

COUNTY OF HIGHLAND, VIRGINIA



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2021

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YEAR ENDED JUNE 30, 2021

County of Highland, Virginia

Board of Supervisors

Harry Sponaugle, Chairman
John Moyers, Vice-Chairman
David Blanchard, Member

County School Board

Christopher Amirault, Chairman
Joseph Neil, Vice-Chairman
Matthew Blagg, Member

Welfare Board Members

Michael Boesch, Chairman
David W. Blanchard, Vice-Chairman
Kim Billingsley, Member

Other Officials

Clerk of the Circuit Court.....	Judy Hupman
Commissioner of the Revenue.....	Yvonne Wimer
Commonwealth's Attorney	Melissa Ann Dowd
Sheriff.....	David A. Neil
Treasurer	Lois E. White
County Attorney	Melissa Ann Dowd
Building Official/Inspector	Joshua Simmons
Cooperative Extension Agent	Kari Sponaugle
Emergency Services Director	Harley Gardner
Fire Chief	Elmer Waybright
Health Director	Dr. Clifford W. Caplan
Chairman of Economic Development Authority	Bryan Obaugh
Planning Commission Chairman.....	Casey Thaler
Recycling Coordinator.....	Richard Waybright
Registrar	Abby W. Sponagule
Senior Citizen Coordinator.....	Harmony Leonard
Social Services Director.....	Sarah Rexrode
Zoning Administrator.....	Joshua Simmons
County Administrator	Roberta A. Lambert
Superintendent of Schools.....	Dr. Thomas Schott

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INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF HIGHLAND, VIRGINIA**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2021, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding progress on pages 4-9, 81-82, and 83-100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Highland, Virginia's basic financial statements. The other supplementary information and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2022, on our consideration of the County of Highland, 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 Highland, 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 Highland, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 13, 2022

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Highland, Virginia for the fiscal year ended June 30, 2021.

Financial Highlights

Government-wide Financial Statements

The assets of the County of Highland, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$8,116,763 (net position). Of this amount, \$5,029,817 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$(651,901) of which \$(3,750,688) is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$774,537, while the School Board's net position increased by \$160,426. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,659,790, or 67 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2021 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2021.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,627,736, an increase of \$600,971 in comparison with the prior year. (See Exhibit 3.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Local government accounting and financial reporting originally focused on funds, which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justifications from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, liabilities and net position. The difference between assets and liabilities is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently reports the McDowell Water System, Highland County Refuse Disposal and Recreation Commission as business-type activities.

The government-wide financial statements include, in addition to the primary government or County, three component units: 1) the Highland County School Board; 2) the McDowell Water System; and 3) the Highland County Economic Development Authority. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The McDowell Water System is a blended component unit of the County of Highland. This Fund and the Highland County Refuse Disposal Fund, a major fund of the County, meet proprietary fund classification criteria. The water system and refuse disposal financial statements are shown as enterprise funds in the County's fund financial statements. The water system provides a centralized source for the provision of water services to residents of the Village of McDowell and the refuse disposal provides a centralized source for the provision of refuse disposal for County residents and landowners.

The Highland County Recreation Commission is also a component unit of the County of Highland. The Recreation Commission provides for recreation activities of the County.

The Highland County Economic Development Authority is also a component unit of the County of Highland. The Economic Development Authority (EDA) provides economic development incentives and other assistance to private businesses. EDAs are separate political subdivisions of the Commonwealth and may own property, lease property, sell property, make grants, accept gifts, and have other powers but do not have taxing power.

Internal service funds

The County of Highland has no internal service funds.

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County's own activities. A separate statement of fiduciary net position and combining statements are provided in the report.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. For the County of Highland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,116,763 at the end of the fiscal year.

The County's net position is divided into two categories: 1) net investment in capital assets, and 2) unrestricted.

County of Highland's Net Position						
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 7,806,602	\$ 7,271,482	\$ 912,481	\$ 932,451	\$ 8,719,083	\$ 8,203,933
Capital assets	1,996,600	1,677,834	674,053	701,486	2,670,653	2,379,320
Total	\$ 9,803,202	\$ 8,949,316	\$ 1,586,534	\$ 1,633,937	\$ 11,389,736	\$ 10,583,253
Deferred Outflows of Resources	\$ 433,774	\$ 328,889	\$ 26,609	\$ 28,227	\$ 460,383	\$ 357,116
Long-term liabilities	\$ 141,090	\$ 1,170,993	\$ 18,475	\$ 191,403	\$ 159,565	\$ 1,362,396
Other liabilities	1,176,734	287,721	172,709	18,484	1,349,443	306,205
Total	\$ 1,317,824	\$ 1,458,714	\$ 191,184	\$ 209,887	\$ 1,509,008	\$ 1,668,601
Deferred Inflows of Resources	\$ 2,208,864	\$ 1,920,277	\$ 15,484	\$ 9,265	\$ 2,224,348	\$ 1,929,542
Net investment in capital assets	\$ 1,996,600	\$ 1,677,834	\$ 555,811	\$ 576,840	\$ 2,552,411	\$ 2,254,674
Restricted	515,689	53,961	18,846	18,846	534,535	72,807
Unrestricted	4,197,999	4,167,419	831,818	847,326	5,029,817	5,014,745
Total net position	\$ 6,710,288	\$ 5,899,214	\$ 1,406,475	\$ 1,443,012	\$ 8,116,763	\$ 7,342,226

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 31.45 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position, which is \$5,029,817 or 61.97 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report a positive balance in both categories of net position.

During the current fiscal year, the government's net position increased by \$774,537.

Governmental Activities

Governmental activities increased the County's net position by \$811,074.

County of Highland's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 35,637	\$ 33,893	\$ 405,613	\$ 406,927	\$ 441,250	\$ 440,820
Operating grants and contributions	1,868,825	1,518,561	6,640	7,241	1,875,465	1,525,802
Capital grants and contributions	141,963	-	-	-	141,963	-
General revenues:						
General property taxes	4,243,105	3,645,328	-	-	4,243,105	3,645,328
Other local taxes	417,746	349,453	-	-	417,746	349,453
Use of money and property	30,678	85,710	247	841	30,925	86,551
Other	56,388	53,060	-	-	56,388	53,060
Grants and contributions not restricted to specific programs	364,221	346,381	-	-	364,221	346,381
Total Revenues	<u>\$ 7,158,563</u>	<u>\$ 6,032,386</u>	<u>\$ 412,500</u>	<u>\$ 415,009</u>	<u>\$ 7,571,063</u>	<u>\$ 6,447,395</u>
Expenses:						
General government	\$ 1,249,230	\$ 1,030,748	\$ -	\$ -	\$ 1,249,230	\$ 1,030,748
Judicial administration	317,999	306,194	-	-	317,999	306,194
Public safety	1,429,970	1,102,196	-	-	1,429,970	1,102,196
Public works	37,072	57,113	-	-	37,072	57,113
Health and welfare	681,598	683,751	-	-	681,598	683,751
Education	2,058,982	2,534,181	-	-	2,058,982	2,534,181
Parks, recreational, and cultural	117,826	98,841	-	-	117,826	98,841
Community development	428,287	175,093	-	-	428,287	175,093
Interest on long-term debt	-	5,543	-	-	-	5,543
Recreation Commission	-	-	68,045	44,353	68,045	44,353
Refuse Disposal	-	-	356,663	322,787	356,663	322,787
McDowell Water System	-	-	50,854	51,318	50,854	51,318
Total	<u>\$ 6,320,964</u>	<u>\$ 5,993,660</u>	<u>\$ 475,562</u>	<u>\$ 418,458</u>	<u>\$ 6,796,526</u>	<u>\$ 6,412,118</u>
Increase in net position before transfers	<u>\$ 837,599</u>	<u>\$ 38,726</u>	<u>\$ (63,062)</u>	<u>\$ (3,449)</u>	<u>\$ 774,537</u>	<u>\$ (35,277)</u>
Transfers	<u>\$ (26,525)</u>	<u>\$ 6,300</u>	<u>\$ 26,525</u>	<u>\$ 6,300</u>	<u>\$ -</u>	<u>\$ -</u>
Increase/decrease in net position	<u>\$ 811,074</u>	<u>\$ 32,426</u>	<u>\$ (36,537)</u>	<u>\$ 2,851</u>	<u>\$ 774,537</u>	<u>\$ 35,277</u>
Net position, beginning	<u>5,899,214</u>	<u>5,488,368</u>	<u>1,443,012</u>	<u>1,445,306</u>	<u>7,342,226</u>	<u>6,933,674</u>
Net position, ending	<u>\$ 6,710,288</u>	<u>\$ 5,520,794</u>	<u>\$ 1,406,475</u>	<u>\$ 1,448,157</u>	<u>\$ 8,116,763</u>	<u>\$ 6,968,951</u>

Financial Analysis of the Government's Funds

As earlier mentioned, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$5,627,736.

The general fund is the chief operating fund of the County. As of June 30, 2021, total fund balance of the general fund was \$4,783,341, of which \$3,659,790 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 67 percent and total fund balance represents 87 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$2,049,070.

The fund balance of the County's general fund increased by \$153,197 during the current fiscal year.

Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the McDowell Water System, Highland County Refuse Disposal and Highland County Recreation Commission at the end of the year were \$831,818. Other factors concerning the finances of these funds were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were a \$639,810 increase, which is 11.6 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$621,300, which is 11.3 percent of the total original budget.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets as of June 30, 2021 is \$2,670,653 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

**County of Highland, Virginia Capital Assets for Governmental Activities
(net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 247,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 251,181	\$ 201,181
Construction in progress	30,937	100,000	-	-	30,937	100,000
Buildings and improvements	1,091,662	983,322	-	-	1,091,662	983,322
Machinery and equipment	626,636	397,147	-	-	626,636	397,147
Utility plant and equipment	-	-	670,237	690,695	670,237	690,695
Furniture and equipment	-	-	-	6,975	-	6,975
Total	<u>\$ 1,996,600</u>	<u>\$ 1,677,834</u>	<u>\$ 674,053</u>	<u>\$ 701,486</u>	<u>\$ 2,670,653</u>	<u>\$ 2,379,320</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Landfill closure/ post-closure liability	\$ 59,095	\$ 58,397	\$ -	\$ -	\$ 59,095	\$ 58,394
Revenue Bonds	-	-	118,242	124,646	118,242	124,646
Net Pension Liability	752,418	845,865	33,785	41,899	786,203	887,764
Net OPEB Liability	123,457	111,324	5,544	5,514	129,001	116,838
Compensated absences	241,764	155,410	15,138	19,344	256,902	174,754
Total	<u>\$ 1,176,734</u>	<u>\$ 1,170,996</u>	<u>\$ 172,709</u>	<u>\$ 191,403</u>	<u>\$ 1,349,443</u>	<u>\$ 1,362,396</u>

Legislation enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board be assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 3.1 percent, which is a decrease from the rate of 4.9 percent a year ago. This compares favorably to the state's average unemployment rate of 4.3 percent and the national average rate of 5.9 percent.
- Earnings on investments, in general, continue to remain low.
- It is expected that funding from the Commonwealth of Virginia will be further decreased for constitutional officers, ABC profits, and wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County's budget for the 2022 fiscal year.

During fiscal year 2021, unassigned fund balance in the general fund decreased \$(120,012). Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund.

Requests for Information

This financial report is designed to provide readers with a general overview of the County of Highland's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Highland County Board of Supervisors, P. O. Box 130, Monterey, Virginia 24465.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 5,221,434	\$ 863,112	\$ 6,084,546	\$ 406,523	\$ 67,117
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,992,249	-	1,992,249	-	-
Accounts receivable	31,772	49,369	81,141	-	-
Notes receivable	180,000	-	180,000	-	-
Due from component unit	214,849	-	214,849	-	-
Due from other governmental units	165,548	-	165,548	213,101	-
Inventories	-	-	-	17,237	-
Prepaid items	750	-	750	33,205	-
Capital assets (net of accumulated depreciation):					
Land	247,365	3,816	251,181	13,035	-
Buildings and improvements	1,091,662	-	1,091,662	2,447,428	-
Machinery and equipment	626,636	-	626,636	398,236	-
Utility plant and equipment	-	670,237	670,237	-	-
Construction in progress	30,937	-	30,937	131,960	-
Total assets	\$ 9,803,202	\$ 1,586,534	\$ 11,389,736	\$ 3,660,725	\$ 67,117
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 400,872	\$ 25,137	\$ 426,009	\$ 855,995	\$ -
OPEB related items	32,902	1,472	34,374	76,115	-
Total Deferred Outflows of Resources	\$ 433,774	\$ 26,609	\$ 460,383	\$ 932,110	\$ -
LIABILITIES					
Accounts payable	\$ 85,253	\$ 17,439	\$ 102,692	\$ 10,872	\$ 1,134
Accrued liabilities	-	-	-	298,395	-
Accrued interest payable	-	182	182	-	-
Due to primary government	-	-	-	214,849	-
Unearned revenue	55,837	854	56,691	-	15,472
Long-term liabilities:					
Due within one year	-	6,722	6,722	-	-
Due in more than one year	1,176,734	165,987	1,342,721	4,193,179	-
Total liabilities	\$ 1,317,824	\$ 191,184	\$ 1,509,008	\$ 4,717,295	\$ 16,606
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 1,863,890	\$ -	\$ 1,863,890	\$ -	\$ -
Pension related items	340,042	15,262	355,304	475,346	-
OPEB related items	4,932	222	5,154	52,095	-
Total deferred inflows of resources	\$ 2,208,864	\$ 15,484	\$ 2,224,348	\$ 527,441	\$ -
NET POSITION					
Net investment in capital assets	\$ 1,996,600	\$ 555,811	\$ 2,552,411	\$ 2,990,659	\$ -
Restricted:					
Debt service and bond covenants	-	18,846	18,846	-	-
Recording equipment	768	-	768	-	-
Law library	7,879	-	7,879	-	-
Courthouse maintenance	1,508	-	1,508	-	-
E911	142,128	-	142,128	-	-
\$4 for life program	27,876	-	27,876	-	-
Forfeited assets	4,271	-	4,271	-	-
Emergency medical services	331,259	-	331,259	-	-
School activity funds	-	-	-	108,128	-
Unrestricted	4,197,999	831,818	5,029,817	(3,750,688)	50,511
Total net position	\$ 6,710,288	\$ 1,406,475	\$ 8,116,763	\$ (651,901)	\$ 50,511

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

County of Highland, Virginia

Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government administration	\$ 1,249,230	\$ 131	\$ 209,894	\$ -
Judicial administration	317,999	3,830	259,344	-
Public safety	1,429,970	31,676	641,207	141,963
Public works	37,072	-	-	-
Health and welfare	681,598	-	494,530	-
Education	2,058,982	-	42,321	-
Parks, recreation, and cultural	117,826	-	-	-
Community development	428,287	-	221,529	-
Total governmental activities	<u>\$ 6,320,964</u>	<u>\$ 35,637</u>	<u>\$ 1,868,825</u>	<u>\$ 141,963</u>
Business-type Activities:				
Refuse Disposal	\$ 356,663	\$ 348,540	\$ 6,640	\$ -
McDowell Water System	50,854	41,268	-	-
Recreation Commission	68,045	15,805	-	-
Total business-type activities	<u>\$ 475,562</u>	<u>\$ 405,613</u>	<u>\$ 6,640</u>	<u>\$ -</u>
Total primary government	<u><u>\$ 6,796,526</u></u>	<u><u>\$ 441,250</u></u>	<u><u>\$ 1,875,465</u></u>	<u><u>\$ 141,963</u></u>
COMPONENT UNITS:				
School Board	\$ 4,629,071	\$ 10,598	\$ 2,638,804	\$ -
Economic Development Authority	573,473	3,900	26,362	-
Total component units	<u><u>\$ 5,202,544</u></u>	<u><u>\$ 14,498</u></u>	<u><u>\$ 2,665,166</u></u>	<u><u>\$ -</u></u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Taxes on recordation and wills				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (1,039,205)	\$ -	\$ (1,039,205)	\$ -	\$ -
(54,825)	-	(54,825)	-	-
(615,124)	-	(615,124)	-	-
(37,072)	-	(37,072)	-	-
(187,068)	-	(187,068)	-	-
(2,016,661)	-	(2,016,661)	-	-
(117,826)	-	(117,826)	-	-
(206,758)	-	(206,758)	-	-
<u>\$ (4,274,539)</u>	<u>\$ -</u>	<u>\$ (4,274,539)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (1,483)	\$ (1,483)	\$ -	\$ -
-	(9,586)	(9,586)	-	-
-	(52,240)	(52,240)	-	-
<u>\$ -</u>	<u>\$ (63,309)</u>	<u>\$ (63,309)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (4,274,539)</u>	<u>\$ (63,309)</u>	<u>\$ (4,337,848)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(1,979,669)	\$ -
-	-	-	-	(543,211)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,979,669)</u>	<u>(543,211)</u>
\$ 4,243,105	\$ -	\$ 4,243,105	\$ -	\$ -
171,066	-	171,066	-	-
120,566	-	120,566	-	-
59,131	-	59,131	-	-
20,597	-	20,597	-	-
46,386	-	46,386	-	-
30,678	247	30,925	-	33
56,388	-	56,388	63,267	-
364,221	-	364,221	2,076,828	550,692
(26,525)	26,525	-	-	-
<u>\$ 5,085,613</u>	<u>\$ 26,772</u>	<u>\$ 5,112,385</u>	<u>\$ 2,140,095</u>	<u>\$ 550,725</u>
\$ 811,074	\$ (36,537)	\$ 774,537	\$ 160,426	\$ 7,514
5,899,214	1,443,012	7,342,226	(812,327)	42,997
<u>\$ 6,710,288</u>	<u>\$ 1,406,475</u>	<u>\$ 8,116,763</u>	<u>(651,901)</u>	<u>\$ 50,511</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2021

