	<b>\$ 79,149</b>	<b>\$ 92,552</b>	<b>\$ 96,356</b>	<b>\$ 89,028</b>
<b>Covered-employee payroll</b>	<b>\$ 339,548</b>	<b>\$ 311,473</b>	<b>\$ 329,743</b>	<b>\$ 433,547</b>	<b>\$ 463,391</b>	<b>\$ 416,093</b>
<b>Component Unit Library's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>19.99%</b>	<b>24.00%</b>	<b>24.00%</b>	<b>21.35%</b>	<b>20.79%</b>	<b>21.40%</b>

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

County of Smyth, Virginia  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Component Unit School Board  
Healthcare OPEB Plan  
For the Years Ended June 30, 2018 through June 30, 2023

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 236,000	\$ 207,000	\$ 158,000	\$ 149,000	\$ 186,000	\$ 181,000
Interest	92,000	107,000	124,000	143,000	184,000	182,000
Changes in assumptions	(525,000)	372,000	234,000	172,000	(111,000)	-
Differences between expected and actual experience	(754,000)	(165,000)	7,000	(239,000)	(1,123,000)	-
Contributions	(142,000)	(119,000)	(197,000)	(265,000)	(336,000)	(299,000)
<b>Net change in total OPEB liability</b>	<b>\$ (1,093,000)</b>	<b>\$ 402,000</b>	<b>\$ 326,000</b>	<b>\$ (40,000)</b>	<b>\$ (1,200,000)</b>	<b>\$ 64,000</b>
<b>Total OPEB liability - beginning</b>	<b>4,627,000</b>	<b>4,225,000</b>	<b>3,899,000</b>	<b>3,939,000</b>	<b>5,139,000</b>	<b>5,075,000</b>
<b>Total OPEB liability - ending</b>	<b>\$ 3,534,000</b>	<b>\$ 4,627,000</b>	<b>\$ 4,225,000</b>	<b>\$ 3,899,000</b>	<b>\$ 3,939,000</b>	<b>\$ 5,139,000</b>
<b>Covered-employee payroll</b>	<b>\$ 26,662,000</b>	<b>\$ 24,402,000</b>	<b>\$ 24,402,000</b>	<b>\$ 23,787,000</b>	<b>\$ 23,787,000</b>	<b>\$ 24,003,000</b>
<b>School's total OPEB liability (asset) as a percentage of covered-employee payroll</b>	<b>13.25%</b>	<b>18.96%</b>	<b>17.31%</b>	<b>16.39%</b>	<b>16.56%</b>	<b>21.41%</b>

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

County of Smyth, Virginia  
Notes to Required Supplementary Information - Healthcare OPEB Plan  
For the Year Ended June 30, 2023

Valuation Date: 7/1/2022  
Measurement Date: 7/1/2022

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

*Methods and assumptions used to determine OPEB liability:*

County and Component Unit-Library:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.69%
Inflation	2.50%
Healthcare Trend Rate	9.91 for fiscal year end 2023 (to reflect actual experience), then 6.75% for fiscal year end 2024, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional improvement scale MP-2021

Component Unit-School Board:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.69%
Inflation	2.50%
Healthcare Trend Rate	6.15% for fiscal year end 2023 (to reflect actual experience), then 6.75% for fiscal year end 2024, decreasing 0.25% per year to an ultimate rate of 5.00%
Salary Increase Rates	2.50%
Retirement Age	The average age at retirement is 62
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional improvement scale MP-2021

County of Smyth, Virginia  
Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance (GLI) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Primary Government</b>					
2022	0.03991%	\$ 480,432	\$ 8,678,840	5.54%	67.21%
2021	0.03825%	444,965	7,890,797	5.64%	67.45%
2020	0.03684%	615,507	7,590,104	8.11%	52.64%
2019	0.03705%	602,875	7,239,182	8.33%	52.00%
2018	0.03726%	566,061	6,922,774	8.18%	51.22%
2017	0.03793%	571,215	6,922,002	8.25%	48.86%
<b>Component Unit Library</b>					
2022	0.00159%	\$ 19,148	\$ 345,900	5.54%	67.21%
2021	0.00155%	18,066	320,375	5.64%	67.45%
2020	0.00176%	29,332	361,712	8.11%	52.64%
2019	0.00219%	35,665	459,618	7.76%	52.00%
2018	0.00237%	35,939	488,528	7.36%	51.22%
2017	0.00231%	34,724	427,337	8.13%	48.86%
<b>Component Unit School Board (Non-Professional)</b>					
2022	0.01050%	\$ 126,189	\$ 2,280,116	5.53%	67.21%
2021	0.01010%	117,592	2,084,505	5.64%	67.45%
2020	0.01030%	171,389	2,116,831	8.10%	52.64%
2019	0.01091%	177,535	2,136,181	8.31%	52.00%
2018	0.01147%	174,000	2,156,076	8.07%	51.22%
2017	0.01214%	182,000	2,163,422	8.41%	48.86%
<b>Component Unit School Board (Professional)</b>					
2022	0.11480%	\$ 1,382,664	\$ 24,978,476	5.54%	67.21%
2021	0.11190%	1,303,285	23,105,946	5.64%	67.45%
2020	0.11180%	1,865,592	23,028,428	8.10%	52.64%
2019	0.11514%	1,873,634	22,563,997	8.30%	52.00%
2018	0.11732%	1,782,000	22,285,300	8.00%	51.22%
2017	0.12255%	1,844,000	22,470,905	8.21%	48.86%

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

County of Smyth, Virginia  
Schedule of Employer Contributions  
Group Life Insurance (GLI) Plan  
For the Years Ended June 30, 2017 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2023	\$ 52,608	\$ 52,608	\$ -	\$ 9,742,305	0.54%
2022	46,866	46,866	-	8,678,840	0.54%
2021	42,613	42,613	-	7,890,797	0.54%
2020	39,219	39,219	-	7,590,104	0.52%
2019	37,799	37,799	-	7,239,182	0.52%
2018	36,841	36,841	-	6,922,774	0.53%
2017	36,388	36,388	-	6,922,002	0.53%
<b>Component Unit Library</b>					
2023	\$ 2,158	\$ 2,158	\$ -	\$ 399,633	0.54%
2022	1,868	1,868	-	345,900	0.54%
2021	1,730	1,730	-	320,375	0.54%
2020	1,869	1,869	-	361,712	0.52%
2019	2,236	2,236	-	459,618	0.49%
2018	2,339	2,339	-	488,528	0.48%
2017	2,212	2,212	-	427,337	0.52%
<b>Component Unit School Board (Nonprofessional)</b>					
2023	\$ 13,564	\$ 13,564	\$ -	\$ 2,511,833	0.54%
2022	12,313	12,313	-	2,280,116	0.54%
2021	11,256	11,256	-	2,084,505	0.54%
2020	10,997	10,997	-	2,116,831	0.52%
2019	11,108	11,108	-	2,136,181	0.52%
2018	11,345	11,345	-	2,156,076	0.53%
2017	11,647	11,647	-	2,163,422	0.54%
<b>Component Unit School Board (Professional)</b>					
2023	\$ 141,192	\$ 141,192	\$ -	\$ 26,146,579	0.54%
2022	134,884	134,884	-	24,978,476	0.54%
2021	124,890	124,890	-	23,105,946	0.54%
2020	119,608	119,608	-	23,028,428	0.52%
2019	117,333	117,333	-	22,563,997	0.52%
2018	116,001	116,001	-	22,285,300	0.52%
2017	117,551	117,551	-	22,470,905	0.52%

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

County of Smyth, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
For the Year Ended June 30, 2023

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Smyth, Virginia  
Schedule of School Board's Share of Net OPEB Liability  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
				(5)	
2022	0.26694%	\$ 3,334,205	\$ 24,879,035	13.40%	15.08%
2021	0.25961%	3,332,274	22,956,780	14.52%	13.15%
2020	0.26170%	3,414,442	22,988,670	14.85%	9.95%
2019	0.26764%	3,503,668	22,434,009	15.62%	8.97%
2018	0.27565%	3,500,000	22,285,300	15.71%	8.08%
2017	0.28471%	3,611,000	22,470,905	16.07%	7.04%

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

County of Smyth, Virginia  
Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Years Ended June 30, 2017 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Component Unit-School Board (Professional)</b>					
2023	\$ 315,319	\$ 315,319	\$ -	\$ 26,059,389	1.21%
2022	301,036	301,036	-	24,879,035	1.21%
2021	278,037	278,037	-	22,956,780	1.21%
2020	275,617	275,617	-	22,988,670	1.20%
2019	269,208	269,208	-	22,434,009	1.20%
2018	274,110	274,110	-	22,285,300	1.23%
2017	249,411	249,411	-	22,470,905	1.11%

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

County of Smyth, Virginia  
Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2023

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Component Unit-School Board (Professional):**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Smyth, Virginia  
Schedule of Changes in the Component Unit School Board's Net OPEB Liability and Related Ratios  
Health Insurance Credit (HIC) Plan  
For the Measurement Dates of June 30, 2020 through June 30, 2022

	2022	2021	2020
<b>Total HIC OPEB Liability</b>			
Service cost	\$ 2,500	\$ 3,355	\$ -
Interest	25,860	23,526	-
Changes in benefit terms	(13,077)	-	348,524
Differences between expected and actual experience	(36,405)	-	-
Changes of assumptions	33,313	11,739	-
<b>Net change in total HIC OPEB liability</b>	\$ 12,191	\$ 38,620	\$ 348,524
<b>Total HIC OPEB Liability - beginning</b>	387,144	348,524	-
<b>Total HIC OPEB Liability - ending (a)</b>	\$ 399,335	\$ 387,144	\$ 348,524
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 27,529	\$ 25,130	\$ -
Net investment income	(283)	3,375	-
Benefit payments	(13,077)	(111)	-
Administrator charges	(82)	-	-
Other	135	-	-
<b>Net change in plan fiduciary net position</b>	\$ 14,222	\$ 28,394	\$ -
<b>Plan fiduciary net position - beginning</b>	28,394	-	-
<b>Plan fiduciary net position - ending (b)</b>	\$ 42,616	\$ 28,394	\$ -
<b>Component Unit School Board's net HIC OPEB liability - ending (a) - (b)</b>	\$ 356,719	\$ 358,750	\$ 348,524
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	10.67%	7.33%	-
<b>Covered payroll</b>	\$ 2,275,166	\$ 2,076,828	\$ -
<b>Component Unit School Board's net HIC OPEB liability as a percentage of covered payroll</b>	15.68%	17.27%	-

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

County of Smyth, Virginia  
Schedule of Employer Contributions  
Health Insurance Credit (HIC) Plan  
For the Years Ended June 30, 2021 through June 30, 2023

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2023	\$ 36,373	\$ 36,373	\$ -	\$ 2,508,452	1.45%
2022	27,530	27,530	-	2,275,166	1.21%
2021	25,130	25,130	-	2,076,828	1.21%

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

County of Smyth, Virginia  
Notes to Required Supplementary Information  
Health Insurance Credit (HIC) Plan  
For the Year Ended June 30, 2023

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

**Changes of assumptions** - The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Smyth, Virginia  
Combining Statement of Net Position  
Proprietary Funds  
June 30, 2023

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Accounts receivable, net of allowance for uncollectibles	\$ 276,611	\$ 161,451	\$ 438,062
Internal balances	186,823	(186,823)	-
Total current assets	\$ 463,434	\$ (25,372)	\$ 438,062
Noncurrent assets:			
Capital assets not being depreciated	\$ 28,308	\$ 16,523	\$ 44,831
Capital assets, net of accumulated depreciation	12,259,483	7,155,562	19,415,045
Total noncurrent assets	\$ 12,287,791	\$ 7,172,085	\$ 19,459,876
Total assets	\$ 12,751,225	\$ 7,146,713	\$ 19,897,938
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related items	\$ 34,551	\$ 20,166	\$ 54,717
OPEB related items	11,819	6,899	18,718
Total deferred outflows of resources	\$ 46,370	\$ 27,065	\$ 73,435
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 47,656	\$ 27,815	\$ 75,471
Customers' deposits	1,209	705	1,914
Accrued interest payable	39,347	22,966	62,313
Compensated absences - current portion	11,932	6,965	18,897
Bonds payable - current portion	391,913	228,750	620,663
Total current liabilities	\$ 492,057	\$ 287,201	\$ 779,258
Noncurrent liabilities:			
Compensated absences - net of current portion	\$ 3,977	\$ 2,322	\$ 6,299
Bonds payable - net of current portion	4,867,683	2,841,148	7,708,831
Net OPEB liabilities	44,500	25,974	70,474
Net pension liability	56,202	32,803	89,005
Total noncurrent liabilities	\$ 4,972,362	\$ 2,902,247	\$ 7,874,609
Total liabilities	\$ 5,464,419	\$ 3,189,448	\$ 8,653,867
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related items	\$ 36,670	\$ 21,403	\$ 58,073
OPEB related items	13,944	8,138	22,082
Total deferred inflows of resources	\$ 50,614	\$ 29,541	\$ 80,155
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,028,195	\$ 4,102,187	\$ 11,130,382
Unrestricted (deficit)	254,367	(147,398)	106,969
Total net position	\$ 7,282,562	\$ 3,954,789	\$ 11,237,351