	General	Virginia Public Assistance	EMS	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 4,349,904	\$ -	\$ 334,055	\$ 537,475	\$ 5,221,434
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,796,991	-	195,258	-	1,992,249
Accounts receivable	31,772	-	-	-	31,772
Notes receivable	180,000	-	-	-	180,000
Due from other funds	19,593	-	-	-	19,593
Due from component unit	214,849	-	-	-	214,849
Due from other governmental units	117,231	40,816	-	7,501	165,548
Prepaid items	750	-	-	-	750
Total assets	<u>\$ 6,711,090</u>	<u>\$ 40,816</u>	<u>\$ 529,313</u>	<u>\$ 544,976</u>	<u>\$ 7,826,195</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 32,190	\$ 21,223	\$ -	\$ 31,840	\$ 85,253
Due to other funds	-	19,593	-	-	19,593
Unearned revenue	55,837	-	-	-	55,837
Total liabilities	<u>\$ 88,027</u>	<u>\$ 40,816</u>	<u>\$ -</u>	<u>\$ 31,840</u>	<u>\$ 160,683</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 1,839,722	\$ -	\$ 198,054	\$ -	\$ 2,037,776
Total deferred inflows of resources	<u>\$ 1,839,722</u>	<u>\$ -</u>	<u>\$ 198,054</u>	<u>\$ -</u>	<u>\$ 2,037,776</u>
FUND BALANCES:					
Nonspendable:					
Prepaid items	\$ 750	\$ -	\$ -	\$ -	\$ 750
Notes receivable	180,000	-	-	-	180,000
Restricted:					
Recording equipment	768	-	-	-	768
Law library	7,879	-	-	-	7,879
Courthouse maintenance	1,508	-	-	-	1,508
E911	-	-	-	142,128	142,128
\$4 for life program	27,876	-	-	-	27,876
Forfeited assets	-	-	-	4,271	4,271
Emergency medical services	-	-	331,259	-	331,259
Committed:					
Assessor	40,245	-	-	-	40,245
Equipment replacement	119,530	-	-	-	119,530
Recreation commission	10,000	-	-	-	10,000
Auditor	4,333	-	-	-	4,333
Emergency food & shelter	4,529	-	-	-	4,529
Communications equipment	47,529	-	-	-	47,529
Regional jail	66,000	-	-	-	66,000
Comprehensive plan	15,000	-	-	-	15,000
Bus reserve	15,000	-	-	-	15,000
Transportation enhancement project	373,413	-	-	-	373,413
Veteran's memorial	9,356	-	-	-	9,356
Cupola timepiece project	853	-	-	-	853
School expenditures	119,812	-	-	-	119,812
Dangerous dog registry	575	-	-	-	575
EMS Stipends	22,904	-	-	-	22,904
Body armor	3,400	-	-	-	3,400
Assigned:					
Fire prevention programs	52,291	-	-	-	52,291
Special revenue funds	-	-	-	7,129	7,129
Capital projects funds	-	-	-	359,608	359,608
Unassigned	3,659,790	-	-	-	3,659,790
Total fund balances	<u>\$ 4,783,341</u>	<u>\$ -</u>	<u>\$ 331,259</u>	<u>\$ 513,136</u>	<u>\$ 5,627,736</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,711,090</u>	<u>\$ 40,816</u>	<u>\$ 529,313</u>	<u>\$ 544,976</u>	<u>\$ 7,826,195</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	5,627,736
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	247,365	
Buildings and improvements		1,091,662	
Machinery and equipment		626,636	
Construction in progress		<u>30,937</u>	
			1,996,600
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the funds.			
Unavailable revenue - property taxes			173,886
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	400,872	
OPEB related items		<u>32,902</u>	
			433,774
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences	\$	(241,764)	
Landfill closure/post-closure costs		(59,095)	
Net pension liability		(752,418)	
Net OPEB liabilities		<u>(123,457)</u>	
			(1,176,734)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(340,042)	
OPEB related items		<u>(4,932)</u>	
			<u>(344,974)</u>
Net position of governmental activities		\$	<u><u>6,710,288</u></u>

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

County of Highland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2021

	General	Virginia Public Assistance	EMS
REVENUES			
General property taxes	\$ 4,015,547	\$ -	\$ 331,259
Other local taxes	417,746	-	-
Permits, privilege fees, and regulatory licenses	16,271	-	-
Fines and forfeitures	2,157	-	-
Revenue from the use of money and property	30,678	-	-
Charges for services	17,209	-	-
Miscellaneous	55,954	434	-
Intergovernmental:			
Commonwealth	1,196,201	168,703	-
Federal	550,430	318,627	-
Total revenues	<u>\$ 6,302,193</u>	<u>\$ 487,764</u>	<u>\$ 331,259</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,180,349	\$ -	\$ -
Judicial administration	297,695	-	-
Public safety	1,228,793	-	-
Public works	25,155	-	-
Health and welfare	111,007	572,447	-
Education	2,049,070	-	-
Parks, recreation, and cultural	77,732	-	-
Community development	428,287	-	-
Nondepartmental	15,462	-	-
Capital projects	58,011	-	-
Total expenditures	<u>\$ 5,471,561</u>	<u>\$ 572,447</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 830,632</u>	<u>\$ (84,683)</u>	<u>\$ 331,259</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 10,000	\$ 84,683	\$ -
Transfers out	(687,435)	-	-
Total other financing sources (uses)	<u>\$ (677,435)</u>	<u>\$ 84,683</u>	<u>\$ -</u>
Net change in fund balances	\$ 153,197	\$ -	\$ 331,259
Fund balances - beginning	4,630,144	-	-
Fund balances - ending	<u>\$ 4,783,341</u>	<u>\$ -</u>	<u>\$ 331,259</u>

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

Exhibit 5

Other Governmental Funds		Total
\$	-	\$ 4,346,806
	-	417,746
	-	16,271
	-	2,157
	-	30,678
	-	17,209
	-	56,388
	141,048	1,505,952
	-	869,057
\$	<u>141,048</u>	<u>\$ 7,262,264</u>
\$	-	\$ 1,180,349
	-	297,695
	198,470	1,427,263
	-	25,155
	-	683,454
	9,912	2,058,982
	-	77,732
	-	428,287
	-	15,462
	382,378	440,389
\$	<u>590,760</u>	<u>\$ 6,634,768</u>
\$	<u>(449,712)</u>	<u>\$ 627,496</u>
\$	566,227	\$ 660,910
	-	(687,435)
\$	<u>566,227</u>	<u>\$ (26,525)</u>
\$	116,515	\$ 600,971
	396,621	5,026,765
\$	<u>513,136</u>	<u>\$ 5,627,736</u>

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$	600,971
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$	513,698	
Depreciation expense		<u>(194,932)</u>	318,766

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

Property taxes	(103,701)
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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.

Increase in accrued landfill closure and post-closure monitoring costs	\$	<u>(701)</u>	(701)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$	(86,354)	
Change in pension related items		79,989	
Change in OPEB related items		<u>2,104</u>	(4,261)

Change in net position of governmental activities	\$	<u><u>811,074</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 91,559	\$ 657,194	\$ 114,359	\$ 863,112
Accounts receivable	12,244	37,125	-	49,369
Total current assets	<u>\$ 103,803</u>	<u>\$ 694,319</u>	<u>\$ 114,359</u>	<u>\$ 912,481</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,227,952	192,677	20,801	1,441,430
Accumulated depreciation	(624,572)	(131,865)	(14,756)	(771,193)
Net capital assets	<u>\$ 607,196</u>	<u>\$ 60,812</u>	<u>\$ 6,045</u>	<u>\$ 674,053</u>
Total assets	<u>\$ 710,999</u>	<u>\$ 755,131</u>	<u>\$ 120,404</u>	<u>\$ 1,586,534</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 25,137	\$ -	\$ 25,137
OPEB related items	-	1,472	-	1,472
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 26,609</u>	<u>\$ -</u>	<u>\$ 26,609</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 277	\$ 17,162	\$ -	\$ 17,439
Accrued interest payable	182	-	-	182
Unearned revenue	-	-	854	854
Revenue bonds - current portion	6,722	-	-	6,722
Total current liabilities	<u>\$ 7,181</u>	<u>\$ 17,162</u>	<u>\$ 854</u>	<u>\$ 25,197</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 111,520	\$ -	\$ -	\$ 111,520
Compensated absences	-	15,138	-	15,138
Net OBEB liability	-	5,544	-	5,544
Net pension liability	-	33,785	-	33,785
Total noncurrent liabilities	<u>\$ 111,520</u>	<u>\$ 54,467</u>	<u>\$ -</u>	<u>\$ 165,987</u>
Total liabilities	<u>\$ 118,701</u>	<u>\$ 71,629</u>	<u>\$ 854</u>	<u>\$ 191,184</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 15,262	\$ -	\$ 15,262
OPEB related items	-	222	-	222
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 15,484</u>	<u>\$ -</u>	<u>\$ 15,484</u>
NET POSITION				
Net investment in capital assets	\$ 488,954	\$ 60,812	\$ 6,045	\$ 555,811
Restricted for debt service and bond covenants	18,846	-	-	18,846
Unrestricted	84,498	633,815	113,505	831,818
Total net position	<u>\$ 592,298</u>	<u>\$ 694,627</u>	<u>\$ 119,550</u>	<u>\$ 1,406,475</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2021

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 41,268	\$ -	\$ -	\$ 41,268
Refuse disposal	-	308,682	-	308,682
Recycling revenues	-	19,890	-	19,890
Tire disposal	-	4,967	-	4,967
Program income	-	-	13,274	13,274
Other revenues	-	15,001	2,531	17,532
Total operating revenues	<u>\$ 41,268</u>	<u>\$ 348,540</u>	<u>\$ 15,805</u>	<u>\$ 405,613</u>
OPERATING EXPENSES				
Personnel services	\$ 11,556	\$ 133,645	\$ -	\$ 145,201
Contractual services	3,150	202,545	46,179	251,874
Depreciation	23,971	7,631	930	32,532
Supplies	-	-	15,063	15,063
Utilities	-	-	4,114	4,114
Other charges	6,750	12,842	1,759	21,351
Total operating expenses	<u>\$ 45,427</u>	<u>\$ 356,663</u>	<u>\$ 68,045</u>	<u>\$ 470,135</u>
Operating income (loss)	<u>\$ (4,159)</u>	<u>\$ (8,123)</u>	<u>\$ (52,240)</u>	<u>\$ (64,522)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue (expense)	\$ -	\$ 6,640	\$ -	\$ 6,640
Investment income	17	-	230	247
Interest expense	(5,427)	-	-	(5,427)
Total nonoperating revenues (expenses)	<u>\$ (5,410)</u>	<u>\$ 6,640</u>	<u>\$ 230</u>	<u>\$ 1,460</u>
Income before transfers	<u>\$ (9,569)</u>	<u>\$ (1,483)</u>	<u>\$ (52,010)</u>	<u>\$ (63,062)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 36,525	\$ -	\$ 36,525
Transfers out	-	-	(10,000)	(10,000)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 36,525</u>	<u>\$ (10,000)</u>	<u>\$ 26,525</u>
Change in net position	<u>\$ (9,569)</u>	<u>\$ 35,042</u>	<u>\$ (62,010)</u>	<u>\$ (36,537)</u>
Net position - beginning	601,867	659,585	181,560	1,443,012
Net position - ending	<u>\$ 592,298</u>	<u>\$ 694,627</u>	<u>\$ 119,550</u>	<u>\$ 1,406,475</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 41,060	\$ 340,685	\$ 14,128	\$ 395,873
Payments to suppliers	(9,853)	(216,283)	(61,242)	(287,378)
Payments to employees	(11,556)	(138,098)	-	(149,654)
Other receipts (payments)	-	15,001	(3,342)	11,659
Net cash provided by (used for) operating activities	\$ 19,651	\$ 1,305	\$ (50,456)	\$ (29,500)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ -	\$ (10,000)	\$ (10,000)
Transfers from other funds	-	36,525	-	36,525
Intergovernmental revenues	-	6,640	-	6,640
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 43,165	\$ (10,000)	\$ 33,165
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on bonds	\$ (6,404)	\$ -	\$ -	\$ (6,404)
Interest expense	(5,441)	-	-	(5,441)
Purchase of capital assets	(5,099)	-	-	(5,099)
Net cash provided by (used for) capital and related financing activities	\$ (16,944)	\$ -	\$ -	\$ (16,944)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 17	\$ -	\$ 230	\$ 247
Net cash provided by (used for) investing activities	\$ 17	\$ -	\$ 230	\$ 247
Net increase (decrease) in cash and cash equivalents	\$ 2,724	\$ 44,470	\$ (60,226)	\$ (13,032)
Cash and cash equivalents - beginning	88,835	612,724	174,585	876,144
Cash and cash equivalents - ending	\$ 91,559	\$ 657,194	\$ 114,359	\$ 863,112
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (4,159)	\$ (8,123)	\$ (52,240)	\$ (64,522)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 23,971	\$ 7,631	\$ 930	\$ 32,532
(Increase) decrease in accounts receivable	(208)	7,146	-	6,938
(Increase) decrease in deferred outflow of resources	-	1,618	-	1,618
Increase (decrease) in net pension liability	-	(8,114)	-	(8,114)
Increase (decrease) in net OPEB liability	-	30	-	30
Increase (decrease) in deferred inflows of resources	-	6,219	-	6,219
Increase (decrease) in accounts payable	47	(896)	-	(849)
Increase (decrease) in unearned revenue	-	-	854	854
Increase (decrease) in compensated absences	-	(4,206)	-	(4,206)
Total adjustments	\$ 23,810	\$ 9,428	\$ 1,784	\$ 35,022
Net cash provided by (used for) operating activities	\$ 19,651	\$ 1,305	\$ (50,456)	\$ (29,500)

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

County of Highland, Virginia**Exhibit 10**

Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	<u>Custodial Funds</u> <u>Special Welfare</u> <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 10
Total assets	<u>\$ 10</u>
NET POSITION	
Restricted for:	
Restricted for social service clients	\$ 10
Total net position	<u><u>\$ 10</u></u>

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 Year Ended June 30, 2021

	<u>Custodial Funds</u> <u>Special Welfare</u> <u>Fund</u>
Additions	
Contributions:	
Private contributions	\$ -
Total contributions	\$ -
Deductions	
Current:	
Recipient payments	\$ -
Total deductions	-
Net increase (decrease) in fiduciary net position	\$ -
Net position - beginning, as restated	10
Net position - ending	\$ 10

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Blended component units - The McDowell Water System has been determined to be a component unit of Highland County. The System is a legally separate organization whose Board members are appointed by the Highland County Board of Supervisors. During the year ended June 30, 2021 all members of the Board of Supervisors were also members of the three-member System Board. Since the Board of Supervisors is able to impose its will on the System, the System is a component unit of Highland County. The System does not issue separate financial statements.

The Highland County Recreation Commission is included as a component unit because the Commission's primary use of funds is to provide for recreation activities of the County, thereby benefiting the County even though it does not provide services directly to the County. The Recreation Commission does not issue separate financial statements.

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. It is reported in separate columns to emphasize that these component units are legally separate from the County.

The Highland County 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 does not issue separate financial statements. The County Board of Supervisors appoints the governing body of the School Board.

The Economic Development Authority of Highland County, Virginia is included as a component unit because the Authority's primary use of funds is to provide for economic development of the County, thereby benefiting the County even though it does not provide services directly to the County. The Economic Development Authority of Highland County, Virginia does not issue separate financial statements. The Board of Supervisors appoints the board members of the Highland County Economic Development Authority.

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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 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*.

Statement of Net Position – 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.

Statement of Activities – 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).

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 are reported as separate columns in the fund financial statements.

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

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes the activities of the gypsy moth, damage stamp, various grants, county reserve, CATS, fire prevention, law library, courthouse maintenance, and recordation equipment funds.

The special revenue funds account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Virginia Public Assistance, and EMS funds.

The government reports the following nonmajor governmental funds:

The *special revenue fund* accounts for and reports the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Nonmajor special revenue funds consist of the E-911 and Sheriff's Grants Fund.

The *capital projects funds* account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Nonmajor Capital projects funds consist of the County Capital Improvements Fund and the School Capital Improvements Fund.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Measurement focus, basis of accounting, and financial statements presentation (continued)

The government reports the following major proprietary funds:

The *McDowell Water System Fund* accounts for the activities of the McDowell Water System, a blended component unit of the government. The System operates the water distribution system for the village of McDowell.

The *Refuse Disposal Fund* accounts for the activities of the County's refuse transfer station.

The *Recreation Commission* is a blended component unit that accounts for the activities of the County's recreation activities.

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 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 Water System and Refuse Disposal enterprise funds are charges to customers for sales and services. 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.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund statements provide information on the Special Welfare Fund, which is classified as a custodial fund held by the County, and are not held in a trust. Fiduciary funds are not reflected in the government-wide financial statement because the resources of the fiduciary fund are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

1. Cash and cash equivalents

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

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.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. 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 in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. 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 \$7,043, at June 30, 2021 and is comprised solely of property taxes. This allowance represents 0.032% of the total levies for the previous six years.

5. 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

6. *Capital assets*

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Buildings improvements	15-50
Machinery and equipment	5-10
Vehicles	5-10
Utility plant	50

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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as expense in the Statement of Activities and long term liability in the Statement of Net Position. No liability is recorded for nonvesting 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

8. 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, as well as bond issuance costs, 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.