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

County of Smyth, Virginia  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services:			
Water revenues	\$ 1,512,888	\$ -	\$ 1,512,888
Sewer revenues	-	883,036	883,036
Connection fees	7,183	4,192	11,375
Penalties	8,408	4,907	13,315
Service charges	17,067	9,962	27,029
Application fees	2,652	1,548	4,200
Miscellaneous	4,577	2,671	7,248
Total operating revenues	\$ 1,552,775	\$ 906,316	\$ 2,459,091
<b>OPERATING EXPENSES</b>			
Personnel services	\$ 295,800	\$ 172,652	\$ 468,452
Water purchases	260,168	151,854	412,022
Water and wastewater service	276,750	161,533	438,283
Automotive expenses	31,616	18,453	50,069
Office supplies	15,642	9,130	24,772
Uniforms	1,640	958	2,598
Utilities	41,587	24,273	65,860
Permits	8,017	4,679	12,696
Postage	1,099	642	1,741
Telephone	4,290	2,504	6,794
Maintenance supplies	49,757	29,042	78,799
Repair and maintenance	36,317	21,197	57,514
Miscellaneous	7,147	4,171	11,318
Depreciation	937,779	547,359	1,485,138
Total operating expenses	\$ 1,967,609	\$ 1,148,447	\$ 3,116,056
Operating income (loss)	\$ (414,834)	\$ (242,131)	\$ (656,965)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest expense	\$ (124,239)	\$ (72,515)	\$ (196,754)
Income (loss) before transfers	\$ (539,073)	\$ (314,646)	\$ (853,719)
Transfers out	\$ 110,658	\$ 64,589	\$ 175,247
Change in net position	\$ (428,415)	\$ (250,057)	\$ (678,472)
Total net position - beginning	7,710,977	4,204,846	11,915,823
Total net position - ending	\$ 7,282,562	\$ 3,954,789	\$ 11,237,351

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

County of Smyth, Virginia  
Combining Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2023

	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,504,497	\$ 878,138	\$ 2,382,635
Payments to suppliers	(755,021)	(440,687)	(1,195,708)
Payments to employees	(306,671)	(178,996)	(485,667)
Net cash provided by (used for) operating activities	\$ 442,805	\$ 258,455	\$ 701,260
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	\$ 110,658	\$ 64,589	\$ 175,247
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Additions to utility plant	\$ (35,605)	\$ (20,781)	\$ (56,386)
Principal payments on bonds	(331,733)	(193,624)	(525,357)
Interest payments	(186,125)	(108,639)	(294,764)
Net cash provided by (used for) capital and related financing activities	\$ (553,463)	\$ (323,044)	\$ (876,507)
Net increase (decrease) in cash and cash equivalents	\$ -	\$ -	\$ -
Cash and cash equivalents - beginning	-	-	-
Cash and cash equivalents - ending	\$ -	\$ -	\$ -
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (414,836)	\$ (242,129)	\$ (656,965)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	\$ 937,779	\$ 547,359	\$ 1,485,138
(Increase) decrease in accounts receivable	(48,278)	(28,178)	(76,456)
(Increase) decrease in net pension asset	7,335	4,282	11,617
(Increase) decrease in deferred outflows of resources	9,128	5,328	14,456
Increase (decrease) in accounts payable	(20,990)	(12,252)	(33,242)
Increase (decrease) in compensated absences	1,123	655	1,778
Increase (decrease) in net OPEB liabilities	(5,238)	(3,058)	(8,296)
Increase (decrease) in net pension liability	56,202	32,803	89,005
Increase (decrease) in deferred inflows of resources	(79,420)	(46,355)	(125,775)
Total adjustments	\$ 857,641	\$ 500,584	\$ 1,358,225
Net cash provided by (used for) operating activities	\$ 442,805	\$ 258,455	\$ 701,260

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

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**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

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**MAJOR GOVERNMENTAL FUNDS**

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

School Activity Fund - The School Activity Fund accounts for and reports the operations of the individual schools.

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County of Smyth, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2023

	School Operating Fund	School Activity Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,333,586	\$ 853,664	\$ 3,187,250
Investments	810,885	-	810,885
Receivables (net of allowance for uncollectibles):			
Accounts receivable	236,257	-	236,257
Due from primary government	5,329,114	-	5,329,114
Due from other governmental units	2,892,053	-	2,892,053
Inventories	90,360	-	90,360
Prepaid items	492,754	-	492,754
Total assets	<u>\$ 12,185,009</u>	<u>\$ 853,664</u>	<u>\$ 13,038,673</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 729,997	\$ -	\$ 729,997
Accrued liabilities	5,541,128	-	5,541,128
Total liabilities	<u>\$ 6,271,125</u>	<u>\$ -</u>	<u>\$ 6,271,125</u>
<b>FUND BALANCE</b>			
Nonspendable			
Prepaid items	\$ 492,754	\$ -	\$ 492,754
Inventories	90,360	-	90,360
Committed			
Textbooks	2,234,877	-	2,234,877
School Activity Funds	-	853,664	853,664
Restricted			
School cafeterias	909,594	-	909,594
School construction	2,186,299	-	2,186,299
Total fund balances	<u>\$ 5,913,884</u>	<u>\$ 853,664</u>	<u>\$ 6,767,548</u>
Total liabilities and fund balances	<u>\$ 12,185,009</u>	<u>\$ 853,664</u>	<u>\$ 13,038,673</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balances per above			\$ 6,767,548
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets not depreciated		\$ 1,793,280	
Capital assets being depreciated/amortized		<u>8,515,085</u>	10,308,365
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items		\$ 7,621,296	
OPEB related items		<u>1,526,226</u>	9,147,522
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences		\$ (447,375)	
Lease liabilities		(83,712)	
Net OPEB liabilities		(8,733,777)	
Net pension liability		<u>(26,390,478)</u>	(35,655,342)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items		\$ (6,671,881)	
OPEB related items		<u>(2,268,230)</u>	(8,940,111)
Net position of governmental activities			<u>\$ (18,372,018)</u>

County of Smyth, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2023

	School Operating Fund	School Activity Fund	Total
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 14,727	\$ -	\$ 14,727
Charges for services	727,690	888,105	1,615,795
Miscellaneous	55,251	-	55,251
Recovered costs	1,135,917	-	1,135,917
Intergovernmental	62,466,866	-	62,466,866
Total revenues	<u>\$ 64,400,451</u>	<u>\$ 888,105</u>	<u>\$ 65,288,556</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 61,635,972	\$ 1,587,021	\$ 63,222,993
Debt service:			
Principal retirement	45,565	-	45,565
Interest and other fiscal charges	1,202	-	1,202
Total expenditures	<u>\$ 61,682,739</u>	<u>\$ 1,587,021</u>	<u>\$ 63,269,760</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,717,712</u>	<u>\$ (698,916)</u>	<u>\$ 2,018,796</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 621,975	\$ 621,975
Transfers out	(621,975)	-	(621,975)
Leases (as lessee)	45,764	-	45,764
Total other financing sources (uses)	<u>\$ (576,211)</u>	<u>\$ 621,975</u>	<u>\$ 45,764</u>
Net change in fund balances	\$ 2,141,501	\$ (76,941)	\$ 2,064,560
Fund balances - beginning, as restated	3,772,383	930,605	4,702,988
Fund balances - ending	<u>\$ 5,913,884</u>	<u>\$ 853,664</u>	<u>\$ 6,767,548</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ 2,064,560
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. These are the details of items supporting this adjustment:			
Capital outlays		\$ 3,758,568	
Depreciation and amortization expenses		<u>(1,105,346)</u>	2,653,222
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Debt issued or incurred:			
Leases payable		\$ (45,764)	
Principal repayments:			
Leases payable		<u>45,565</u>	(199)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
State non-employer contribution to the pension plan			1,273,902
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
Change in compensated absences		\$ 18,975	
Change in OPEB related items		510,997	
Change in pension related items		<u>3,575,986</u>	4,105,958
Change in net position of governmental activities			<u>\$ 10,097,443</u>