9. Fund balance

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for 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 fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for specified purposes 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 Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – 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 general 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 fund balance – 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

9. Fund balance (continued)

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.

The County establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

10. 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 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 and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

11. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

E. 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 fiduciary net 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.

F. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, and HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes the criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in the following restatement of net position/fund balance:

	Government-Wide Financial Statements Component Unit School Board	
Net position at July 1, 2020, as previously reported	\$	(917,033)
Impact of adoption of GASB 84:		
Addition of School Activity Funds governmental fund		<u>104,706</u>
Net position at July 1, 2020, as restated	\$	<u><u>(812,327)</u></u>

	Discretely Presented Component Unit School Board Highland School Activity Fund		Fund Financial Statements Special Welfare Fund	
Fund balance at July 1, 2020, as previously reported	\$	-	\$	-
Impact of adoption of GASB 84:				
Reclassification of Special Welfare funds, formerly an agency fund		-		10
Addition of School Activity Funds governmental fund		<u>104,706</u>		<u>-</u>
Fund balance at July 1, 2020, as restated	\$	<u><u>104,706</u></u>	\$	<u><u>10</u></u>

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 3—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 Treasurer and County Administrator submit 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.
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 or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the County Capital Improvements Fund. The School Fund and School Capital Projects Fund are 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. The County's practice is to appropriate Capital Projects by project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations at June 30, 2021:

Fund	Function	Excess of Expenditures over Appropriations
County capital improvements fund	Capital projects	\$ 30,378
Total Primary Government		\$ 30,378
School Cafeteria Fund	Education	\$ 61,756
Total Component Unit - School Board		\$ 61,756
Total All Funds		\$ 92,134

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 4—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 ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard and 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).

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investing activities are managed under the custody of the Treasurer. The County has not adopted a policy regarding credit risk of debt securities.

The County's rated debt investments as of June 30, 2021 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 4,032
Total	\$ 4,032

Interest Rate Risk

The County invests funds in low risk investments back by U.S. government agencies.

	<u>Fair Value</u>	<u>Less than 1 yr</u>
Local Government Investment Pool	\$ 4,032	\$ 4,032

External Investment Pool

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 33,153
Local sales taxes	30,459	-
Communication taxes	8,666	-
DMV select	1,846	-
Rolling Stock	182	-
Public assistance and welfare administration	14,433	-
Child services administration	2,126	-
Wireless	7,501	-
Commonwealth attorney	6,074	-
Clerk of Circuit Court	12,621	-
Treasurer	5,960	-
Commissioner of Revenue	6,325	-
Sheriff	45,098	-
School grants	-	102,000
Federal Government:		
School grants	-	77,948
Public assistance and welfare administration	24,257	-
Total	\$ 165,548	\$ 213,101

NOTE 6—INTERFUND OBLIGATIONS:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 19,953	\$ -	\$ -	\$ 214,849
VPA Fund	-	19,953	-	-
Sub-total	\$ 19,953	\$ 19,953	\$ -	\$ 214,849
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 214,849	\$ -
Total	\$ 19,953	\$ 19,953	\$ 214,849	\$ 214,849

The purpose of the interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 7—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2021 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 10,000	\$ 687,435
Virginia Public Assistance Fund	84,683	-
Refuse Disposal Fund	36,525	-
Recreation Commission	-	10,000
E911	198,200	-
County Capital Improvements Fund	368,027	-
Total	<u>\$ 697,435</u>	<u>\$ 697,435</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.

NOTE 8—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2021 was as follows:

Governmental Activities:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 197,365	\$ 50,000	\$ -	\$ 247,365
Construction in progress	100,000	30,937	(100,000)	30,937
Total capital assets not being depreciated	<u>\$ 297,365</u>	<u>\$ 80,937</u>	<u>\$ (100,000)</u>	<u>\$ 278,302</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,841,416	\$ 182,036	\$ -	\$ 2,023,452
Machinery and equipment	1,715,133	350,725	-	2,065,858
Total capital assets being depreciated	<u>\$ 3,556,549</u>	<u>\$ 532,761</u>	<u>\$ -</u>	<u>\$ 4,089,310</u>
Accumulated depreciation:				
Buildings and improvements	\$ (858,094)	\$ (73,696)	\$ -	\$ (931,790)
Machinery and equipment	(1,317,986)	(121,236)	-	(1,439,222)
Total accumulated depreciation	<u>\$ (2,176,080)</u>	<u>\$ (194,932)</u>	<u>\$ -</u>	<u>\$ (2,371,012)</u>
Total capital assets being depreciated, net	<u>\$ 1,380,469</u>	<u>\$ 337,829</u>	<u>\$ -</u>	<u>\$ 1,718,298</u>
Governmental activities capital assets, net	<u>\$ 1,677,834</u>	<u>\$ 418,766</u>	<u>\$ (100,000)</u>	<u>\$ 1,996,600</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

McDowell Water System Fund

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Total capital assets not being depreciated	\$ 3,816	\$ -	\$ -	\$ 3,816
Capital assets being depreciated:				
Utility plant and equipment	\$ 1,222,853	\$ 5,099	\$ -	\$ 1,227,952
Accumulated depreciation	(600,601)	(23,971)	-	(624,572)
Capital assets being depreciated, net	\$ 622,252	\$ (18,872)	\$ -	\$ 603,380
McDowell water system capital assets, net	\$ 626,068	\$ (18,872)	\$ -	\$ 607,196

Refuse Disposal Fund

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets being depreciated:				
Utility plant and equipment	\$ 192,677	\$ -	\$ -	\$ 192,677
Accumulated depreciation	(124,234)	(7,631)	-	(131,865)
Capital assets being depreciated, net	\$ 68,443	\$ (7,631)	\$ -	\$ 60,812
Refuse disposal fund capital assets, net	\$ 68,443	\$ (7,631)	\$ -	\$ 60,812

Recreation Commission Fund

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(13,826)	(930)	-	(14,756)
Capital assets being depreciated, net	\$ 6,975	\$ (930)	\$ -	\$ 6,045
Recreation commission fund capital assets, net	\$ 6,975	\$ (930)	\$ -	\$ 6,045

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:	
General government administration	\$ 24,856
Judicial administration	8,738
Public safety	107,596
Public works	13,203
Health and welfare	4,836
Parks, Recreation, and Cultural	35,703
Total depreciation expense - governmental activities	\$ 194,932
Business-type Activities:	
McDowell Water System	\$ 23,971
Refuse disposal	7,631
Recreation Commission	930
Total depreciation expense - business-type activities	\$ 32,532

Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Construction in progress	-	131,960	-	131,960
Total capital assets not being depreciated	\$ 13,035	\$ 131,960	\$ -	\$ 144,995
Capital assets being depreciated:				
Buildings and improvements	\$ 4,834,296	\$ 77,175	\$ -	\$ 4,911,471
Furniture, equipment and vehicles	1,146,552	172,810	-	1,319,362
Total capital assets being depreciated	\$ 5,980,848	\$ 249,985	\$ -	\$ 6,230,833
Accumulated depreciation:				
Buildings and improvements	\$ (2,343,780)	\$ (120,263)	\$ -	\$ (2,464,043)
Furniture, equipment and vehicles	(836,373)	(84,753)	-	(921,126)
Total accumulated depreciation	\$ (3,180,153)	\$ (205,016)	\$ -	\$ (3,385,169)
Total capital assets being depreciated, net	\$ 2,800,695	\$ 44,969	\$ -	\$ 2,845,664
School Board capital assets, net	\$ 2,813,730	\$ 176,929	\$ -	\$ 2,990,659

Depreciation expense was charged to education in the amount of \$205,016.

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 9—LONG-TERM OBLIGATIONS:****Primary Government-Governmental Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Landfill closure/post-closure costs	\$ 58,394	\$ 701	\$ -	\$ 59,095
Compensated absences	155,410	86,354	-	241,764
Net OPEB liability	111,324	39,494	27,361	123,457
Net pension liability	845,865	655,188	748,635	752,418
Total Long-Term Obligations	<u>\$ 1,170,993</u>	<u>\$ 781,737</u>	<u>\$ 775,996</u>	<u>\$ 1,176,734</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Landfill closure/post-closure costs	\$ 59,095	\$ -
Compensated absences (payable from the General Fund)	\$ 241,764	\$ -
Net OPEB liability	\$ 123,457	\$ -
Net pension liability	\$ 752,418	\$ -
Total long-term obligations	<u>\$ 1,176,734</u>	<u>\$ -</u>

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the enterprise funds for the year ended June 30, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2021
Direct Borrowings and Placements:				
Revenue Bonds	\$ 124,646	\$ -	\$ 6,404	\$ 118,242
Other Long-Term Obligations:				
Compensated absences	\$ 19,344	\$ -	\$ 4,206	\$ 15,138
Net OPEB liability	5,514	1,752	1,722	5,544
Net pension liability	41,899	29,250	37,364	33,785
Total Other Long-Term Obligations	\$ 66,757	\$ 31,002	\$ 43,292	\$ 54,467
Total Long-Term Obligations	\$ 191,403	\$ 31,002	\$ 49,696	\$ 172,709

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

Years Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
2022	\$ 6,722	\$ 5,122
2023	7,047	4,797
2024	7,388	4,456
2025	7,746	4,098
2026	8,120	3,724
2027	8,513	3,331
2028	8,925	2,919
2029	4,382	2,575
2030	3,693	2,415
2031	3,856	2,252
2032	4,025	2,084
2033	4,203	1,905
2034	4,387	1,721
2035	4,581	1,527
2036	3,549	1,338
2037	2,457	1,227
2038	2,560	1,124
2039	2,668	1,016
2040	2,780	905
2041	2,897	787
2042	3,018	666
2043	3,145	539
2044	3,278	406
2045	3,415	269
2046	3,559	125
2047	1,328	8
Total	\$ 118,242	\$ 51,336

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities Obligations: (Continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>McDowell Water System:</u>		
Direct Borrowings and Placements:		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 20,242	\$ 2,435
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	14,118	1,669
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	25,843	1,293
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	58,039	1,325
Total revenue bonds	\$ 118,242	\$ 6,722
<u>Refuse Disposal Fund:</u>		
Compensated Absences	\$ 15,138	\$ -
Net OPEB Liability	5,544	-
Net Pension Liability	33,785	-
Total long-term obligations	\$ 172,709	\$ 6,722

The County's outstanding revenue bonds from direct borrowings and direct placements related to business-type activities of \$118,242 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The County has pledged to secure the payment and performance of the County's obligations under the bonds with the County's right, title, and interest to the revenues and receipts received by the County from the water system.

Component Unit-School Board Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Component Unit School Board for the year ended June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Compensated absences	\$ 107,648	\$ -	\$ 13,624	\$ 94,024
Net OPEB liabilities	475,219	132,553	126,193	481,579
Net pension liability	3,480,485	1,353,367	1,216,276	3,617,576
Total Long-Term Obligations	\$ 4,063,352	\$ 1,485,920	\$ 1,356,093	\$ 4,193,179

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a 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, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of 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 equal 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	23	13
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	6	2
Inactive members active elsewhere in VRS	10	3
Total inactive members	21	6
Active members	37	9
Total covered employees	81	28

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (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 contractually required employer contribution rate for the year ended June 30, 2021 was 10.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$155,811 and \$181,199 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2021 was 17.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$39,394 and \$40,665 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (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, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 10—PENSION PLANS: (CONTINUED)*****Long-Term Expected Rate of Return***

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (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, 2020, 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, 2017 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2020, 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, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 7,494,196	\$ 6,606,432	\$ 887,764
Changes for the year:			
Service cost	\$ 180,499	\$ -	\$ 180,499
Interest	495,799	-	495,799
Differences between expected and actual experience	(395,272)	-	(395,272)
Contributions - employer	-	180,832	(180,832)
Contributions - employee	-	79,750	(79,750)
Net investment income	-	126,397	(126,397)
Benefit payments, including refunds	(298,037)	(298,037)	-
Administrative expenses	-	(4,241)	4,241
Other changes	-	(151)	151
Net changes	\$ (17,011)	\$ 84,550	\$ (101,561)
Balances at June 30, 2020	\$ 7,477,185	\$ 6,690,982	\$ 786,203

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Changes in Net Pension Liability (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 1,425,974	\$ 935,570	\$ 490,404
Changes for the year:			
Service cost	\$ 22,624	\$ -	\$ 22,624
Interest	93,990	-	93,990
Differences between expected and actual experience	(27,844)	-	(27,844)
Contributions - employer	-	40,665	(40,665)
Contributions - employee	-	12,222	(12,222)
Net investment income	-	17,779	(17,779)
Benefit payments, including refunds	(67,068)	(67,068)	-
Administrative expenses	-	(606)	606
Other changes	-	(21)	21
Net changes	\$ 21,702	\$ 2,971	\$ 18,731
Balances at June 30, 2020	\$ 1,447,676	\$ 938,541	\$ 509,135

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

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County'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			
Net Pension Liability	\$ 1,632,627	\$ 786,203	\$ 72,888
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 661,005	\$ 509,135	\$ 379,309

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2021, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$75,789 and \$49,982, respectively. At June 30, 2021, the County 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 School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 349,454	\$ -	\$ 12,024
Change in assumptions	64,578	-	-	-
Net difference between projected and actual earnings on pension plan investments	199,770	-	27,953	-
Impact of change in proportional allocation	5,850	5,850	-	-
Employer contributions subsequent to the measurement date	155,811	-	39,394	-
Total	\$ 426,009	\$ 355,304	\$ 67,347	\$ 12,024

\$155,811 and \$39,394 reported as deferred outflows of resources related to pensions resulting from the County'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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2022	\$ (126,904)	\$ (11,304)
2023	(59,865)	8,768
2024	38,038	9,489
2025	63,625	8,976

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options 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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$304,153 and \$283,796 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$3,108,441 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was .02140% as compared to .02272% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$302,569. 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.

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 10—PENSION PLANS: (CONTINUED)****Component Unit School Board (Professional)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 182,202
Change in assumptions	212,190	-
Net difference between projected and actual earnings on pension plan investments	236,431	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,874	281,120
Employer contributions subsequent to the measurement date	304,153	-
Total	\$ 788,648	\$ 463,322

\$304,153 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, 2022. 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>	
2022	\$ (53,198)
2023	23,079
2024	32,460
2025	29,924
2026	(11,092)

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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*

* Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2021; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 10—PENSION PLANS: (CONTINUED)****Component Unit School Board (Professional) (Continued)*****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, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

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.

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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$	4,560,781	\$ 3,108,441	\$ 1,907,172

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 10—PENSION PLANS: (CONTINUED)****Primary Government and Component Unit School Board****Aggregate Pension Information**

VRS Pension Plans	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government:				
Governmental Activities	\$ 400,872	\$ 340,042	\$ 752,418	\$ 68,839
Business-type Activities	25,137	15,262	33,785	6,950
Total Primary Government	<u>\$ 426,009</u>	<u>\$ 355,304</u>	<u>\$ 786,203</u>	<u>\$ 75,789</u>
Component Unit School Board:				
School Board Nonprofessional	\$ 67,347	\$ 12,024	\$ 509,135	\$ 49,982
School Board Professional	788,648	463,322	3,108,441	302,569
Total School Board	<u>\$ 855,995</u>	<u>\$ 475,346</u>	<u>\$ 3,617,576</u>	<u>\$ 352,551</u>

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

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, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of 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 \$8,616 as of June 30, 2021.

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% x 60%) and the employer component was 0.54% (1.34% x 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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. County contributions to the GLI Plan were \$8,756 and \$8,269 for the years ended June 30, 2021 and June 30, 2020, respectively. School Board contributions to the GLI Plan for professional employees were \$10,232 and \$9,797, for the years ended June 30, 2021 and June 30, 2020 respectively. School Board contributions to the GLI Plan for nonprofessional employees were \$1,245 and \$1,286, for the years ended June 30, 2021 and June 30, 2020 respectively.

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

At June 30, 2021, the County reported a liability of \$129,001 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.00770% as compared to 0.00718% at June 30, 2019.

At June 30, 2021, the School Board reported liability of \$20,026 for nonprofessional employees and \$152,866 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2020 and June 30, 2019, the participating employer's proportion for nonprofessional employees was 0.00120%, and 0.00124%, respectively. At June 30, 2020, the participating employer's proportion for School Board professional employees was 0.00920% as compared to 0.00971% at June 30, 2019.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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)

For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$6,096, while the School Board recognized GLI OPEB expense of \$637, and \$4,394 for nonprofessional and professional employees, respectively. 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,274	\$ 1,159
Net difference between projected and actual earnings on GLI OPEB plan investments	3,875	-
Change in assumptions	6,452	2,694
Changes in proportion	7,017	1,301
Employer contributions subsequent to the measurement date	8,756	-
Total	\$ 34,374	\$ 5,154

	Component Unit School Board			
	Nonprofessional Employees Deferred Outflows of Resources	Deferred Inflows of Resources	Professional Employees Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,284	\$ 181	\$ 9,805	\$ 1,373
Net difference between projected and actual earnings on GLI OPEB plan investments	602	-	4,592	-
Change in assumptions	1,002	418	7,645	3,192
Changes in proportion	-	727	2,752	12,978
Employer contributions subsequent to the measurement date	1,245	-	10,232	-
Total	\$ 4,133	\$ 1,326	\$ 35,026	\$ 17,543

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements

June 30, 2021 (Continued)

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 GLI Plan OPEB (Continued)

\$8,756, \$1,245 and \$10,232 for the County and School Board nonprofessional and professional employees respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Primary Government	Component Unit School Board	
	Nonprofessional	Professional
Year Ended June 30,	Year Ended June 30,	Year Ended June 30,
2022	2022	2022
\$ 3,120	\$ 175	\$ 867
2023	2023	2023
4,214	344	2,164
2024	2024	2024
5,213	499	2,727
2025	2025	2025
5,257	506	2,276
2026	2026	2026
2,280	46	(563)
Thereafter	Thereafter	Thereafter
380	(8)	(220)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for the 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*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI 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, June 30, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
GLI Net OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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.