County of Smyth, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2023

	School Operating Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 14,727	\$	14,727
Charges for services	2,183,154	2,183,154	727,690		(1,455,464)
Miscellaneous	76,585	76,585	55,251		(21,334)
Recovered costs	1,109,660	1,109,660	1,135,917		26,257
Intergovernmental	61,771,722	61,771,722	62,466,866		695,144
Total revenues	\$ 65,141,121	\$ 65,141,121	\$ 64,400,451	\$	(740,670)
EXPENDITURES					
Current:					
Education	\$ 65,094,354	\$ 65,094,354	\$ 61,635,972	\$	3,458,382
Debt service:					
Principal retirement	45,565	45,565	45,565		-
Interest and other fiscal charges	1,202	1,202	1,202		-
Total expenditures	\$ 65,141,121	\$ 65,141,121	\$ 61,682,739	\$	3,458,382
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 2,717,712	\$	2,717,712
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	\$ -	\$ -	\$ (621,975)	\$	(621,975)
Issuance of lease liability	-	-	45,764		45,764
Total other financing sources and uses	\$ -	\$ -	\$ (576,211)	\$	(576,211)
Net change in fund balances	\$ -	\$ -	\$ 2,141,501	\$	2,141,501
Fund balances - beginning	-	-	3,772,383		3,772,383
Fund balances - ending	\$ -	\$ -	\$ 5,913,884	\$	5,913,884

**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC  
DEVELOPMENT AUTHORITY**

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**MAJOR GOVERNMENTAL FUNDS**

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

County of Smyth, Virginia  
Statement of Net Position - Proprietary Fund  
Discretely Presented Component Unit - Economic Development Authority  
June 30, 2023

	EDA Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 113,875
Investments	610,943
Leases receivable	390,822
Total current assets	<u>\$ 1,115,640</u>
Noncurrent assets:	
Capital assets not being depreciated	\$ 391,047
Capital assets, net of accumulated depreciation	3,387,938
Total noncurrent assets	<u>\$ 3,778,985</u>
Total assets	<u>\$ 4,894,625</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 196,852
Due to primary government	802,506
Notes payable, current portion	35,520
Total current liabilities	<u>\$ 1,034,878</u>
Noncurrent liabilities:	
Advance from County	\$ 1,505,877
Notes payable, non current portion	898,587
Total noncurrent liabilities	<u>\$ 2,404,464</u>
Total liabilities	<u>\$ 3,439,342</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Lease related	<u>\$ 387,155</u>
<b>NET POSITION</b>	
Investment in capital assets	\$ 1,339,001
Unrestricted	(270,873)
Total net position	<u><u>\$ 1,068,128</u></u>

County of Smyth, Virginia  
**Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund**  
**Discretely Presented Component Unit - Economic Development Authority**  
**For the Year Ended June 30, 2023**

	<u>EDA Fund</u>
<b>OPERATING REVENUES</b>	
Miscellaneous	\$ 54,192
Project Learn receipts	110,901
Total operating revenues	<u>\$ 165,093</u>
<b>OPERATING EXPENSES</b>	
Grant awards	\$ 250,507
Miscellaneous	328,435
Depreciation	30,411
Total operating expenses	<u>\$ 609,353</u>
Operating income (loss)	<u>\$ (444,260)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income from leases	\$ 9,060
Interest expense	(23,171)
Rental income	57,607
SWIFA dissolution payment	273,354
Contribution to PRIFA	(4,662,983)
Total nonoperating revenues (expenses)	<u>\$ (4,346,133)</u>
Change in net position	\$ (4,790,393)
Total net position - beginning	5,858,521
Total net position - ending	<u><u>\$ 1,068,128</u></u>

County of Smyth, Virginia  
Statement of Cash Flows - Proprietary Fund  
Discretely Presented Component Unit - Economic Development Authority  
For the Year Ended June 30, 2023

	EDA Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Payments for operating expenses	\$ (394,252)
Other receipts	645,393
Net cash provided by (used for) operating activities	<u>\$ 251,141</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for property and construction	\$ (3,789,317)
Advances from County	1,505,877
Principal payments on notes payable	(25,893)
Proceeds from indebtedness	960,000
Interest expense	(23,171)
Principal payments on lease receivable	53,940
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,318,564)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale (purchase) of investments	\$ (10,591)
SWIFA dissolution payment	273,354
Interest income from leases receivable	9,060
Net cash provided by (used for) investing activities	<u>\$ 271,823</u>
Net increase (decrease) in cash and cash equivalents	\$ (795,600)
Cash and cash equivalents - beginning	909,475
Cash and cash equivalents - ending	<u><u>\$ 113,875</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (444,260)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	\$ 30,411
Increase (decrease) in accounts payable	184,690
Increase (decrease) in due to primary government	480,300
Total adjustments	<u>\$ 695,401</u>
Net cash provided by (used for) operating activities	<u><u>\$ 251,141</u></u>
<b>Noncash investing, capital, and financing activities:</b>	
Donation of capital assets to PRIFA	\$ (4,662,983)
Issuance of lease receivable	444,762

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## STATISTICAL INFORMATION

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Table 1

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 11,390,729	\$ 11,174,543	\$ 10,597,262	\$ 8,483,398	\$ 8,163,198	\$ 7,410,590	\$ 8,038,644	\$ 8,244,411	\$ 9,369,305	\$ 9,020,728
Restricted	11,434,317	4,552,026	1,588,663	1,602,271	752,619	1,480,166	1,719,619	668,635	-	-
Unrestricted	7,255,462	9,174,370	8,791,571	7,447,500	6,903,727	5,821,151	4,836,863	3,351,486	(1,973,096)	4,988,505
Total governmental activities net position	\$ 30,080,508	\$ 24,900,939	\$ 20,977,496	\$ 17,533,169	\$ 15,819,544	\$ 14,711,907	\$ 14,595,126	\$ 12,264,532	\$ 7,396,209	\$ 14,009,233
<b>Business-type activities</b>										
Net investment in capital assets	\$ 11,130,382	\$ 11,941,602	\$ 13,164,789	\$ 13,645,145	\$ 14,609,381	\$ 15,469,911	\$ 13,773,956	\$ 14,867,097	\$ 15,755,398	\$ 17,059,262
Restricted	-	11,617	-	-	-	-	-	-	-	-
Unrestricted	106,969	(37,396)	58,719	(26,163)	(10,569)	(268,008)	(175,296)	(199,122)	23,421	79,075
Total business-type activities net position	\$ 11,237,351	\$ 11,915,823	\$ 13,223,508	\$ 13,618,982	\$ 14,598,812	\$ 15,201,903	\$ 13,598,660	\$ 14,667,975	\$ 15,778,819	\$ 17,138,337
<b>Primary government</b>										
Net investment in capital assets	\$ 22,521,111	\$ 23,116,145	\$ 23,762,051	\$ 22,128,543	\$ 22,772,579	\$ 22,880,501	\$ 21,812,600	\$ 23,111,508	\$ 25,124,703	\$ 26,079,990
Restricted	11,434,317	4,563,643	1,588,663	1,602,271	752,619	1,480,166	1,719,619	668,635	-	-
Unrestricted	7,362,431	9,136,974	8,850,290	7,421,337	6,893,158	5,553,143	4,661,567	3,152,364	(1,949,675)	5,067,580
Total primary government net position	\$ 41,317,859	\$ 36,816,762	\$ 34,201,004	\$ 31,152,151	\$ 30,418,356	\$ 29,913,810	\$ 28,193,786	\$ 26,932,507	\$ 23,175,028	\$ 31,147,570

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Expenses</b>										
<b>Governmental activities</b>										
General government administration	\$ 4,464,208	\$ 2,793,211	\$ 2,434,213	\$ 3,367,652	\$ 2,359,637	\$ 2,108,251	\$ 2,663,712	\$ 2,522,032	\$ 2,197,454	\$ 2,432,123
Judicial administration	2,415,446	2,368,944	2,487,513	2,333,043	2,167,499	2,085,710	1,638,101	1,591,793	1,825,563	1,682,907
Public safety	11,344,430	10,257,834	9,694,665	9,065,015	8,709,906	8,492,659	8,539,095	7,610,041	7,095,586	7,142,779
Public works	3,426,027	2,934,224	2,658,740	2,075,707	1,983,495	2,148,119	2,059,998	2,548,965	2,090,129	2,056,232
Health and welfare	9,736,165	9,205,485	8,917,782	7,628,329	6,743,163	6,735,510	6,328,638	6,281,076	5,267,649	5,662,739
Education	10,500,166	9,014,939	9,107,198	9,660,316	9,176,867	9,328,944	8,568,359	6,682,117	9,687,317	9,565,569
Parks, recreation, and cultural	1,051,973	839,307	711,535	709,638	729,789	770,828	764,591	1,292,528	1,028,674	1,027,887
Community development	571,139	962,815	2,509,137	427,542	1,029,016	368,790	327,775	334,389	1,150,411	1,476,366
Interest on long-term debt	1,142,077	961,558	871,985	896,280	962,475	1,019,376	1,572,972	1,219,313	1,457,368	1,414,721
Total governmental activities	\$ 44,651,631	\$ 39,338,317	\$ 39,392,768	\$ 36,163,522	\$ 33,861,847	\$ 33,058,187	\$ 32,463,241	\$ 30,082,254	\$ 31,800,151	\$ 32,461,323
<b>Business-type activities</b>										
Water and sewer	\$ 3,312,810	\$ 3,346,363	\$ 3,200,368	\$ 3,152,325	\$ 2,914,947	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613
Total business-type activities	\$ 3,312,810	\$ 3,346,363	\$ 3,200,368	\$ 3,152,325	\$ 2,914,947	\$ 2,944,311	\$ 2,927,130	\$ 3,116,610	\$ 3,641,767	\$ 3,304,613
Total primary government expenses	\$ 47,964,441	\$ 42,684,680	\$ 42,593,136	\$ 39,315,847	\$ 36,776,794	\$ 36,002,498	\$ 35,390,371	\$ 33,198,864	\$ 35,441,918	\$ 35,765,936
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services	\$ 255,316	\$ 39,759	\$ 8,824	\$ 7,882	\$ 10,380	\$ 17,828	\$ 37,877	\$ 32,444	\$ -	\$ -
General government administration	606,883	623,587	881,222	1,030,379	1,095,915	942,952	829,133	1,096,273	280,374	195,270
Judicial administration	321,981	267,518	349,142	287,438	365,302	336,387	317,298	356,496	1,364,850	1,039,261
Public safety	1,118,739	872,683	836,597	910,170	854,695	821,118	1,012,486	1,025,428	994,491	916,345
Public works	-	-	-	-	-	-	-	-	12,873	11,531
Health and welfare	16,429,906	12,752,610	15,051,714	9,782,392	8,783,861	8,265,629	7,944,314	7,722,207	7,568,809	7,861,211
Operating grants and contributions	\$ 18,732,825	\$ 14,556,157	\$ 17,127,499	\$ 12,018,261	\$ 11,110,153	\$ 10,383,914	\$ 10,141,108	\$ 10,232,848	\$ 10,221,397	\$ 10,023,618
Total governmental activities program revenues	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845	\$ 25,255,845
<b>Business-type activities</b>										
Charges for services	\$ 2,451,843	\$ 2,268,056	\$ 2,173,737	\$ 2,210,147	\$ 2,250,002	\$ 2,195,392	\$ 2,204,954	\$ 2,021,625	\$ 2,112,309	\$ 1,972,430
Water and sewer	-	-	311,496	12,194	265,885	2,530,983	104,237	59,975	171,102	-
Capital grants and contributions	\$ 2,451,843	\$ 2,268,056	\$ 2,485,233	\$ 2,222,341	\$ 2,515,887	\$ 4,726,375	\$ 2,309,191	\$ 2,081,600	\$ 2,283,411	\$ 1,922,430
Total business-type activities program revenues	\$ 2,451,843	\$ 2,268,056	\$ 2,485,233	\$ 2,222,341	\$ 2,515,887	\$ 4,726,375	\$ 2,309,191	\$ 2,081,600	\$ 2,283,411	\$ 1,922,430
Total primary government program revenues	\$ 21,184,668	\$ 19,612,732	\$ 19,612,732	\$ 14,240,602	\$ 13,626,040	\$ 15,110,289	\$ 12,450,299	\$ 12,314,448	\$ 12,504,808	\$ 11,946,048
<b>Net (expense) revenue</b>										
Governmental activities	\$ (25,918,806)	\$ (24,782,160)	\$ (22,265,269)	\$ (24,145,261)	\$ (22,751,694)	\$ (22,674,273)	\$ (22,322,133)	\$ (19,849,406)	\$ (21,578,754)	\$ (22,437,705)
Business-type activities	(860,967)	(1,078,307)	(715,135)	(929,984)	(399,060)	1,782,064	(617,939)	(1,035,010)	(1,358,356)	(1,382,183)
Total primary government net expense	\$ (26,779,773)	\$ (25,860,467)	\$ (22,980,404)	\$ (25,075,245)	\$ (23,150,754)	\$ (20,892,209)	\$ (22,940,072)	\$ (20,884,416)	\$ (22,937,110)	\$ (23,819,888)