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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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strate	6.00%	3.04%	0.18%
PIP - Private Investment Partners	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.18%.

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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, 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, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)***Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 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%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 169,582	\$ 129,001	\$ 96,046
School Board's proportionate share of the GLI Plan Net OPEB Liability-nonprofessional employees	\$ 26,326	\$ 20,026	\$ 14,910
School Board's proportionate share of the GLI Plan Net OPEB Liability-professional employees	\$ 200,954	\$ 152,866	\$ 113,814

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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 Plan 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.

Notes to Financial Statements

June 30, 2021 (Continued)

NOTE 12—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**Contributions**

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$22,928 and \$22,506 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the school division reported a liability of \$279,036 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC Plan 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Program was .02140% as compared to 0.02269% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$19,733. 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 proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,727
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	1,237	-
Change in assumptions	5,516	1,525
Change in proportion	5,154	27,974
Employer contributions subsequent to the measurement date	22,928	-
Total	\$ 34,835	\$ 33,226

**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)***

\$22,928 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,

2022	\$	(3,119)
2023		(2,996)
2024		(3,037)
2025		(3,450)
2026		(4,277)
Thereafter		(4,440)

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation:	
Teacher employees	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 12—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

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, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 12—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Net Teacher Employee HIC OPEB Liability (Continued)

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.

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

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, 2020, 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, 2020 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	\$	312,352	\$ 279,036	\$ 250,721

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 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 13—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2019 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>-</u>
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	<u>-</u>
Total inactive members	<u>-</u>
Active members	<u>9</u>
Total covered employees	<u><u>9</u></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 School Board's contractually required employer contribution rate for the year ended June 30, 2021 was .92% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 Board to the HIC Plan for nonprofessional employees were \$2,121 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The School Board's net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation:	
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*

*Administrative expenses as a percent of the fair value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****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:

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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, 2020, the rate contributed by the entity for the HIC 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, 2020 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, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Benefit changes	\$ 29,651	\$ -	\$ 29,651
Net changes	\$ 29,651	\$ -	\$ 29,651
Balances at June 30, 2020	\$ 29,651	\$ -	\$ 29,651

Sensitivity of the School Board's HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the School Board's HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the 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%)
School Board (Nonprofessional) Net HIC OPEB Liability	\$ 32,413	\$ 29,651	\$ 27,234

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2021 (Continued)

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

For the year ended June 30, 2021, the School Board recognized HIC Plan OPEB expense of \$29,651. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board's HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 2,121	\$ -
Total	<u>\$ 2,121</u>	<u>\$ -</u>

\$2,121 reported as deferred outflows of resources related to the HIC OPEB resulting from the 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, 2022.

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 14—AGGREGATION OF OPEB PLANS:

	<u>Primary Government</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)	\$ 34,374	\$ 5,154	\$ 129,001	\$ 6,096
Totals	<u>\$ 34,374</u>	<u>\$ 5,154</u>	<u>\$ 129,001</u>	<u>\$ 6,096</u>
	<u>Component Unit School Board</u>			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)				
School Board Nonprofessional	\$ 4,133	\$ 1,326	\$ 20,026	\$ 637
School Board Professional	35,026	17,543	152,866	4,394
Teacher Health Insurance Credit Program (Note 12)	34,835	33,226	279,036	19,733
Health Insurance Credit (Note 13)	2,121	-	29,651	29,651
Totals	<u>\$ 76,115</u>	<u>\$ 52,095</u>	<u>\$ 481,579</u>	<u>\$ 54,415</u>

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2021 (Continued)****NOTE 15—UNEARNED/DEFERRED/UNAVAILABLE REVENUE:**

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2021:

	Government- wide Statements	Fund Financial Statements
Primary Government:		
Deferred/Unavailable revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 173,886
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2021. The uncollected tax billings are not available for the funding of current expenditures.	1,767,200	1,767,200
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	96,690	96,690
Total primary government deferred/unavailable revenue	\$ 1,863,890	\$ 2,037,776
Unearned revenue:		
Emergency services grants revenue and payment in lieu of taxes revenue representing monies received in fiscal years 2003, 2004, and 2006, but to be expended in subsequent years	\$ 15,338	\$ 15,338
CARES Act Coronavirus Relief Grant funding unspent as of June 30, 2021, to be expended by December 31, 2021	40,499	40,499
Total primary government unearned revenue	\$ 55,837	\$ 55,837

NOTE 16—SURETY BONDS:

Fidelity and Deposit Company of Maryland - Surety:	
David W. Blanchard Supervisor	\$ 1,000
Harry Sponaugle Supervisor	1,000
John Moyers Supervisor	1,000
John Moyers McDowell Water System, Chairman	5,000
Roberta A. Lambert County Administrator	3,000
Tabitha Hiner Clerk of the School Board	10,000
Division of Risk Management:	
All County employees - blanket bond	250,000
Blanket Bond Premiums Paid by State Compensation Board:	
Judy Hupman Clerk of the Circuit Court	25,000
Lois E. White Treasurer	300,000
Yvonne E. Wimer Commissioner of the Revenue	3,000
David A. Neil Sheriff	30,000
St. Paul Fire and Marine Insurance Company:	
Social Services - blanket bond	75,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 17—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association and the Virginia Association of Counties Group Self Insurance Risk Pool, public entity risk pools currently operating as a common risk management and insurance programs for participating local governments. The County pays an annual premium to VML for its general workers compensation insurance coverage and VACo for general liability coverage. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 18—LANDFILL CLOSURE AND POST-CLOSURE MONITORING COSTS:

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 for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$59,095 at June 30, 2021. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

NOTE 19—NOTES RECEIVABLE:

The County has issued several loans to fire and rescue agencies for the purchase of new fire and rescue equipment to better serve the Highland community. The outstanding balances due from the three fire and rescue agencies as of June 30, 2021 were as follows:

	Loans Receivable July 1, 2020	Issuances	Repayments	Loans Receivable June 30, 2021
McDowell Volunteer Fire Department	\$ 10,000	\$ 70,000	\$ (5,000)	\$ 75,000
Highland Volunteer Rescue Squad	-	65,000	-	65,000
Bolar Volunteer Fire Department	45,000	-	(5,000)	40,000
Total	\$ 55,000	\$ 135,000	\$ (10,000)	\$ 180,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 20—UPCOMING PRONOUNCEMENTS:

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 92, *Omnibus 2021*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2021 to periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2021 to reporting periods beginning after June 15, 2021.

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 21—LITIGATION:

At June 30, 2021, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

NOTE 22—CONTINGENT LIABILITIES:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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.

NOTE 23—COVID- 19 PANDEMIC AND SUBSEQUENT EVENTS:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$382,138. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$100,000. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$40,449 are reported as unearned revenue as of June 30.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2021 (Continued)

NOTE 23—COVID- 19 PANDEMIC AND SUBSEQUENT EVENTS: (CONTINUED)

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On August 4, 2021, the County received its share of the first half of the CSLFRF funds in the amount of \$212,691. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

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REQUIRED SUPPLEMENTARY INFORMATION

(Note: Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.)

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 3,783,900	\$ 3,915,500	\$ 4,015,547	\$ 100,047
Other local taxes	364,683	397,683	417,746	20,063
Permits, privilege fees, and regulatory licenses	9,651	14,150	16,271	2,121
Fines and forfeitures	2,000	2,000	2,157	157
Revenue from the use of money and property	45,000	26,600	30,678	4,078
Charges for services	11,975	14,975	17,209	2,234
Miscellaneous	26,296	57,200	55,954	(1,246)
Intergovernmental:				
Commonwealth	1,112,538	1,135,535	1,196,201	60,666
Federal	150,000	563,700	550,430	(13,270)
Total revenues	<u>\$ 5,506,043</u>	<u>\$ 6,127,343</u>	<u>\$ 6,302,193</u>	<u>\$ 174,850</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,065,475	\$ 1,197,418	\$ 1,180,349	\$ 17,069
Judicial administration	282,974	297,850	297,695	155
Public safety	1,244,306	1,378,368	1,228,793	149,575
Public works	40,286	25,244	25,155	89
Health and welfare	114,672	111,007	111,007	-
Education	2,439,069	2,545,629	2,049,070	496,559
Parks, recreation, and cultural	71,385	77,985	77,732	253
Community development	247,809	440,778	428,287	12,491
Nondepartmental	5,992	19,394	15,462	3,932
Capital projects	4	58,110	58,011	99
Total expenditures	<u>\$ 5,511,972</u>	<u>\$ 6,151,783</u>	<u>\$ 5,471,561</u>	<u>\$ 680,222</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,929)</u>	<u>\$ (24,440)</u>	<u>\$ 830,632</u>	<u>\$ 855,072</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Transfers out	(4,070)	14,440	(687,435)	(701,875)
Total other financing sources (uses)	<u>\$ 5,930</u>	<u>\$ 24,440</u>	<u>\$ (677,435)</u>	<u>\$ (701,875)</u>
Net change in fund balances	\$ 1	\$ -	\$ 153,197	\$ 153,197
Fund balances - beginning	(1)	-	4,630,144	4,630,144
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,783,341</u>	<u>\$ 4,783,341</u>

Special Revenue Fund-Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 434	\$ 434
Intergovernmental:				
Commonwealth	301,260	213,622	168,703	(44,919)
Federal	272,515	289,514	318,627	29,113
Total revenues	<u>\$ 573,775</u>	<u>\$ 503,136</u>	<u>\$ 487,764</u>	<u>\$ (15,372)</u>
EXPENDITURES				
Health and welfare	<u>\$ 767,274</u>	<u>\$ 666,474</u>	<u>\$ 572,447</u>	<u>\$ 94,027</u>
Total expenditures	<u>\$ 767,274</u>	<u>\$ 666,474</u>	<u>\$ 572,447</u>	<u>\$ 94,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (193,499)</u>	<u>\$ (163,338)</u>	<u>\$ (84,683)</u>	<u>\$ 78,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 193,499</u>	<u>\$ 163,338</u>	<u>\$ 84,683</u>	<u>\$ (78,655)</u>
Total other financing sources (uses)	<u>\$ 193,499</u>	<u>\$ 163,338</u>	<u>\$ 84,683</u>	<u>\$ (78,655)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

County of Highland, 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, 2020

	2020	2019	2018
Total pension liability			
Service cost	\$ 180,499	\$ 154,618	\$ 156,750
Interest	495,799	491,087	474,696
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(395,272)	(212,208)	(84,912)
Changes of assumptions	-	189,970	-
Benefit payments	(298,037)	(289,585)	(335,177)
Net change in total pension liability	\$ (17,011)	\$ 333,882	\$ 211,357
Total pension liability - beginning	7,494,196	7,160,314	6,948,957
Total pension liability - ending (a)	<u>\$ 7,477,185</u>	<u>\$ 7,494,196</u>	<u>\$ 7,160,314</u>
Plan fiduciary net position			
Contributions - employer	\$ 180,832	\$ 161,912	\$ 148,896
Contributions - employee	79,750	66,429	65,835
Net investment income	126,397	417,087	436,495
Benefit payments	(298,037)	(289,585)	(335,177)
Administrator charges	(4,241)	(4,071)	(3,791)
Other	(151)	(264)	(388)
Net change in plan fiduciary net position	\$ 84,550	\$ 351,508	\$ 311,870
Plan fiduciary net position - beginning	6,606,432	6,254,924	5,943,054
Plan fiduciary net position - ending (b)	<u>\$ 6,690,982</u>	<u>\$ 6,606,432</u>	<u>\$ 6,254,924</u>
County's net pension liability - ending (a) - (b)	\$ 786,203	\$ 887,764	\$ 905,390
Plan fiduciary net position as a percentage of the total pension liability	89.49%	88.15%	87.36%
Covered payroll	\$ 1,590,277	\$ 1,407,034	\$ 1,382,360
County's net pension liability as a percentage of covered payroll	49.44%	63.09%	65.50%

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.

Exhibit 14

	2017	2016	2015	2014
\$	155,202	\$ 149,304	\$ 153,716	\$ 149,038
	445,876	427,276	421,763	406,078
	-	51,557	-	-
	155,277	(12,933)	(138,534)	-
	3,210	-	-	-
	(360,531)	(338,460)	(377,894)	(284,210)
\$	399,034	\$ 276,744	\$ 59,051	\$ 270,906
	6,549,923	6,273,179	6,214,128	5,943,222
\$	<u>6,948,957</u>	<u>\$ 6,549,923</u>	<u>\$ 6,273,179</u>	<u>\$ 6,214,128</u>
\$	144,304	\$ 187,768	\$ 178,879	\$ 152,470
	63,793	63,391	77,375	60,075
	655,009	92,846	240,813	731,267
	(360,531)	(338,460)	(377,894)	(284,210)
	(3,850)	(3,392)	(3,366)	(3,971)
	(581)	(40)	(53)	39
\$	498,144	\$ 2,113	\$ 115,754	\$ 655,670
	5,444,910	5,442,797	5,327,043	4,671,373
\$	<u>5,943,054</u>	<u>\$ 5,444,910</u>	<u>\$ 5,442,797</u>	<u>\$ 5,327,043</u>
\$	1,005,903	\$ 1,105,013	\$ 830,382	\$ 887,085
	85.52%	83.13%	86.76%	85.72%
\$	1,326,229	\$ 1,302,387	\$ 1,242,402	\$ 1,201,493
	75.85%	84.85%	66.84%	73.83%

County of Highland, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Component Unit School Board (nonprofessional) Pension Plans For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018
Total pension liability			
Service cost	\$ 22,624	\$ 21,471	\$ 20,910
Interest	93,990	91,803	83,621
Differences between expected and actual experience	(27,844)	(2,288)	79,475
Changes of assumptions	-	35,821	-
Benefit payments	(67,068)	(64,597)	(69,651)
Net change in total pension liability	\$ 21,702	\$ 82,210	\$ 114,355
Total pension liability - beginning	1,425,974	1,343,764	1,229,409
Total pension liability - ending (a)	<u>\$ 1,447,676</u>	<u>\$ 1,425,974</u>	<u>\$ 1,343,764</u>
Plan fiduciary net position			
Contributions - employer	\$ 40,665	\$ 39,821	\$ 30,448
Contributions - employee	12,222	11,973	11,825
Net investment income	17,779	59,234	62,498
Benefit payments	(67,068)	(64,597)	(69,651)
Administrative expense	(606)	(582)	(550)
Other	(21)	(37)	(55)
Net change in plan fiduciary net position	\$ 2,971	\$ 45,812	\$ 34,515
Plan fiduciary net position - beginning	935,570	889,758	855,243
Plan fiduciary net position - ending (b)	<u>\$ 938,541</u>	<u>\$ 935,570</u>	<u>\$ 889,758</u>
School Division's net pension liability - ending (a) - (b)	\$ 509,135	\$ 490,404	\$ 454,006
Plan fiduciary net position as a percentage of the total pension liability	64.83%	65.61%	66.21%
Covered payroll	\$ 247,284	\$ 242,361	\$ 239,365
School Division's net pension liability as a percentage of covered payroll	205.89%	202.34%	189.67%

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.

Exhibit 15

	2017	2016	2015	2014
\$	20,048	\$ 20,055	\$ 18,181	\$ 16,918
	80,313	75,437	76,690	74,575
	26,217	44,084	(49,056)	-
	(7,630)	-	-	-
	(73,744)	(66,091)	(61,327)	(61,249)
\$	45,204	\$ 73,485	\$ (15,512)	\$ 30,244
	1,184,205	1,110,720	1,126,232	1,095,988
\$	<u>1,229,409</u>	<u>\$ 1,184,205</u>	<u>\$ 1,110,720</u>	<u>\$ 1,126,232</u>
\$	29,727	\$ 35,591	\$ 36,046	\$ 30,951
	11,534	11,371	11,528	10,276
	94,641	13,591	35,354	107,414
	(73,744)	(66,091)	(61,327)	(61,249)
	(566)	(500)	(489)	(590)
	(84)	(6)	(8)	6
\$	61,508	\$ (6,044)	\$ 21,104	\$ 86,808
	793,735	799,779	778,675	691,867
\$	<u>855,243</u>	<u>\$ 793,735</u>	<u>\$ 799,779</u>	<u>\$ 778,675</u>
\$	374,166	\$ 390,470	\$ 310,941	\$ 347,557
	69.57%	67.03%	72.01%	69.14%
\$	233,486	\$ 227,420	\$ 224,553	\$ 205,513
	160.25%	171.70%	138.47%	169.12%

County of Highland, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net Pension Liability	0.02140%	0.02272%	0.02435%
Employer's Proportionate Share of the Net Pension Liability	\$ 3,108,441	\$ 2,990,081	\$ 2,863,000
Employer's Covered Payroll	\$ 1,875,525	\$ 1,903,179	\$ 1,950,212
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166%	157%	147%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%

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.

Exhibit 16

<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>	
0.02435%		0.02344%		0.02404%		0.02269%	
\$	2,994,000	\$	3,285,000	\$	3,025,000	\$	2,742,000
\$	1,911,314	\$	1,786,902	\$	1,787,334	\$	1,659,098
157%		184%		169%		165%	
72.92%		68.28%		70.68%		70.88%	

Schedule of Employer Contributions

Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2021	\$ 155,811	\$ 155,811	\$ -	\$ 1,621,467	9.61%
2020	181,199	181,199	-	1,590,277	11.39%
2019	161,674	161,674	-	1,407,034	11.49%
2018	148,896	148,896	-	1,382,360	10.77%
2017	144,304	144,304	-	1,326,229	10.88%
2016	187,768	187,768	-	1,302,387	14.42%
2015	178,879	178,879	-	1,242,402	14.40%
2014	152,470	152,470	-	1,201,493	12.69%
2013	171,388	145,674	25,714	1,147,947	12.69%
2012	179,383	152,469	26,914	1,063,830	14.33%
Component Unit School Board (nonprofessional)					
2021	\$ 39,394	\$ 39,394	\$ -	\$ 230,492	17.09%
2020	40,665	40,665	-	247,284	16.44%
2019	39,821	39,821	-	242,361	16.43%
2018	30,448	30,448	-	239,365	12.72%
2017	29,769	29,769	-	233,486	12.75%
2016	35,591	35,591	-	227,420	15.65%
2015	36,046	36,046	-	224,553	16.05%
2014	30,951	30,951	-	205,513	15.06%
2013	30,829	30,829	-	204,710	15.06%
2012	23,156	23,156	-	200,139	11.57%
Component Unit School Board (professional)					
2021	\$ 304,153	\$ 304,153	\$ -	\$ 1,894,883	16.05%
2020	283,796	283,796	-	1,875,525	15.13%
2019	291,132	291,132	-	1,903,179	15.30%
2018	314,346	314,346	-	1,950,212	16.12%
2017	277,816	277,816	-	1,911,314	14.54%
2016	249,226	249,226	-	1,786,902	13.95%
2015	259,163	259,163	-	1,787,334	14.50%
2014	243,224	243,224	-	1,659,098	14.66%
2013	272,000	272,000	-	1,736,911	15.66%
2012	114,033	114,033	-	1,801,469	6.33%

Notes to Required Supplementary Information
Pension Plans
Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased from 7.00% to 6.75%

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2020	0.00770% \$	129,001 \$	1,590,277	8.11%	52.64%
2019	0.00718%	116,838	1,407,034	8.30%	52.00%
2018	0.00730%	111,000	1,388,989	7.99%	51.22%
2017	0.00719%	109,000	1,326,229	8.22%	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.

Schedule of School Board's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (nonprofessional)					
2020	0.00120% \$	20,026 \$	247,284	8.10%	52.64%
2019	0.00124%	20,178	242,361	8.33%	52.00%
2018	0.00126%	19,000	239,365	7.94%	51.22%
2017	0.00127%	19,000	233,486	8.14%	48.86%
Component Unit School Board (professional)					
2020	0.00920% \$	152,866 \$	1,884,075	8.11%	52.64%
2019	0.00971%	158,007	1,903,179	8.30%	52.00%
2018	0.01026%	155,000	1,950,212	7.95%	51.22%
2017	0.01036%	156,000	1,911,314	8.16%	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.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 8,756	\$ 8,756	\$ -	\$ 1,621,467	0.54%
2020	8,269	8,269	-	1,590,277	0.52%
2019	7,317	7,317	-	1,407,034	0.52%
2018	7,223	7,223	-	1,388,989	0.52%
2017	6,896	6,896	-	1,326,229	0.52%
2016	6,251	6,251	-	1,302,387	0.48%
2015	5,964	5,964	-	1,242,402	0.48%
2014	5,767	5,767	-	1,201,493	0.48%
2013	5,510	5,510	-	1,147,947	0.48%
2012	2,986	2,986	-	1,063,830	0.28%
Component Unit School Board (nonprofessional)					
2021	\$ 1,245	\$ 1,245	\$ -	\$ 230,492	0.54%
2020	1,286	1,286	-	247,284	0.52%
2019	1,260	1,260	-	242,361	0.52%
2018	1,244	1,244	-	239,365	0.52%
2017	1,214	1,214	-	233,486	0.52%
2016	1,092	1,092	-	227,420	0.48%
2015	1,078	1,078	-	224,553	0.48%
2014	986	986	-	205,513	0.48%
2013	983	983	-	204,710	0.48%
2012	560	560	-	200,139	0.28%
Component Unit School Board (professional)					
2021	\$ 10,232	\$ 10,232	\$ -	\$ 1,894,883	0.54%
2020	9,797	9,797	-	1,884,075	0.52%
2019	9,897	9,897	-	1,903,179	0.52%
2018	10,141	10,141	-	1,950,212	0.52%
2017	9,939	9,939	-	1,911,314	0.52%
2016	8,577	8,577	-	1,786,902	0.48%
2015	8,579	8,579	-	1,787,334	0.48%
2014	7,964	7,964	-	1,659,098	0.48%
2013	8,337	8,337	-	1,736,911	0.48%
2012	5,044	5,044	-	1,801,469	0.28%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2020

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2020	0.02140%	\$ 279,036	\$ 1,875,525	14.88%	9.95%
2019	0.02269%	297,034	1,903,179	15.61%	8.97%
2018	0.02411%	306,000	1,950,212	15.69%	8.08%
2017	0.02422%	308,000	1,911,314	16.11%	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.

Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
Years Ended June 30, 2012 through June 30, 2021

Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2021	\$ 22,928	\$ 22,928	\$ -	\$ 1,894,883	1.21%
2020	22,506	22,506	-	1,875,525	1.20%
2019	22,838	22,838	-	1,903,179	1.20%
2018	23,988	23,988	-	1,950,212	1.23%
2017	21,216	21,216	-	1,911,314	1.11%
2016	18,941	18,941	-	1,786,902	1.06%
2015	18,946	18,946	-	1,787,334	1.06%
2014	18,416	18,416	-	1,659,098	1.11%
2013	19,280	19,280	-	1,736,911	1.11%
2012	10,809	10,809	-	1,801,469	0.60%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
Year Ended June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in the School Board's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

	2020
Total HIC OPEB Liability	
Changes in benefit terms	\$ 29,651
Net change in total HIC OPEB liability	<u>\$ 29,651</u>
Total HIC OPEB Liability - beginning	<u>-</u>
Total HIC OPEB Liability - ending (a)	<u><u>\$ 29,651</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ -
Net investment income	-
Benefit payments	-
Administrator charges	-
Other	-
Net change in plan fiduciary net position	<u>\$ -</u>
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>
 School Board's net HIC OPEB liability - ending (a) - (b)	 \$ 29,651
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	 0.00%
 Covered payroll	 \$ -
 School Board's net HIC OPEB liability as a percentage of covered payroll	 0.00%

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

Date	Contributions in Relation to					Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)		
2021	\$ 2,121	\$ 2,121	\$ -	\$ 230,491	\$ 0.00%		

Schedule is intended to show information for 10 years. The School board began participating in the Health Insurance Credit Plan in the year ended June 30, 2021. Additional years will be added as the information becomes available.

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

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, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 147,239	\$ 390,236	\$ 537,475
Due from other governmental units	7,501	-	7,501
Total assets	<u>\$ 154,740</u>	<u>\$ 390,236</u>	<u>\$ 544,976</u>
LIABILITIES			
Accounts payable	\$ 1,212	\$ 30,628	\$ 31,840
Total liabilities	<u>\$ 1,212</u>	<u>\$ 30,628</u>	<u>\$ 31,840</u>
FUND BALANCES			
Restricted			
E911	\$ 142,128	-	\$ 142,128
Forfeited assets	4,271	-	4,271
Assigned			
Capital projects	-	359,608	359,608
Special revenue funds	7,129	-	7,129
Total fund balances	<u>\$ 153,528</u>	<u>\$ 359,608</u>	<u>\$ 513,136</u>
Total liabilities and fund balances	<u>\$ 154,740</u>	<u>\$ 390,236</u>	<u>\$ 544,976</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental:			
Commonwealth	\$ 141,048	\$ -	\$ 141,048
Total revenues	\$ 141,048	\$ -	\$ 141,048
EXPENDITURES			
Current:			
Public safety	\$ 198,470	\$ -	\$ 198,470
Education	-	9,912	9,912
Capital projects	-	382,378	382,378
Total expenditures	\$ 198,470	\$ 392,290	\$ 590,760
Excess (deficiency) of revenues over (under) expenditures	\$ (57,422)	\$ (392,290)	\$ (449,712)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 198,200	\$ 368,027	\$ 566,227
Total other financing sources and uses	\$ 198,200	\$ 368,027	\$ 566,227
Net change in fund balances	\$ 140,778	\$ (24,263)	\$ 116,515
Fund balances - beginning	12,750	383,871	396,621
Fund balances - ending	\$ 153,528	\$ 359,608	\$ 513,136

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2021

	Sheriff's Grants Fund	E-911 Fund	Total
ASSETS			
Cash and cash equivalents	\$ 11,400	\$ 135,839	\$ 147,239
Due from other governmental units	-	7,501	7,501
Total assets	<u>\$ 11,400</u>	<u>\$ 143,340</u>	<u>\$ 154,740</u>
LIABILITIES			
Accounts payable	\$ -	\$ 1,212	\$ 1,212
Total liabilities	<u>\$ -</u>	<u>\$ 1,212</u>	<u>\$ 1,212</u>
FUND BALANCES			
Restricted:			
E911	\$ -	\$ 142,128	\$ 142,128
Forfeited assets	4,271	-	4,271
Assigned:			
Special revenue funds	7,129	-	7,129
Total fund balances	<u>\$ 11,400</u>	<u>\$ 142,128</u>	<u>\$ 153,528</u>
Total liabilities and fund balances	<u>\$ 11,400</u>	<u>\$ 143,340</u>	<u>\$ 154,740</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2021

	Sheriff's Grants Fund	E-911 Fund	Total
REVENUES			
Intergovernmental:			
Commonwealth	\$ 6,585	\$ 134,463	\$ 141,048
Total revenues	<u>\$ 6,585</u>	<u>\$ 134,463</u>	<u>\$ 141,048</u>
EXPENDITURES			
Current:			
Public safety	\$ 971	\$ 197,499	\$ 198,470
Total expenditures	<u>\$ 971</u>	<u>\$ 197,499</u>	<u>\$ 198,470</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,614</u>	<u>\$ (63,036)</u>	<u>\$ (57,422)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 198,200	\$ 198,200
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 198,200</u>	<u>\$ 198,200</u>
Net change in fund balances	\$ 5,614	\$ 135,164	\$ 140,778
Fund balances - beginning	5,786	6,964	12,750
Fund balances - ending	<u><u>\$ 11,400</u></u>	<u><u>\$ 142,128</u></u>	<u><u>\$ 153,528</u></u>

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended June 30, 2021

	Sheriff's Grant Funds			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Commonwealth	\$ -	\$ -	\$ 6,585	\$ 6,585
Total revenues	\$ -	\$ -	\$ 6,585	\$ 6,585
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 4,500	\$ 971	\$ 3,529
Total expenditures	\$ -	\$ 4,500	\$ 971	\$ 3,529
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (4,500)	\$ 5,614	\$ 10,114
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ (4,500)	\$ 5,614	\$ 10,114
Fund balances - beginning	-	4,500	5,786	1,286
Fund balances - ending	\$ -	\$ -	\$ 11,400	\$ 11,400

Exhibit 33

E-911 Fund				
Budgeted Amounts			Variance with	
Original	Final	Actual	Final Budget	
			Positive	
			(Negative)	
\$ -	\$ -	\$ 134,463	\$ 134,463	
\$ -	\$ -	\$ 134,463	\$ 134,463	
\$ -	\$ 198,200	\$ 197,499	\$ 701	
\$ -	\$ 198,200	\$ 197,499	\$ 701	
\$ -	\$ (198,200)	\$ (63,036)	\$ 135,164	
\$ -	\$ 198,200	\$ 198,200	\$ -	
\$ -	\$ 198,200	\$ 198,200	\$ -	
\$ -	\$ -	\$ 135,164	\$ 135,164	
\$ -	\$ -	\$ 6,964	\$ 6,964	
\$ -	\$ -	\$ 142,128	\$ 142,128	

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2021

	County Capital Improvements	School Capital Improvements	Total
ASSETS			
Cash and cash equivalents	\$ 160,542	\$ 229,694	\$ 390,236
Total assets	<u>\$ 160,542</u>	<u>\$ 229,694</u>	<u>\$ 390,236</u>
LIABILITIES			
Accounts payable	\$ 30,628	\$ -	\$ 30,628
Total liabilities	<u>\$ 30,628</u>	<u>\$ -</u>	<u>\$ 30,628</u>
FUND BALANCES			
Assigned:			
Capital projects	\$ 129,914	\$ 229,694	\$ 359,608
Total fund balances	<u>\$ 129,914</u>	<u>\$ 229,694</u>	<u>\$ 359,608</u>
Total liabilities and fund balances	<u>\$ 160,542</u>	<u>\$ 229,694</u>	<u>\$ 390,236</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2021

	County Capital Improvements	School Capital Improvements	Total
EXPENDITURES			
Current:			
Education	\$ -	\$ 9,912	\$ 9,912
Capital projects	<u>382,378</u>	<u>-</u>	<u>382,378</u>
Total expenditures	\$ <u>382,378</u>	\$ <u>9,912</u>	\$ <u>392,290</u>
 Excess (deficiency) of revenues over (under) expenditures	 \$ <u>(382,378)</u>	 \$ <u>(9,912)</u>	 \$ <u>(392,290)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ <u>368,027</u>	\$ -	\$ <u>368,027</u>
Total other financing sources and uses	\$ <u>368,027</u>	\$ -	\$ <u>368,027</u>
 Net change in fund balances	 \$ (14,351)	 \$ (9,912)	 \$ (24,263)
Fund balances - beginning	<u>144,265</u>	<u>239,606</u>	<u>383,871</u>
Fund balances - ending	\$ <u><u>129,914</u></u>	\$ <u><u>229,694</u></u>	\$ <u><u>359,608</u></u>

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Capital Projects Funds
Year Ended June 30, 2021

	County Capital Improvements			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Current:				
Education	\$ -	\$ -	\$ -	\$ -
Capital projects	134,000	352,000	382,378	(30,378)
Total expenditures	\$ 134,000	\$ 352,000	\$ 382,378	\$ (30,378)
Excess (deficiency) of revenues over (under) expenditures	\$ (134,000)	\$ (352,000)	\$ (382,378)	\$ (30,378)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 134,000	\$ 352,000	\$ 368,027	\$ 16,027
Total other financing sources and uses	\$ 134,000	\$ 352,000	\$ 368,027	\$ 16,027
Net change in fund balances	\$ -	\$ -	\$ (14,351)	\$ (14,351)
Fund balances - beginning	-	-	144,265	144,265
Fund balances - ending	\$ -	\$ -	\$ 129,914	\$ 129,914

School Capital Improvements			
Budgeted Amounts			Variance with Final Budget Positive (Negative)
Original	Final	Actual	
\$ -	\$ 10,000	\$ 9,912	\$ 88
-	-	-	-
\$ -	\$ 10,000	\$ 9,912	\$ 88
\$ -	\$ (10,000)	\$ (9,912)	\$ 88
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ (10,000)	\$ (9,912)	\$ 88
-	10,000	239,606	229,606
\$ -	\$ -	\$ 229,694	\$ 229,694

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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 government as well as by contributions from the General Fund.

School Cafeteria Fund – The Cafeteria Fund accounts for and reports the County's school lunch program. Financing is provided from school lunch sales and State and Federal reimbursements.

School Activity Funds – The School Activity Funds include all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the school involving personnel, students, or property. The activity funds are special revenue funds of the School Board.

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 282,163	\$ 16,232	\$ 108,128	\$ 406,523
Receivables (net of allowance for uncollectibles):				
Due from other governmental units	193,587	19,514	-	213,101
Inventories	-	17,237	-	17,237
Prepaid items	32,005	1,200	-	33,205
Total assets	<u>\$ 507,755</u>	<u>\$ 54,183</u>	<u>\$ 108,128</u>	<u>\$ 670,066</u>
LIABILITIES				
Accounts payable	\$ 10,743	\$ 129	\$ -	\$ 10,872
Accrued liabilities	282,163	16,232	-	298,395
Due to primary government	214,849	-	-	214,849
Total liabilities	<u>\$ 507,755</u>	<u>\$ 16,361</u>	<u>\$ -</u>	<u>\$ 524,116</u>
FUND BALANCES				
Nonspendable:				
Inventories	\$ -	\$ 17,237	\$ -	\$ 17,237
Prepaid items	32,005	1,200	-	33,205
Restricted:				
School activity funds	-	-	108,128	108,128
Assigned:				
School cafeteria	-	19,385	-	19,385
Unassigned	(32,005)	-	-	(32,005)
Total fund balances	<u>\$ -</u>	<u>\$ 37,822</u>	<u>\$ 108,128</u>	<u>\$ 145,950</u>
Total liabilities and fund balances	<u>\$ 507,755</u>	<u>\$ 54,183</u>	<u>\$ 108,128</u>	<u>\$ 670,066</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1)
are different because:

Total fund balances per above \$ 145,950

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Land	\$ 13,035	
Buildings and improvements	2,447,428	
Machinery and equipment	398,236	
Construction in progress	131,960	
		2,990,659

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

Pension related items	\$ 855,995	
OPEB related items	76,115	
		932,110

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	\$ (94,024)	
Net OPEB liabilities	(481,579)	
Net Pension Liability	(3,617,576)	
		(4,193,179)

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

Pension related items	\$ (475,346)	
OPEB related items	(52,095)	
		(527,441)

Net position of governmental activities		\$ (651,901)
-----------------------------------------	--	--------------

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 10,598	\$ -	\$ 10,598
Miscellaneous	7,331	-	55,936	63,267
Intergovernmental:				
Local government	2,076,828	-	-	2,076,828
Commonwealth	2,004,972	1,636	-	2,006,608
Federal	329,971	302,225	-	632,196
Total revenues	<u>\$ 4,419,102</u>	<u>\$ 314,459</u>	<u>\$ 55,936</u>	<u>\$ 4,789,497</u>
EXPENDITURES				
Education	<u>\$ 4,419,102</u>	<u>\$ 320,956</u>	<u>\$ 52,514</u>	<u>\$ 4,792,572</u>
Total expenditures	<u>\$ 4,419,102</u>	<u>\$ 320,956</u>	<u>\$ 52,514</u>	<u>\$ 4,792,572</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (6,497)	\$ 3,422	\$ (3,075)
Net change in fund balances	\$ -	\$ (6,497)	\$ 3,422	\$ (3,075)
Fund balances - beginning, as restated	-	44,319	104,706	149,025
Fund balances - ending	<u>\$ -</u>	<u>\$ 37,822</u>	<u>\$ 108,128</u>	<u>\$ 145,950</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 \$ (3,075)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation in the current period.