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
General property taxes	\$ 21,908,032	\$ 20,257,881	\$ 19,089,572	\$ 17,910,662	\$ 16,973,046	\$ 17,194,583	\$ 16,785,337	\$ 16,956,694	\$ 16,343,883	\$ 16,874,613
Other local taxes	4,762,174	4,238,306	3,925,346	3,791,344	3,540,355	3,529,183	3,444,795	3,370,056	3,880,265	3,706,500
Unrestricted grants and contributions	2,571,592	2,582,352	2,544,230	2,628,722	2,634,424	2,694,976	2,580,995	2,527,873	1,920,369	1,927,902
Unrestricted revenues from use of money and property	865,922	281,637	250,481	320,471	355,426	269,998	227,311	138,545	242,917	219,217
Miscellaneous	1,165,902	1,054,206	219,628	157,841	152,049	258,209	240,957	160,814	224,296	240,188
Transfers	(175,247)	(267,801)	(319,661)	49,846	204,031	161,140	451,376	(22,848)	(91,709)	(291,116)
Total governmental activities	\$ 31,098,375	\$ 28,146,581	\$ 25,709,596	\$ 24,858,886	\$ 23,859,331	\$ 24,108,089	\$ 23,730,771	\$ 23,131,134	\$ 22,520,021	\$ 22,677,304
Business-type activities:										
Miscellaneous	\$ 7,248	\$ 61,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,566	\$ 3,886
Transfers	175,247	267,801	319,661	(49,846)	(204,031)	(161,140)	(451,376)	22,848	275,472	291,116
Total business-type activities	\$ 182,495	\$ 329,644	\$ 319,661	\$ (49,846)	\$ (204,031)	\$ (161,140)	\$ (451,376)	\$ 22,848	\$ 279,038	\$ 295,002
Total primary government	\$ 31,280,870	\$ 28,476,225	\$ 26,029,257	\$ 24,809,040	\$ 23,655,300	\$ 23,946,949	\$ 23,279,395	\$ 23,153,982	\$ 22,799,059	\$ 22,972,306
<b>Change in Net Position</b>										
Governmental activities	\$ 5,179,569	\$ 3,364,421	\$ 3,444,327	\$ 1,713,625	\$ 1,107,637	\$ 1,433,816	\$ 1,408,638	\$ 3,281,728	\$ 941,267	\$ 239,599
Business-type activities	(678,472)	(748,663)	(395,474)	(979,830)	(603,091)	1,620,924	(1,069,315)	(1,012,162)	(1,079,318)	(1,087,181)
Total primary government	\$ 4,501,097	\$ 2,615,758	\$ 3,048,853	\$ 733,795	\$ 504,546	\$ 3,054,740	\$ 339,323	\$ 2,269,566	\$ (138,051)	\$ (847,582)

Table 3

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Fund										
Nonspendable										
Restricted	\$ 179,287	\$ 149,473	\$ 171,678	\$ 134,252	\$ 181,639	\$ 184,089	\$ 170,692	\$ 165,535	\$ 205,182	\$ 181,436
Committed	10,887,029	3,557,520	1,588,663	1,602,271	752,619	1,480,166	1,719,619	7,053,698	12,560,956	21,335,807
Unassigned	176,017	275,711	227,520	314,009	718,986	945,049	1,108,674	1,241,351	47,531	71,786
Total general fund	20,613,867	15,770,817	13,627,947	11,101,414	9,358,844	7,893,953	6,431,674	5,158,382	3,059,388	2,914,839
	\$ 31,856,200	\$ 19,753,521	\$ 15,615,808	\$ 13,151,946	\$ 11,012,088	\$ 10,503,257	\$ 9,430,659	\$ 13,618,966	\$ 15,873,057	\$ 24,503,868

Table 4

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Revenues</b>										
General property taxes	\$ 21,884,538	\$ 20,236,591	\$ 19,619,232	\$ 17,930,375	\$ 17,453,207	\$ 17,124,424	\$ 16,516,355	\$ 16,947,861	\$ 16,278,485	\$ 16,532,802
Other local taxes	4,762,174	4,238,306	3,925,346	3,791,344	3,540,355	3,529,183	3,444,795	3,370,056	3,880,265	3,706,500
Permits, privilege fees, and licenses	79,688	65,045	61,333	111,689	85,185	129,113	113,794	135,421	95,901	161,986
Fines and forfeitures	595,470	612,313	871,402	1,019,041	1,078,773	928,528	814,522	1,082,497	1,280,930	888,941
Revenue from use of money and property	1,046,459	281,637	250,481	320,471	355,426	269,998	227,311	138,545	242,917	219,217
Charges for services	1,447,224	1,126,189	1,143,050	1,105,139	1,162,334	1,060,644	1,268,478	1,292,723	1,236,967	1,065,606
Recovered costs	467,089	1,450,736	1,245,807	817,164	532,836	848,829	398,251	301,480	234,006	260,219
Other	1,287,576	385,244	219,628	157,841	152,049	258,209	240,957	160,814	224,296	240,188
Intergovernmental	19,460,845	15,766,865	18,083,057	12,922,059	11,865,953	11,376,635	10,525,309	10,250,080	9,388,971	9,705,113
Total revenues	\$ 51,031,063	\$ 44,162,926	\$ 45,419,336	\$ 38,175,123	\$ 36,226,118	\$ 35,525,563	\$ 33,549,772	\$ 33,679,477	\$ 32,862,738	\$ 32,780,572
<b>Expenditures</b>										
General government administration	\$ 5,741,333	\$ 3,085,399	\$ 3,022,938	\$ 2,367,900	\$ 2,468,213	\$ 2,637,943	\$ 2,680,532	\$ 2,274,638	\$ 2,160,543	\$ 2,412,477
Judicial administration	1,971,504	1,940,847	1,908,480	1,857,567	1,807,747	1,683,976	1,601,951	1,554,655	1,809,226	1,690,506
Public safety	11,713,324	10,688,937	11,024,808	9,424,124	9,186,164	8,814,969	8,200,093	7,625,091	6,746,242	6,676,032
Public works	3,201,439	2,623,595	2,647,229	2,135,887	2,482,529	2,190,945	2,364,772	2,322,184	1,906,816	2,019,165
Health and welfare	9,899,628	9,367,160	8,753,992	7,608,179	7,120,994	7,027,227	6,413,303	6,359,049	5,404,748	5,679,174
Education	9,653,546	8,170,836	8,209,775	8,748,338	7,818,509	7,984,685	7,296,634	5,378,772	8,275,288	8,040,810
Parks, recreation, and cultural	1,114,307	883,061	731,111	732,090	732,090	772,090	764,563	914,558	976,479	976,479
Community development	214,663	679,053	2,506,328	254,048	235,449	258,773	329,678	339,554	1,186,002	1,176,400
Capital projects	1,228,087	426,189	-	1,423	-	-	5,857,294	5,593,129	6,946,025	3,095,262
Debt service:										
Principal retirement	2,696,717	2,862,560	2,160,612	2,108,919	2,327,376	2,010,009	2,089,810	1,933,169	1,970,201	4,190,481
Bond issuance cost	168,155	74,563	-	39,470	-	-	-	-	-	-
Interest and other fiscal charges	1,650,434	1,623,664	1,670,540	1,712,166	1,742,247	1,801,007	1,466,236	1,628,640	1,408,231	1,585,060
Total expenditures	\$ 49,253,137	\$ 42,425,864	\$ 42,635,813	\$ 36,990,111	\$ 35,921,318	\$ 35,181,624	\$ 39,064,866	\$ 35,923,439	\$ 38,789,801	\$ 37,541,846
Excess of revenues over (under) expenditures	\$ 1,777,926	\$ 1,737,062	\$ 2,783,523	\$ 1,185,012	\$ 304,800	\$ 343,939	\$ (5,515,094)	\$ (2,243,962)	\$ (5,927,063)	\$ (4,761,274)
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,970,000	\$ -
Issuance of loan payable	10,500,000	2,633,000	-	-	-	-	1,156,824	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	20,454,976	-	-	-
Issuance of bridge loan	-	-	-	-	-	-	2,300,000	-	-	-
Issuance of capital lease	-	-	-	905,000	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(23,036,389)	-	(14,233,704)	-
Bond issuance costs	-	-	-	-	-	-	-	-	(108,102)	-
Premium on bonds	-	-	-	-	-	-	-	-	1,272,643	-
Sale of capital assets	-	-	-	-	-	-	-	12,719	-	-
Transfers in	(175,247)	(267,801)	(319,661)	49,846	204,031	161,140	451,376	-	183,763	-
Transfers out	-	-	-	-	-	-	-	(22,848)	(275,472)	(291,116)
Total other financing sources (uses)	\$ 10,324,753	\$ 2,365,199	\$ (319,661)	\$ 954,846	\$ 204,031	\$ 161,140	\$ 1,326,787	\$ (10,129)	\$ (2,190,872)	\$ (291,116)
Net change in fund balance	\$ 12,102,679	\$ 4,102,261	\$ 2,463,862	\$ 2,139,858	\$ 508,831	\$ 505,079	\$ (4,188,307)	\$ (2,254,091)	\$ (8,117,935)	\$ (5,052,390)
Debt service as a percentage of noncapital expenditures	10.55%	12.68%	10.59%	12.65%	13.82%	13.27%	10.91%	11.89%	10.61%	16.77%