Capital outlays	\$ 381,945	
Depreciation expense	<u>(205,016)</u>	176,929

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	\$ 13,624	
Change in pension related items	(9,187)	
Change in OPEB related items	<u>(17,865)</u>	(13,428)

Change in net position of governmental activities \$ 160,426

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
Year Ended June 30, 2021

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	7,331	7,331
Intergovernmental:				
Local government	2,373,361	2,359,821	2,076,828	(282,993)
Commonwealth	2,028,342	2,028,342	2,004,972	(23,370)
Federal	188,069	188,069	329,971	141,902
Total revenues	<u>\$ 4,589,772</u>	<u>\$ 4,576,232</u>	<u>\$ 4,419,102</u>	<u>\$ (157,130)</u>
EXPENDITURES				
Education	<u>\$ 4,589,772</u>	<u>\$ 4,576,232</u>	<u>\$ 4,419,102</u>	<u>\$ 157,130</u>
Total expenditures	<u>\$ 4,589,772</u>	<u>\$ 4,576,232</u>	<u>\$ 4,419,102</u>	<u>\$ 157,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 39

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 64,500	\$ 64,500	\$ 10,598	\$ (53,902)
-	-	-	-
65,708	79,248	-	(79,248)
4,952	4,952	1,636	(3,316)
110,500	110,500	302,225	191,725
<u>\$ 245,660</u>	<u>\$ 259,200</u>	<u>\$ 314,459</u>	<u>\$ 55,259</u>
<u>\$ 245,660</u>	<u>\$ 259,200</u>	<u>\$ 320,956</u>	<u>\$ (61,756)</u>
<u>\$ 245,660</u>	<u>\$ 259,200</u>	<u>\$ 320,956</u>	<u>\$ (61,756)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,497)</u>	<u>\$ (6,497)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,497)</u>	<u>\$ (6,497)</u>
<u>-</u>	<u>-</u>	<u>44,319</u>	<u>44,319</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,822</u>	<u>\$ 37,822</u>

**DISCRETELY PRESENTED COMPONENT UNIT –
ECONOMIC DEVELOPMENT AUTHORITY OF
HIGHLAND COUNTY, VIRGINIA**

Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2021

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 67,117
Total assets	<u>\$ 67,117</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 1,134
Unearned revenue	15,472
Total liabilities	<u>\$ 16,606</u>
NET POSITION	
Unrestricted	\$ 50,511
Total net position	<u><u>\$ 50,511</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
Year Ended June 30, 2021

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
OPERATING REVENUES	
Charges for services:	
Other revenues	\$ 3,900
Total operating revenues	<u>\$ 3,900</u>
OPERATING EXPENSES	
Contractual expenses	\$ 988
Dues and memberships	2,700
Marketing	15,029
Supplies	76
Other charges	988
Total operating expenses	<u>\$ 19,781</u>
Operating income (loss)	<u>\$ (15,881)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental:	
Contribution from Highland County	\$ 25,938
Contribution from Town of Monterey	424
Grant revenue	550,692
Interest income	33
Grants awarded	(553,692)
Total nonoperating revenues (expenses)	<u>\$ 23,395</u>
Change in net position	<u>\$ 7,514</u>
Net position - beginning	42,997
Net position - ending	<u><u>\$ 50,511</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
Year Ended June 30, 2021

	<u>Component Unit Economic Development Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 19,372
Payments to suppliers	(18,647)
Net cash provided by (used for) operating activities	<u>\$ 725</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	\$ 26,362
Grant revenue	550,692
Grant awarded	(553,692)
Net cash provided by (used for) noncapital financing activities	<u>\$ 23,362</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 33
Net cash provided by (used for) investing activities	<u>\$ 33</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,120
Cash and cash equivalents - beginning	42,997
Cash and cash equivalents - ending	<u><u>\$ 67,117</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (15,881)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	1,134
Increase (decrease) in unearned revenue	15,472
Total adjustments	<u>\$ 16,606</u>
Net cash provided by (used for) operating activities	<u><u>\$ 725</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2021

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,177,200	\$ 3,257,200	\$ 3,355,708	\$ 98,508
Real and personal public service corporation taxes	128,000	128,600	122,651	(5,949)
Personal property taxes	446,000	481,000	477,462	(3,538)
Mobile home taxes	3,000	3,000	3,332	332
Machinery and tools taxes	1,000	1,000	1,181	181
Merchants Capital taxes	3,700	3,700	3,961	261
Penalties	15,000	24,000	30,541	6,541
Interest	10,000	17,000	20,711	3,711
Total general property taxes	\$ 3,783,900	\$ 3,915,500	\$ 4,015,547	\$ 100,047
Other local taxes:				
Local sales and use taxes	\$ 139,083	\$ 165,083	\$ 171,066	\$ 5,983
Consumers' utility taxes	128,000	123,000	120,566	(2,434)
Consumption taxes	5,600	5,600	7,087	1,487
Motor vehicle licenses	56,000	56,000	59,131	3,131
Bank stock taxes	14,000	14,000	14,933	933
Taxes on recordation and wills	10,000	10,000	20,597	10,597
Hotel and motel room taxes	12,000	24,000	24,366	366
Total other local taxes	\$ 364,683	\$ 397,683	\$ 417,746	\$ 20,063
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,001	\$ 1,500	\$ 1,476	\$ (24)
Transfer fees	150	150	238	88
Permits and other licenses	7,500	12,500	14,557	2,057
Total permits, privilege fees, and regulatory licenses	\$ 9,651	\$ 14,150	\$ 16,271	\$ 2,121
Fines and forfeitures:				
Court fines and forfeitures	\$ 2,000	\$ 2,000	\$ 2,157	\$ 157
Total fines and forfeitures	\$ 2,000	\$ 2,000	\$ 2,157	\$ 157
Revenue from use of money and property:				
Revenue from use of money	\$ 39,000	\$ 20,600	\$ 24,487	\$ 3,887
Revenue from use of property	6,000	6,000	6,191	191
Total revenue from use of money and property	\$ 45,000	\$ 26,600	\$ 30,678	\$ 4,078
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,775	\$ 14,775	\$ 15,405	\$ 630
Charges for courthouse maintenance	-	-	1,207	1,207
Charges for Commonwealth's Attorney	-	-	369	369
Charges for other services	200	200	131	(69)
Charges for law library	-	-	97	97
Total charges for services	\$ 11,975	\$ 14,975	\$ 17,209	\$ 2,234
Miscellaneous:				
Miscellaneous revenue	\$ 26,296	\$ 57,200	\$ 55,954	\$ (1,246)
Total miscellaneous	\$ 26,296	\$ 57,200	\$ 55,954	\$ (1,246)
Total revenue from local sources	\$ 4,243,505	\$ 4,428,108	\$ 4,555,562	\$ 127,454

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2021 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,500	\$ 2,500	\$ 1,485	\$ (1,015)
Taxes on deeds	22,000	32,000	36,423	4,423
Motor vehicle carriers' tax	-	-	182	182
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	\$ 191,552	\$ 201,552	\$ 205,142	\$ 3,590
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 72,060	\$ 72,060	\$ 71,999	\$ (61)
Sheriff	509,120	509,120	510,738	1,618
Commissioner of revenue	65,868	65,868	68,538	2,670
Treasurer	70,535	70,535	70,293	(242)
Registrar/electoral board	35,000	35,000	37,593	2,593
Clerk of the Circuit Court	150,001	150,000	167,954	17,954
Total shared expenses	\$ 902,584	\$ 902,583	\$ 927,115	\$ 24,532
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Fire prevention program	-	-	30,000	30,000
Other state grants	15,402	28,400	33,944	5,544
Total other categorical aid	\$ 18,402	\$ 31,400	\$ 63,944	\$ 32,544
Total categorical aid	\$ 920,986	\$ 933,983	\$ 991,059	\$ 57,076
Total revenue from the Commonwealth	\$ 1,112,538	\$ 1,135,535	\$ 1,196,201	\$ 60,666
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Funds	\$ -	\$ 413,700	\$ 328,418	\$ (85,282)
Payments in lieu of taxes	150,000	150,000	159,079	9,079
Total noncategorical aid	\$ 150,000	\$ 563,700	\$ 487,497	\$ (76,203)
Categorical aid:				
Emergency management planning grant	\$ -	\$ -	\$ 10,175	\$ 10,175
HAVA CARES Act Grant	-	-	45,258	45,258
Domestic preparedness equipment program	-	-	7,500	7,500
Total categorical aid	\$ -	\$ -	\$ 62,933	\$ 62,933
Total revenue from the federal government	\$ 150,000	\$ 563,700	\$ 550,430	\$ (13,270)
Total General Fund	\$ 5,506,043	\$ 6,127,343	\$ 6,302,193	\$ 174,850
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 434	\$ 434
Total revenue from local sources	\$ -	\$ -	\$ 434	\$ 434

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2021 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
Virginia Public Assistance Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 168,128	\$ 180,687	\$ 145,242	\$ (35,445)
Comprehensive Services Act program	133,132	32,935	23,461	(9,474)
Total categorical aid	\$ 301,260	\$ 213,622	\$ 168,703	\$ (44,919)
Total revenue from the Commonwealth	\$ 301,260	\$ 213,622	\$ 168,703	\$ (44,919)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 272,515	\$ 289,514	\$ 298,692	\$ 9,178
Comprehensive Services Act program	-	-	19,935	19,935
Total categorical aid	\$ 272,515	\$ 289,514	\$ 318,627	\$ 29,113
Total revenue from the federal government	\$ 272,515	\$ 289,514	\$ 318,627	\$ 29,113
Total Virginia Public Assistance Fund	\$ 573,775	\$ 503,136	\$ 487,764	\$ (15,372)
E-911 Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 134,463	\$ 134,463
Total categorical aid	\$ -	\$ -	\$ 134,463	\$ 134,463
Total revenue from the Commonwealth	\$ -	\$ -	\$ 134,463	\$ 134,463
Total E-911 fund	\$ -	\$ -	\$ 134,463	\$ 134,463
Sheriff's Grants Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,585	\$ 6,585
Total categorical aid	\$ -	\$ -	\$ 6,585	\$ 6,585
Total revenue from the Commonwealth	\$ -	\$ -	\$ 6,585	\$ 6,585
Total Sheriff's Grants Fund	\$ -	\$ -	\$ 6,585	\$ 6,585
EMS Fund:				
Revenue from local sources:				
General property taxes:				
EMS fee	\$ -	\$ -	\$ 329,616	\$ 329,616
Penalties and interest	-	-	1,643	1,643
Total general property taxes	\$ -	\$ -	\$ 331,259	\$ 331,259
Total revenue from local sources	\$ -	\$ -	\$ 331,259	\$ 331,259
Total EMS Fund	\$ -	\$ -	\$ 331,259	\$ 331,259
Total Primary Government	\$ 6,079,818	\$ 6,630,479	\$ 7,262,264	\$ 631,785

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2021 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous revenue	\$ -	\$ -	\$ 7,331	\$ 7,331
Total miscellaneous	\$ -	\$ -	\$ 7,331	\$ 7,331
Total revenue from local sources	\$ -	\$ -	\$ 7,331	\$ 7,331
Intergovernmental:				
Revenues from local governments:				
Contribution from school capital projects fund	\$ -	\$ -	\$ 9,913	\$ 9,913
Contribution from County of Highland, Virginia	2,373,361	2,359,821	2,066,915	(292,906)
Total revenues from local governments	\$ 2,373,361	\$ 2,359,821	\$ 2,076,828	\$ (282,993)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 248,900	\$ 248,900	\$ 265,541	\$ 16,641
Basic school aid	1,251,621	1,251,621	1,036,458	(215,163)
Gifted and talented	2,225	2,225	1,973	(252)
Remedial education	9,868	9,868	9,599	(269)
Special education	25,909	25,909	-	(25,909)
Textbook payment	4,428	4,428	3,926	(502)
Vocational standards of quality payments	56,238	56,238	49,862	(6,376)
No loss funding	200,000	200,000	217,588	17,588
Social security fringe benefits	23,690	23,690	21,005	(2,685)
Retirement fringe benefits	55,208	55,208	48,949	(6,259)
Group life insurance instructional	1,689	1,689	1,498	(191)
State lottery payments	-	-	200,000	200,000
Early reading intervention	3,275	3,275	2,159	(1,116)
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	1,436	1,436	1,436	-
At risk funding	29,834	29,834	26,462	(3,372)
Other state funds	12,021	12,021	16,516	4,495
Total categorical aid	\$ 2,028,342	\$ 2,028,342	\$ 2,004,972	\$ (23,370)
Total revenue from the Commonwealth	\$ 2,028,342	\$ 2,028,342	\$ 2,004,972	\$ (23,370)
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Funds	\$ -	\$ -	\$ 97,116	\$ 97,116
Total noncategorical aid	\$ -	\$ -	\$ 97,116	\$ 97,116
Categorical aid:				
Federal land use	\$ 44,796	\$ 44,796	\$ 44,235	\$ (561)
Title I	51,322	51,322	101,245	49,923
Title VI-B, special education flow-through	59,155	59,155	55,770	(3,385)
Title VI-B, special education pre-school	-	-	2,009	2,009
Improving teacher quality	7,220	7,220	15,638	8,418
Perkins carryover	-	-	3,958	3,958
FEMA Assistance	10,000	10,000	10,000	-
Rural education achievement program	15,576	15,576	-	(15,576)
Total categorical aid	\$ 188,069	\$ 188,069	\$ 232,855	\$ 44,786
Total revenue from the federal government	\$ 188,069	\$ 188,069	\$ 329,971	\$ 141,902
Total School Operating Fund	\$ 4,589,772	\$ 4,576,232	\$ 4,419,102	\$ (157,130)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2021 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 64,500	\$ 64,500	\$ 10,598	\$ (53,902)
Total revenue from local sources	\$ 64,500	\$ 64,500	\$ 10,598	\$ (53,902)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 65,708	\$ 79,248	\$ -	\$ (79,248)
Total revenues from local governments	\$ 65,708	\$ 79,248	\$ -	\$ (79,248)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,952	\$ 4,952	\$ 1,636	\$ (3,316)
Total revenue from the Commonwealth	\$ 4,952	\$ 4,952	\$ 1,636	\$ (3,316)
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Funds	\$ -	\$ -	\$ 2,884	\$ 2,884
Total noncategorical aid	\$ -	\$ -	\$ 2,884	\$ 2,884
Categorical aid:				
School food program grant	\$ 110,500	\$ 110,500	\$ 255,675	\$ 145,175
USDA commodities received	-	-	43,666	43,666
Total categorical aid	\$ 110,500	\$ 110,500	\$ 299,341	\$ 188,841
Total revenue from the federal government	\$ 110,500	\$ 110,500	\$ 302,225	\$ 191,725
Total School Cafeteria Fund	\$ 245,660	\$ 259,200	\$ 314,459	\$ 55,259
Highland School Activity Funds				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 55,936	\$ 55,936
Total miscellaneous	\$ -	\$ -	\$ 55,936	\$ 55,936
Total School Activity Funds	\$ -	\$ -	\$ 55,936	\$ 55,936
Total Discretely Presented Component Unit - School Board	\$ 4,835,432	\$ 4,835,432	\$ 4,789,497	\$ (45,935)

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2021

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 35,271	\$ 23,915	\$ 24,139	\$ (224)
Total legislative	\$ 35,271	\$ 23,915	\$ 24,139	\$ (224)
General and financial administration:				
County administrator	\$ 148,402	\$ 143,963	\$ 143,971	\$ (8)
Legal services	50,000	74,705	71,205	3,500
Independent auditor	37,000	38,395	38,395	-
Commissioner of revenue	127,324	130,833	130,862	(29)
Assessor	29,500	16,106	4,830	11,276
Treasurer	139,640	139,640	139,366	274
Central Purchasing	405,952	502,587	506,338	(3,751)
Total general and financial administration	\$ 937,818	\$ 1,046,229	\$ 1,034,967	\$ 11,262
Board of elections:				
Electoral board and officials	\$ 12,017	\$ 36,959	\$ 33,530	\$ 3,429
Registrar	80,369	90,315	87,713	2,602
Total board of elections	\$ 92,386	\$ 127,274	\$ 121,243	\$ 6,031
Total general government administration	\$ 1,065,475	\$ 1,197,418	\$ 1,180,349	\$ 17,069
Judicial administration:				
Courts:				
Circuit court	\$ 402	\$ 1,496	\$ 1,315	\$ 181
Clerk of the circuit court	193,263	193,450	193,476	(26)
Total courts	\$ 193,665	\$ 194,946	\$ 194,791	\$ 155
Commonwealth's attorney:				
Commonwealth's attorney	\$ 89,309	\$ 102,904	\$ 102,904	\$ -
Total commonwealth's attorney	\$ 89,309	\$ 102,904	\$ 102,904	\$ -
Total judicial administration	\$ 282,974	\$ 297,850	\$ 297,695	\$ 155
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 722,887	\$ 722,068	\$ 718,534	\$ 3,534
Total law enforcement and traffic control	\$ 722,887	\$ 722,068	\$ 718,534	\$ 3,534
Fire and rescue services:				
Volunteer emergency operations	\$ 349,287	\$ 500,325	\$ 366,361	\$ 133,964
Total fire and rescue services	\$ 349,287	\$ 500,325	\$ 366,361	\$ 133,964
Correction and detention:				
Sheriff	\$ 48,000	\$ 50,986	\$ 39,116	\$ 11,870
Total correction and detention	\$ 48,000	\$ 50,986	\$ 39,116	\$ 11,870
Inspections:				
Building	\$ 79,309	\$ 72,334	\$ 72,352	\$ (18)
Total inspections	\$ 79,309	\$ 72,334	\$ 72,352	\$ (18)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2021 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Medical examiner	\$ 200	\$ 200	\$ 20	\$ 180
Emergency management grants	44,623	32,455	32,410	45
Total other protection	<u>\$ 44,823</u>	<u>\$ 32,655</u>	<u>\$ 32,430</u>	<u>\$ 225</u>
Total public safety	<u>\$ 1,244,306</u>	<u>\$ 1,378,368</u>	<u>\$ 1,228,793</u>	<u>\$ 149,575</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 40,286	\$ 25,244	\$ 25,155	\$ 89
Total maintenance of general buildings and grounds	<u>\$ 40,286</u>	<u>\$ 25,244</u>	<u>\$ 25,155</u>	<u>\$ 89</u>
Total public works	<u>\$ 40,286</u>	<u>\$ 25,244</u>	<u>\$ 25,155</u>	<u>\$ 89</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 67,134	\$ 63,469	\$ 63,469	\$ -
Total health	<u>\$ 67,134</u>	<u>\$ 63,469</u>	<u>\$ 63,469</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 10,038	\$ 10,038	\$ 10,038	\$ -
Total mental health and mental retardation	<u>\$ 10,038</u>	<u>\$ 10,038</u>	<u>\$ 10,038</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Total welfare	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 114,672</u>	<u>\$ 111,007</u>	<u>\$ 111,007</u>	<u>\$ -</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,439,069	\$ 2,545,629	\$ 2,049,070	\$ 496,559
Total education	<u>\$ 2,439,069</u>	<u>\$ 2,545,629</u>	<u>\$ 2,049,070</u>	<u>\$ 496,559</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 71,385	\$ 77,985	\$ 77,732	\$ 253
Total library	<u>\$ 71,385</u>	<u>\$ 77,985</u>	<u>\$ 77,732</u>	<u>\$ 253</u>
Total parks, recreation, and cultural	<u>\$ 71,385</u>	<u>\$ 77,985</u>	<u>\$ 77,732</u>	<u>\$ 253</u>
Community development:				
Planning and community development:				
Planning	\$ 16,434	\$ 13,811	\$ 13,134	\$ 677
Community development	45,222	93,662	93,894	(232)
Swimming pool	81,900	55,498	55,512	(14)
Economic Development	46,391	218,391	217,836	555
Total planning and community development	<u>\$ 189,947</u>	<u>\$ 381,362</u>	<u>\$ 380,376</u>	<u>\$ 986</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2021 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 57,862	\$ 59,416	\$ 47,911	\$ 11,505
Total cooperative extension program	\$ 57,862	\$ 59,416	\$ 47,911	\$ 11,505
Total community development	\$ 247,809	\$ 440,778	\$ 428,287	\$ 12,491
Nondepartmental:				
Miscellaneous	\$ 5,992	\$ 19,394	\$ 15,462	\$ 3,932
Total nondepartmental	\$ 5,992	\$ 19,394	\$ 15,462	\$ 3,932
Capital projects:				
Capital outlay	\$ 4	\$ 58,110	\$ 58,011	\$ 99
Total capital projects	\$ 4	\$ 58,110	\$ 58,011	\$ 99
 Total General Fund	 \$ 5,511,972	 \$ 6,151,783	 \$ 5,471,561	 \$ 680,222
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 552,397	\$ 581,474	\$ 487,797	\$ 93,677
Comprehensive services	214,877	85,000	84,650	350
Total welfare and social services	\$ 767,274	\$ 666,474	\$ 572,447	\$ 94,027
 Total health and welfare	 \$ 767,274	 \$ 666,474	 \$ 572,447	 \$ 94,027
 Total Virginia Public Assistance Fund	 \$ 767,274	 \$ 666,474	 \$ 572,447	 \$ 94,027
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 198,200	\$ 197,499	\$ 701
Total public safety	\$ -	\$ 198,200	\$ 197,499	\$ 701
Total E-911 Fund	\$ -	\$ 198,200	\$ 197,499	\$ 701
Sheriff's Grants Fund:				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 4,500	\$ 971	\$ 3,529
Total Sheriff's Grants Fund	\$ -	\$ 4,500	\$ 971	\$ 3,529
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects:				
County courthouse and other capital outlay	\$ 134,000	\$ 352,000	\$ 382,378	\$ (30,378)
Total County Capital Improvements Fund	\$ 134,000	\$ 352,000	\$ 382,378	\$ (30,378)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2021 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
School Capital Projects Fund:				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ -	\$ 10,000	\$ 9,912	\$ 88
Total education	\$ -	\$ 10,000	\$ 9,912	\$ 88
Total School Capital Projects Fund	\$ -	\$ 10,000	\$ 9,912	\$ 88
Total Primary Government	\$ 6,413,246	\$ 7,382,957	\$ 6,634,768	\$ 748,189
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 16,257	\$ 16,257	\$ 15,001	\$ 1,256
Executive administration services	225,701	225,701	227,882	(2,181)
Total administration of schools	\$ 241,958	\$ 241,958	\$ 242,883	\$ (925)
Instruction costs:				
Elementary and secondary schools	\$ 2,419,606	\$ 2,406,066	\$ 2,065,978	\$ 340,088
Guidance services	150,761	150,761	145,620	5,141
Media services	772,913	772,913	797,302	(24,389)
Office of the principal	300,745	300,745	300,930	(185)
Total instruction costs	\$ 3,644,025	\$ 3,630,485	\$ 3,309,830	\$ 320,655
Operating costs:				
Pupil transportation	\$ 274,389	\$ 274,389	\$ 224,916	\$ 49,473
Operation and maintenance of school plant	429,400	429,400	641,473	(212,073)
Total operating costs	\$ 703,789	\$ 703,789	\$ 866,389	\$ (162,600)
Total education	\$ 4,589,772	\$ 4,576,232	\$ 4,419,102	\$ 157,130
Total School Operating Fund	\$ 4,589,772	\$ 4,576,232	\$ 4,419,102	\$ 157,130
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 245,660	\$ 259,200	\$ 303,111	\$ (43,911)
Contribution to primary government	-	-	17,845	(17,845)
Total school food services	\$ 245,660	\$ 259,200	\$ 320,956	\$ (61,756)
Total education	\$ 245,660	\$ 259,200	\$ 320,956	\$ (61,756)
Total School Cafeteria Fund	\$ 245,660	\$ 259,200	\$ 320,956	\$ (61,756)
School Activity Funds				
Education:				
Miscellaneous	\$ -	\$ -	\$ 52,514	\$ (52,514)
Total education	\$ -	\$ -	\$ 52,514	\$ (52,514)
Total School Activity Funds	\$ -	\$ -	\$ 52,514	\$ (52,514)
Total Discretely Presented Component Unit - School Board	\$ 4,835,432	\$ 4,835,432	\$ 4,792,572	\$ 42,860

STATISTICAL INFORMATION

County of Highland, Virginia

Net Position by Component
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
Governmental Activities				
Net investment in capital assets	\$ 1,667,119	\$ 1,674,606	\$ 1,873,361	\$ 1,624,207
Restricted	-	-	-	-
Unrestricted	5,134,132	4,930,651	4,768,406	3,487,996
Total governmental activities net position	<u>\$ 6,801,251</u>	<u>\$ 6,605,257</u>	<u>\$ 6,641,767</u>	<u>\$ 5,112,203</u>
Business-type Activities				
Net investment in capital assets	\$ 624,487	\$ 744,401	\$ 731,731	\$ 690,502
Restricted	-	-	17,629	18,244
Unrestricted	705,106	740,052	757,689	729,148
Total business-type activities net position	<u>\$ 1,329,593</u>	<u>\$ 1,484,453</u>	<u>\$ 1,507,049</u>	<u>\$ 1,437,894</u>
Primary government				
Net investment in capital assets	\$ 2,291,606	\$ 2,419,007	\$ 2,605,092	\$ 2,314,709
Restricted	-	-	17,629	18,244
Unrestricted	5,839,238	5,670,703	5,526,095	4,217,144
Total primary government net position	<u>\$ 8,130,844</u>	<u>\$ 8,089,710</u>	<u>\$ 8,148,816</u>	<u>\$ 6,550,097</u>

Table 1

Fiscal Year						
2016	2017	2018	2019	2020	2021	
\$ 1,638,325	\$ 1,656,165	\$ 1,719,475	\$ 1,716,417	\$ 1,677,834	\$ 1,996,600	
-	219,853	208,914	169,525	53,961	515,689	
3,800,788	3,767,367	3,559,979	3,634,852	4,167,419	4,197,999	
<u>\$ 5,439,113</u>	<u>\$ 5,643,385</u>	<u>\$ 5,488,368</u>	<u>\$ 5,520,794</u>	<u>\$ 5,899,214</u>	<u>\$ 6,710,288</u>	
\$ 663,491	\$ 636,872	\$ 609,846	\$ 603,095	\$ 576,840	\$ 555,811	
18,846	18,846	18,846	18,846	18,846	18,846	
778,715	799,895	816,614	826,216	847,326	831,818	
<u>\$ 1,461,052</u>	<u>\$ 1,455,613</u>	<u>\$ 1,445,306</u>	<u>\$ 1,448,157</u>	<u>\$ 1,443,012</u>	<u>\$ 1,406,475</u>	
\$ 2,301,816	\$ 2,293,037	\$ 2,329,321	\$ 2,319,512	\$ 2,254,674	\$ 2,552,411	
18,846	238,699	227,760	188,371	72,807	534,535	
4,579,503	4,567,262	4,376,593	4,461,068	5,014,745	5,029,817	
<u>\$ 6,900,165</u>	<u>\$ 7,098,998</u>	<u>\$ 6,933,674</u>	<u>\$ 6,968,951</u>	<u>\$ 7,342,226</u>	<u>\$ 8,116,763</u>	

County of Highland, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
Expenses					
Governmental Activities:					
General government administration	\$ 1,059,513	\$ 897,659	\$ 991,119	\$ 1,041,826	\$ 969,269
Judicial administration	246,808	247,397	259,111	243,105	261,868
Public safety	789,037	912,046	942,248	970,089	970,542
Public works	137,181	128,759	118,027	67,985	34,565
Health and welfare	413,864	384,612	373,259	370,547	454,484
Education	1,823,472	2,095,450	2,183,982	2,316,485	2,060,324
Parks, recreation, and cultural	75,516	87,396	90,387	90,404	84,826
Community development	134,348	143,030	155,553	288,549	756,201
Interest on long-term debt	32,464	23,583	14,445	5,038	2,586
Total governmental activities expenses	\$ 4,712,203	\$ 4,919,932	\$ 5,128,131	\$ 5,394,028	\$ 5,594,665
Business-type Activities:					
Refuse Disposal	\$ 267,858	\$ 278,003	\$ 293,029	\$ 291,471	\$ 276,589
McDowell Water System	60,185	69,172	65,271	66,707	58,758
Recreation Commission	58,943	50,491	43,559	42,973	52,814
Total business-type activities expenses	\$ 386,986	\$ 397,666	\$ 401,859	\$ 401,151	\$ 388,161
Total primary government expenses	\$ 5,099,189	\$ 5,317,598	\$ 5,529,990	\$ 5,795,179	\$ 5,982,826
Program Revenues					
Governmental Activities:					
Charges for services:					
General government administration	\$ 408	\$ 466	\$ 669	\$ 669	\$ 720
Judicial administration	2,802	3,092	2,018	9,681	6,101
Public safety	22,835	23,591	28,773	24,857	22,626
Operating grants and contributions	1,235,107	1,151,731	1,154,398	1,202,330	1,361,469
Capital grants and contributions	440,362	118,208	189,865	167,874	503,865
Total governmental activities program revenues	\$ 1,701,514	\$ 1,297,088	\$ 1,375,723	\$ 1,405,411	\$ 1,894,781
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 313,663	\$ 309,354	\$ 329,774	\$ 327,873	\$ 320,544
McDowell Water System	33,181	34,711	40,604	28,950	34,371
Recreation commission	40,331	34,172	39,310	40,817	44,739
Operating grants and contributions	47,916	51,694	31,931	20,566	24,998
Capital grants and contributions	25,082	35,408	13,900	-	-
Total business-type activities program revenues	\$ 460,173	\$ 465,339	\$ 455,519	\$ 418,206	\$ 424,652
Total primary government program revenues	\$ 2,161,687	\$ 1,762,427	\$ 1,831,242	\$ 1,823,617	\$ 2,319,433
Net (expense) / revenue					
Governmental Activities	\$ (3,010,689)	\$ (3,622,844)	\$ (3,752,408)	\$ (3,988,617)	\$ (3,699,884)
Business-type Activities	73,187	67,673	53,660	17,055	36,491
Total primary government net expense	\$ (2,937,502)	\$ (3,555,171)	\$ (3,698,748)	\$ (3,971,562)	\$ (3,663,393)

Table 2
Page 1 of 2

Fiscal Year					
2017	2018	2019	2020	2021	
\$ 1,044,258	\$ 1,093,250	\$ 1,030,748	\$ 1,093,375	\$ 1,249,230	
276,845	284,983	306,194	298,969	317,999	
1,081,259	1,050,709	1,102,196	1,325,589	1,429,970	
52,679	52,921	57,113	47,354	37,072	
602,845	645,087	683,751	579,137	681,598	
2,106,438	2,408,542	2,534,181	2,275,557	2,058,982	
95,302	100,272	98,841	107,009	117,826	
169,001	216,422	175,093	188,825	428,287	
4,822	4,348	5,543	1,265	-	
<u>\$ 5,433,449</u>	<u>\$ 5,856,534</u>	<u>\$ 5,993,660</u>	<u>\$ 5,917,080</u>	<u>\$ 6,320,964</u>	
\$ 302,433	\$ 325,013	\$ 322,787	\$ 345,461	\$ 356,663	
55,425	59,418	51,318	52,700	50,854	
55,257	50,145	44,353	46,864	68,045	
<u>\$ 413,115</u>	<u>\$ 434,576</u>	<u>\$ 418,458</u>	<u>\$ 445,025</u>	<u>\$ 475,562</u>	
<u>\$ 5,846,564</u>	<u>\$ 6,291,110</u>	<u>\$ 6,412,118</u>	<u>\$ 6,362,105</u>	<u>\$ 6,796,526</u>	
\$ 392	\$ 366	\$ 276	\$ 276	\$ 131	
5,025	3,014	8,201	8,201	3,830	
20,019	20,880	25,416	25,416	31,676	
1,362,068	1,414,588	1,518,561	1,518,561	1,868,825	
54,690	75,753	-	-	141,963	
<u>\$ 1,442,194</u>	<u>\$ 1,514,601</u>	<u>\$ 1,552,454</u>	<u>\$ 1,552,454</u>	<u>\$ 2,046,425</u>	
\$ 322,668	\$ 329,308	\$ 326,801	\$ 326,801	\$ 348,540	
34,734	35,549	34,391	34,391	41,268	
45,023	42,838	45,735	45,735	15,805	
14,740	24,577	7,241	7,241	6,640	
-	-	-	-	-	
<u>\$ 417,165</u>	<u>\$ 432,272</u>	<u>\$ 414,168</u>	<u>\$ 414,168</u>	<u>\$ 412,253</u>	
<u>\$ 1,859,359</u>	<u>\$ 1,946,873</u>	<u>\$ 1,966,622</u>	<u>\$ 1,966,622</u>	<u>\$ 2,458,678</u>	
\$ (3,991,255)	\$ (4,341,933)	\$ (4,441,206)	\$ (4,441,206)	\$ (4,274,539)	
4,050	(2,304)	(4,290)	(4,290)	(63,309)	
<u>\$ (3,987,205)</u>	<u>\$ (4,344,237)</u>	<u>\$ (4,445,496)</u>	<u>\$ (4,445,496)</u>	<u>\$ (4,337,848)</u>	