Table 5

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

Fiscal Year	Real Estate (1)	Personal Property	Public Service Companies (2)	Total
2023	\$ 1,545,412,325	\$ 352,746,790	\$ 455,185,938	\$ 2,353,345,053
2022	1,534,244,397	273,262,562	401,588,898	2,209,095,857
2021	1,532,313,146	209,112,178	446,724,094	2,188,149,418
2020	1,420,931,260	418,732,569	178,668,937	2,018,332,766
2019	1,411,606,660	416,103,125	159,999,308	1,987,709,093
2018	1,404,431,009	404,465,636	162,591,936	1,971,488,581
2017	1,400,794,341	388,325,907	154,952,331	1,944,072,579
2016	1,390,638,146	379,128,098	144,137,642	1,913,903,886
2015	1,398,811,514	384,132,517	136,867,929	1,919,811,960
2014	1,429,094,226	401,053,105	124,002,508	1,954,149,839

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

(2) Assessed by the State Corporation Commission.

Table 6

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital	Interstate Commerce
2023	\$ 0.74	\$ 2.30	\$ 1.55	\$ 0.40	\$ 1.55
2022	0.74	2.30	1.55	0.40	1.55
2021	0.74	2.30	1.55	0.40	1.55
2020	0.74	2.30	1.55	0.40	1.55
2019	0.74	2.30	1.55	0.40	1.55
2018	0.74	2.30	1.55	0.40	1.55
2017	0.74	2.30	1.55	0.40	1.55
2016	0.74	2.30	1.55	0.40	1.55
2015	0.74	2.30	1.55	0.40	1.55
2014	0.74	2.30	1.55	0.40	1.55

(1) Per \$100 of assessed value.

Table 7

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2023	\$ 23,656,550	\$ 22,118,646	93.50%	\$ 1,389,536	\$ 23,508,182	99.37%	\$ 3,576,515	15.12%
2022	21,768,672	20,582,270	94.55%	1,230,260	21,812,530	100.20%	3,526,411	16.20%
2021	21,091,719	19,954,873	94.61%	1,348,545	21,303,418	101.00%	3,868,838	18.34%
2020	19,609,448	18,470,193	94.19%	1,174,643	19,644,836	100.18%	4,073,510	20.77%
2019	19,257,511	18,080,830	93.89%	1,080,552	19,161,382	99.50%	4,268,180	22.16%
2018	19,036,228	17,522,360	92.05%	917,454	18,439,814	96.87%	4,577,264	24.05%
2017	18,780,259	17,638,468	93.92%	758,265	18,396,733	97.96%	4,379,621	23.32%
2016	18,454,479	17,359,495	94.07%	1,201,066	18,560,561	100.57%	4,093,425	22.18%
2015	18,517,112	15,175,265	81.95%	815,738	15,991,003	86.36%	4,430,581	23.93%
2014	18,532,906	15,564,710	83.98%	659,241	16,223,951	87.54%	4,126,146	22.26%

(1) Exclusive of penalties and interest.

Levy includes amounts collectible from the State under the PPTRA program and motor vehicle license fees  
Collections in 2016 include PPTRA revenue and motor vehicle license fee collections.

Table 8

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

Fiscal Year	Other									
	General Obligation Bonds					Governmental Activities Debt	Business-type Activities	Total Debt		
	Governmental General Obligation Bonds		Business-type General Obligation Bonds		Total General Obligation Bonds	Per Capita	Other Debt	Revenue Bonds	Total	
									Primary Government	Capita
2023	\$ 38,371,046	\$ 3,610,260	\$ 41,981,306	\$ 1,352	\$ 5,709,123	\$ 4,719,234	\$ 52,409,663	\$ 1,759		
2022	30,012,994	3,695,176	33,708,170	1,085	6,616,800	5,251,850	45,576,820	1,467		
2021	28,571,382	3,776,708	32,348,090	1,041	8,672,477	5,777,606	46,798,173	1,507		
2020	29,887,360	3,851,670	33,739,030	1,086	9,913,154	6,296,323	49,948,507	1,608		
2019	31,198,127	3,894,259	35,092,386	1,130	10,215,831	6,807,069	52,115,286	1,678		
2018	32,675,976	3,939,926	36,615,902	1,179	11,495,508	7,318,465	55,429,875	1,784		
2017	34,211,950	1,935,674	36,147,624	1,122	13,583,009	7,824,343	57,554,976	1,787		
2016	36,668,901	1,973,759	38,642,660	1,200	10,714,862	8,331,661	57,689,183	1,791		
2015	36,267,379	5,065,234	41,332,613	1,283	11,018,539	5,395,000	57,746,152	1,793		
2014	26,608,260	5,178,026	31,786,286	987	25,911,563	5,675,000	63,372,849	1,968		

Table 9

**County of Smyth, Virginia**  
**Population**  
**Last Ten Fiscal Years**

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Fiscal Year	Population
2023	29,449
2022	29,477
2021	29,800
2020	31,062
2019	31,062
2018	31,062
2017	31,062
2016	32,208
2015	32,208
2014	32,208

Source: United State Bureau of Census

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## COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County of Smyth, Virginia's basic financial statements and have issued our report thereon dated November 17, 2023. Our report was modified due to the qualified opinion on the School Activity Fund financial statements, which is included as a Fund of the Discretely Presented Component Unit School Board.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Smyth, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## County of Smyth, Virginia's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures County of Smyth, Virginia's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. County of Smyth, Virginia's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of This Report

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



Blacksburg, Virginia  
November 17, 2023



# ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

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

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

### Report on Compliance for Each Major Federal Program

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

We have audited County of Smyth, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Smyth, Virginia's major federal programs for the year ended June 30, 2023. County of Smyth, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, County of Smyth, Virginia complied, in all material respects, with the 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, 2023.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of County of Smyth, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of County of Smyth, Virginia's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to County of Smyth, Virginia's federal programs.

#### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on County of Smyth, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting

from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about County of Smyth, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding County of Smyth, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of County of Smyth, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of County of Smyth, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

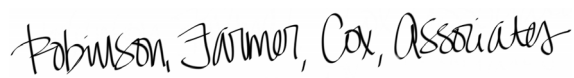
#### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

  
Blacksburg, Virginia  
November 17, 2023

COUNTY OF SMYTH, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures	
<b>DEPARTMENT OF AGRICULTURE:</b>				
Pass through payments from:				
<i>Department of Social Services:</i>				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010122/0010123/040122/0040123	\$	793,374
<i>Department of Education:</i>				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	43841		86,600
Child Nutrition Cluster:				
School Breakfast Program	10.553	40253/41110	\$	711,212
<i>Department of Education:</i>				
Fresh Fruit and Vegetable Program	10.582	40252		90,807
Summer Food Service Program for Children	10.559	60302/60303		52,078
National School Lunch Program	10.555	40254/41106	\$	1,751,342
<i>State Department of Agriculture:</i>				
Food Distribution-Schools (Note C)	10.555	not applicable	289,086	2,040,428
Pandemic Electronic Benefit Transfer Administrative Costs	10.649	86556		3,135
Child and Adult Care Food Program	10.558	70027/70028		20,104
Total Department of Agriculture			\$	3,797,738
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Pass through payments from:				
<i>Department of Social Services:</i>				
Temporary Assistance for Needy Families	93.558	0400122/0400123	\$	464,410
Guardianship Assistance	93.090	1110122/1110123		181
MaryLee Allen Promoting Safe and Stable Families	93.556	0950121/0950122/950221	\$	7,825
COVID-19 - MaryLee Allen Promoting Safe and Stable Families	93.556	0500122		3,599
Title IV-E Kinship Navigator Program	93.471	unavailable		11,424
Title IV-E Prevention Program	93.472	1140122/1140123		48,796
Refugee and Entrant Assistance - State/ Replacement Designee Administered Programs	93.566	0500122/0500123		12,877
Low Income Home Energy Assistance	93.568	0600422/0600423		2,015
Social Services Block Grant	93.667	1000122/1000123		94,634
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150121/9150122		546,030
Elder Abuse Prevention Interventions Program	93.747	8000221/8000321		6,593
Children's Health Insurance Program	93.767	0640122/0540123		7,512
Medicaid Cluster:				
Medical Assistance Program	93.778	1200122/1200123		3,643
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900121/900122		409,618
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760122/0760123		751
Foster Care - Title IV E	93.658	1100122/11100123		106,188
Adoption Assistance	93.659	1120122/1120123		425,905
Adoption and Legal Guardianship Incentive Payments	93.603	1130119/1130120		575,900
<i>Department of Education:</i>				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	40297		2,776
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	unknown		78,494
Total Department of Health and Human Services			\$	4,776
<b>DEPARTMENT OF TRANSPORTATION:</b>				
Pass through payments from:				
<i>Department of Motor Vehicles:</i>				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	BPT-2023-53137-23137/FSC-2022-52105-22105	\$	6,445
National Priority Safety Programs	20.616	FM6OT-2022-52058-22058/FM6OT-2023-53157-23157	8,942	\$
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Pass through payments from:				
<i>Office of Community Planning and Development</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$	65,975
<b>DEPARTMENT OF TREASURY:</b>				
Direct payments:				
Local Assistance and Tribal Consistency Fund	21.032	not applicable	\$	242,901
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	not applicable	\$	4,414,830
Pass through payments from:				
<i>Department of Housing and Community Development:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	unknown		21,685
<i>Department of Education:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	45277/60054	550,550	\$
Total Department of Treasury			\$	4,987,065
<b>DEPARTMENT OF JUSTICE:</b>				
Pass through payments from:				
<i>Office of Victims of Crime</i>				
Crime Victim Assistance	16.575	19V2GX0054/20V2GX0048	\$	83,758

COUNTY OF SMYTH, VIRGINIA  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditure	
DEPARTMENT OF EDUCATION:				
Pass through payments from:				
Department of Education:				
Career and Technical Education -- Basic Grants to States	84.048	60031/600311005	\$	93,810
Supporting Effective Instruction State Grants	84.367	61480		190,719
Title I Grants to Local Educational Agencies	84.010	42901		1,086,525
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	43071	\$ 1,118,469	
Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.027	40287	51,089	\$1,169,558
Special Education - Preschool Grants	84.173	62521		56,490
COVID-19 - American Rescue Plan-Elementary and Secondary School Emergency Relief Fund	84.425U	50193	\$	1,830,173
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	40298/50195		2,225,145
Twenty-First Century Community Learning Centers	84.287	60565		26,090
Rural Education	84.358	43481		51,713
Student Support and Academic Enrichment Program	84.424	60281		109,524
Total Department of Education			\$	6,839,747
Total Expenditures of Federal Awards			\$	18,835,094

**Notes to Schedule of Expenditures of Federal Awards**

**Note A--Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Smyth, Virginia under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budgets Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the County of Smyth, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Smyth, Virginia.

**Note B--Summary of Significant Accounting Policies**

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

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

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

**Note C--Food Distribution**

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

**Note D--Outstanding Balance of Federal Loans**

The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.

**Note E--Subrecipients**

The County did not have any subrecipients for the year ended June 30, 2023.

**Note F--Donated Items**

The County did not receive any donated items during the year.

**Note G--Relationship to the Financial Statements:**

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund - Intergovernmental	\$ 19,460,845
Less: Revenue from the Commonwealth	(10,406,041)
Less: Payment in Lieu of Taxes	(238,294)
Less: QSCB interest subsidy	(459,347)

Component Unit School Board:

School Operating Fund - Intergovernmental	62,466,866
Less: Revenue from local governments	(9,584,482)
Less: Revenue from the Commonwealth	(42,404,453)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 18,835,094

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

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**Section I - Summary of Auditors' Results****Financial Statements**

Type of auditors' report issued:

Unmodified: Governmental activities, business-type activities, discretely presented component unit - Library, discretely presented component unit - EDA, each major fund and aggregate remaining fund information.

Modified: Discretely presented component unit - School Board

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

None reported

Noncompliance material to financial statements noted?

No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR section,  
200.516 (a)?

No

Identification of major programs:

**Assistance Listing #****Name of Federal Program or Cluster**

10.553/10.555/10.559/10.582

Child Nutrition Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds

84.425

Education Stabilization Fund

Dollar threshold used to distinguish between Type A  
and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

No

Summary Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023 (Continued)

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**Section II - Financial Statement Findings**

2023-001	Material Weakness
Criteria:	Identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	Material adjustments were proposed as a result of audit procedures performed for the County's and School Board's trial balances.
Cause:	The closing process did not accurately find and correct adjustments needed for financial
Effect:	There is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal controls over financial
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Management's Response:	The County and School Board will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

**Section III - Federal Award Findings and Questioned Costs**

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

County of Smyth, Virginia

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2023

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**2022-001**

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Condition:	Material adjustments were proposed as a result of audit procedures performed for the County's and School Board's trial balances.
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
Current Status:	Finding 2022-001 was repeated in the current year as 2023-001.