County of Highland, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,731,729	\$ 2,771,902	\$ 2,963,903	\$ 3,116,520	\$ 3,240,477
Local sales and use taxes	107,600	111,989	113,641	119,295	138,331
Consumer utility taxes	138,686	138,706	138,177	137,933	135,842
Motor vehicle licenses	53,724	53,113	54,283	54,461	55,960
E-911 taxes	33,000	34,597	33,704	30,629	27,344
Bank stock taxes	13,806	14,371	19,231	23,141	18,425
Other local taxes	22,028	22,784	21,524	24,247	25,128
Unrestricted grants and contributions	234,776	246,160	269,364	260,911	283,538
Unrestricted revenues from use of money and property	54,728	43,762	41,590	42,337	39,808
Miscellaneous	118,328	74,892	100,203	31,459	48,241
Transfers	24,850	(85,426)	33,298	26,250	13,700
Total governmental activities	\$ 3,533,255	\$ 3,426,850	\$ 3,788,918	\$ 3,867,183	\$ 4,026,794
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 2,697	\$ 1,761	\$ 2,234	\$ 383	\$ 367
Miscellaneous	-	-	-	-	-
Transfers	(24,850)	85,426	(33,298)	(26,250)	(13,700)
Total business-type activities	\$ (22,153)	\$ 87,187	\$ (31,064)	\$ (25,867)	\$ (13,333)
Total primary government	\$ 3,511,102	\$ 3,514,037	\$ 3,757,854	\$ 3,841,316	\$ 4,013,461
Change in Net Position					
Governmental Activities	\$ 522,566	\$ (195,994)	\$ 36,510	\$ (121,416)	\$ 326,910
Business-type Activities	51,034	154,860	22,596	(2,812)	23,158
Total primary government	\$ 573,600	\$ (41,134)	\$ 59,106	\$ (124,228)	\$ 350,068

Fiscal Year					
2017	2018	2019	2020	2021	
\$ 3,418,317	\$ 3,453,866	\$ 3,645,328	\$ 3,645,328	\$ 4,243,105	
130,764	122,452	124,764	124,764	171,066	
134,357	148,083	129,227	129,227	120,566	
58,419	58,162	58,333	58,333	59,131	
-	-	-	-	-	
23,386	22,335	4,245	4,245	20,597	
24,687	29,759	32,884	32,884	46,386	
292,994	336,864	346,381	346,381	364,221	
38,838	52,671	85,710	85,710	30,678	
63,791	75,055	53,060	53,060	56,388	
9,974	2,934	(6,300)	(6,300)	(26,525)	
\$ 4,195,527	\$ 4,302,181	\$ 4,473,632	\$ 4,473,632	\$ 5,085,613	
\$ 485	\$ 666	\$ 841	\$ 841	\$ 247	
-	-	-	-	-	
(9,974)	(2,934)	6,300	6,300	26,525	
\$ (9,489)	\$ (2,268)	\$ 7,141	\$ 7,141	\$ 26,772	
\$ 4,186,038	\$ 4,299,913	\$ 4,480,773	\$ 4,480,773	\$ 5,112,385	
\$ 204,272	\$ (39,752)	\$ 32,426	\$ 32,426	\$ 811,074	
(5,439)	(4,572)	2,851	2,851	(36,537)	
\$ 198,833	\$ (44,324)	\$ 35,277	\$ 35,277	\$ 774,537	

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	Taxes on Recordation and Wills	Other Local Tax	Total
2021	\$ 4,243,105	\$ 171,066	\$ 120,566	\$ 59,131	\$ 20,597	\$ 46,386	\$ 4,660,851
2020	3,878,523	144,402	127,263	57,765	8,114	35,982	4,252,049
2019	3,645,328	124,764	129,227	58,333	4,245	32,884	3,994,781
2018	3,453,866	122,452	148,083	58,162	22,335	29,759	3,834,657
2017	3,418,317	130,764	134,357	58,419	23,386	24,687	3,789,930
2016	3,240,477	138,331	135,842	55,960	18,425	25,128	3,614,163
2015	3,116,520	119,295	137,933	54,461	23,141	24,247	3,475,597
2014	2,963,903	113,641	138,177	54,283	19,231	21,524	3,310,759
2013	2,771,902	111,989	138,706	53,113	16,330	20,825	3,112,865
2012	2,731,729	107,600	138,686	53,724	15,937	19,897	3,067,573

County of Highland, Virginia

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
General fund					
Nonspendable	\$ 50,950	\$ 31,830	\$ 20,875	\$ 25,966	\$ 20,188
Restricted	33,518	35,854	53,279	35,367	37,127
Committed	557,696	582,456	522,010	629,306	572,077
Assigned	4,162	5,762	2,291	4,291	4,291
Unassigned	3,757,856	3,548,282	3,611,770	3,064,653	3,316,899
Total general fund	<u>\$ 4,404,182</u>	<u>\$ 4,204,184</u>	<u>\$ 4,210,225</u>	<u>\$ 3,759,583</u>	<u>\$ 3,950,582</u>
All other governmental funds					
Nonspendable, reported in:					
Special revenue funds	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ -
Capital projects funds	8,186	8,641	9,073	-	2,000
Restricted, reported in:					
Special revenue funds	165,791	198,245	198,993	212,760	200,558
Assigned, reported in:					
Special revenue funds	717	4,928	386	891	6,095
Capital projects funds	624,854	581,807	456,997	573,270	569,167
Total all other governmental funds	<u>\$ 801,548</u>	<u>\$ 793,621</u>	<u>\$ 665,449</u>	<u>\$ 788,921</u>	<u>\$ 777,820</u>

Table 4

Fiscal Year				
2017	2018	2019	2020	2021
\$ 7,085	\$ 21,010	\$ 70,000	\$ 56,696	\$ 180,750
63,599	65,025	40,583	42,726	38,031
793,954	705,643	661,949	708,629	852,479
4,291	2,291	22,291	42,291	52,291
3,506,585	3,406,112	3,554,410	3,779,802	3,659,790
<u>\$ 4,375,514</u>	<u>\$ 4,200,081</u>	<u>\$ 4,349,233</u>	<u>\$ 4,630,144</u>	<u>\$ 4,783,341</u>
\$ -	\$ 4,325	\$ 2,000	\$ -	\$ -
11,004	11,554	12,387	13,345	-
156,254	143,889	128,942	11,235	477,658
4,081	4,106	6,661	1,515	366,737
366,561	394,393	237,357	370,526	-
<u>\$ 537,900</u>	<u>\$ 558,267</u>	<u>\$ 387,347</u>	<u>\$ 396,621</u>	<u>\$ 844,395</u>

County of Highland, Virginia

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2012	2013	2014	2015
Revenues				
General property taxes	\$ 2,726,798	\$ 2,792,621	\$ 3,000,868	\$ 3,105,774
Other local taxes	368,844	375,560	380,560	389,706
Permits, privilege fees, and regulatory licenses	11,660	9,444	18,572	12,971
Fines and forfeitures	271	461	200	7,402
Revenue from use of money and property	54,728	43,762	41,590	42,337
Charges for services	14,114	17,244	12,688	14,852
Miscellaneous	118,328	74,892	100,203	31,459
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,235,521	1,150,212	1,333,525	1,192,723
Federal	674,724	365,887	280,102	438,392
Total revenues	\$ 5,204,988	\$ 4,830,083	\$ 5,168,308	\$ 5,235,616
Expenditures				
General government administration	\$ 885,180	\$ 876,547	\$ 907,832	\$ 908,466
Judicial administration	241,077	243,248	248,313	255,204
Public safety	825,203	820,142	847,010	928,580
Public works	564,859	113,702	62,766	53,477
Health and welfare	400,767	433,413	366,276	373,225
Education	1,806,451	1,976,386	1,877,290	2,148,131
Parks, recreation, and cultural	39,236	50,882	52,178	54,998
Community development	134,348	143,030	155,553	166,046
Nondepartmental	41,052	47,220	91,862	46,994
Capital projects	193,907	76,662	548,408	303,803
Debt service:				
Principal	140,061	143,690	147,611	151,796
Interest and other fiscal charges	36,389	27,660	18,638	9,354
Total expenditures	\$ 5,308,530	\$ 4,952,582	\$ 5,323,737	\$ 5,400,074
Excess (deficiency) of revenues over (under) expenditures	\$ (103,542)	\$ (122,499)	\$ (155,429)	\$ (164,458)
Other financing sources (uses)				
Transfers in	\$ 958,542	\$ 488,913	\$ 463,843	\$ 490,251
Transfers out	(950,713)	(574,339)	(430,545)	(464,001)
Capital leases	-	-	-	-
Total other financing sources (uses)	\$ 7,829	\$ (85,426)	\$ 33,298	\$ 26,250
Net change in fund balances	\$ (95,713)	\$ (207,925)	\$ (122,131)	\$ (138,208)
Debt service as a percentage of noncapital expenditures	3.450%	3.514%	3.481%	3.162%

Table 5

Fiscal Year						
2016	2017	2018	2019	2020	2021	
\$ 3,210,564	\$ 3,424,405	\$ 3,431,495	\$ 3,623,902	\$ 3,757,460	\$ 4,346,806	
401,030	371,613	380,791	349,453	373,526	417,746	
12,167	11,111	10,436	8,006	17,171	16,271	
4,148	3,130	1,332	4,730	1,529	2,157	
39,808	38,838	52,671	85,710	67,557	30,678	
13,132	11,195	12,492	21,157	16,750	17,209	
48,241	63,791	75,055	53,060	46,295	56,388	
-	39,690	48,491	-	80,416	-	
1,327,853	1,288,183	1,320,191	1,400,102	1,362,458	1,505,952	
821,019	381,879	458,523	464,840	466,001	869,057	
<u>\$ 5,877,962</u>	<u>\$ 5,633,835</u>	<u>\$ 5,791,477</u>	<u>\$ 6,010,960</u>	<u>\$ 6,189,163</u>	<u>\$ 7,262,264</u>	
\$ 961,166	\$ 1,019,071	\$ 1,033,524	\$ 983,061	\$ 995,186	\$ 1,180,349	
277,099	278,697	285,819	292,841	297,490	297,695	
1,088,708	948,281	960,998	1,013,468	1,309,137	1,427,263	
39,370	38,693	39,245	39,979	40,302	25,155	
459,318	596,500	645,797	688,420	605,060	683,454	
1,891,452	2,063,961	2,323,813	2,415,749	2,157,348	2,058,982	
57,867	60,129	62,940	65,370	70,440	77,732	
166,290	169,001	189,929	175,318	188,825	428,287	
7,412	13,148	8,180	8,540	9,919	15,462	
815,764	216,497	378,018	371,930	96,015	440,389	
75,878	128,246	95,674	49,215	110,694	-	
3,645	5,893	4,348	2,972	3,836	-	
<u>\$ 5,843,969</u>	<u>\$ 5,538,117</u>	<u>\$ 6,028,285</u>	<u>\$ 6,106,863</u>	<u>\$ 5,884,252</u>	<u>\$ 6,634,768</u>	
<u>\$ 33,993</u>	<u>\$ 95,718</u>	<u>\$ (236,808)</u>	<u>\$ (95,903)</u>	<u>\$ 304,911</u>	<u>\$ 627,496</u>	
\$ 435,424	\$ 509,655	\$ 425,984	\$ 244,730	\$ 338,784	\$ 660,910	
(421,724)	(499,681)	(423,050)	(251,030)	(353,510)	(687,435)	
132,205	79,320	78,808	80,435	-	-	
<u>\$ 145,905</u>	<u>\$ 89,294</u>	<u>\$ 81,742</u>	<u>\$ 74,135</u>	<u>\$ (14,726)</u>	<u>\$ (26,525)</u>	
<u>\$ 179,898</u>	<u>\$ 185,012</u>	<u>\$ (155,066)</u>	<u>\$ (21,768)</u>	<u>\$ 290,185</u>	<u>\$ 600,971</u>	
1.436%	2.501%	1.718%	0.886%	1.988%	0.000%	

General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	Taxes on Recordation and Wills	Other Local Tax	Total
2021	\$ 171,066	\$ 120,566	\$ 59,131	\$ 20,597	\$ 46,386	\$ 417,746
2020	144,402	127,263	57,765	8,114	35,982	373,526
2019	124,764	129,227	58,333	4,245	32,884	349,453
2018	122,452	148,083	58,162	22,335	29,759	380,791
2017	130,764	134,357	58,419	23,386	24,687	371,613
2016	138,331	135,842	55,960	18,425	25,128	373,686
2015	119,295	137,933	54,461	23,141	24,247	359,077
2014	113,641	138,177	54,283	19,231	21,524	346,856
2013	111,989	138,706	53,113	16,330	20,825	340,963
2012	107,600	138,686	53,724	15,937	19,897	335,844

County of Highland, Virginia

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year		Real Estate		Personal Property		Machinery and Tools		Minerals/ Mineral Lands		Merchants' Capital
2021	\$	674,492,600	\$	24,137,581	\$	120,590	\$	143,398	\$	396,266
2020		674,856,900		24,320,631		113,772		96,200		339,413
2019		672,739,600		23,932,335		119,760		96,200		372,560
2018		671,184,500		22,960,365		122,797		96,200		380,638
2017		691,569,200		22,332,491		126,145		96,200		442,774
2016		689,984,500		21,165,297		97,995		96,200		403,664
2015		685,407,700		20,629,094		103,157		96,200		423,955
2014		684,184,600		20,926,113		14,610		96,200		364,385
2013		680,516,700		22,737,551		15,202		96,200		280,847
2012		678,681,200		22,041,643		42,601		96,200		266,699

(1) Estimated Actual Taxable Value includes information for Real Estate only.

Source: Commissioner of Revenue

Table 7

	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (1)
\$	24,610,806	\$ 723,901,241	\$ 698,936,558	96.50%
	24,062,731	723,789,647	698,753,248	96.58%
	22,883,091	720,143,546	695,501,231	96.73%
	22,552,747	717,297,247	693,737,247	96.75%
	20,169,676	734,736,486	711,738,876	97.17%
	18,894,437	730,642,093	708,878,937	97.33%
	16,857,775	723,517,881	702,265,475	97.60%
	15,931,678	721,517,586	700,031,872	97.74%
	15,414,394	719,060,894	695,876,725	97.79%
	14,394,553	715,522,896	693,007,542	97.93%

Property Tax Rates (1)
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2021	\$ 0.48	\$ 2.75	\$ 0.48	\$ 1.00	\$ 1.00
2020	0.48	2.75	0.48	1.00	1.00
2019	0.48	2.50	0.44	1.00	1.00
2018	0.44	2.50	0.42	1.00	1.00
2017	0.42	2.25	0.42	1.00	1.00
2016	0.42	2.25	0.40	1.00	1.00
2015	0.40	2.25	0.40	1.00	1.00
2014	0.40	2.25	0.37	1.00	1.00
2013	0.37	1.50	0.37	1.00	1.00
2012	0.37	1.50	0.40	1.00	1.00

(1) Per \$100 of assessed value.

Principal Property Taxpayers
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2021		Fiscal Year 2011	
		2021 Assessed Valuation	% of Total Assessed Valuation	2011 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,756,400	1.150%	\$ 7,592,800	1.214%
Red Oak Ranch	Farm	2,710,800	0.402%	2,578,200	0.412%
Bull Pasture Mtn Ranch	Farm	2,032,900	0.301%	1,936,600	0.310%
Tamarack of Highland	Farm	1,786,600	0.265%	-	0.000%
Allen Ervin	Farm	1,629,700	0.242%	-	0.000%
Sherry Sullenberger	Farm	1,541,400	0.229%	-	0.000%
Dividing Waters Farm (1)	Farm		0.000%	2,136,800	0.342%
		<u>\$ 17,457,800</u>	<u>2.588%</u>	<u>\$ 14,244,400</u>	<u>1.936%</u>

Source: Commissioner of Revenue

(1) Dividing Waters Farm was sold and surveyed into smaller parcels and some parcels sold again.

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2021	\$ 4,059,451	\$ 3,910,877	96.34%	\$ -	\$ 3,910,877	96.34%
2020	4,057,274	3,777,595	93.11%	252,228	4,029,823	99.32%
2019	3,836,601	3,712,765	96.77%	108,328	3,821,093	99.60%
2018	3,640,039	3,528,924	96.95%	82,095	3,611,019	99.20%
2017	3,598,706	3,524,584	97.94%	70,184	3,594,768	99.89%
2016	3,431,640	3,293,710	95.98%	136,554	3,430,264	99.96%
2015	3,326,987	3,200,663	96.20%	126,278	3,326,941	100.00%
2014	3,205,509	3,076,483	95.97%	128,981	3,205,464	100.00%
2013	2,962,159	2,856,212	96.42%	105,904	2,962,116	100.00%
2012	2,940,562	2,800,386	95.23%	140,145	2,940,531	100.00%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Revenue Bonds			
2021	\$ -	\$ -	\$ 118,242	\$ 118,242	0.11%	\$ 53
2020	-	-	124,646	124,646	0.12%	55
2019	-	110,694	130,753	241,447	0.23%	107
2018	-	79,474	136,553	216,027	0.22%	95
2017	-	96,340	142,138	238,478	0.24%	104
2016	44,731	100,535	147,440	292,706	0.30%	129
2015	88,939	-	152,491	241,430	0.26%	109
2014	240,735	-	157,321	398,056	0.46%	177
2013	388,346	-	161,923	550,269	0.80%	227
2012	532,036	-	166,314	698,350	1.02%	288

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

(1) See the Schedule of Demographic and Economic Statistics - Table 14.

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2021	\$ -	\$ -	\$ -	0.00%	\$ -
2020	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2016	44,731	-	44,731	0.01%	20
2015	88,939	-	88,939	0.01%	40
2014	240,735	-	240,735	0.03%	107
2013	388,346	-	388,346	0.05%	170
2012	532,036	-	532,036	0.07%	219

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					
	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2021 \$	41,268	\$ 45,427	\$ (4,159)	\$ 6,404	\$ 5,427	-35.15%
2020	40,549	46,978	(6,429)	6,107	5,722	-54.35%
2019	34,391	45,287	(10,896)	5,800	6,031	-92.10%
2018	35,549	53,170	(17,621)	5,585	6,248	-148.91%
2017	34,734	48,895	(14,161)	5,302	6,530	-119.68%
2016	34,371	51,977	(17,606)	5,051	6,781	-148.80%
2015	28,950	59,705	(30,755)	4,830	7,002	-259.93%
2014	40,604	58,039	(17,435)	4,602	7,242	-147.21%
2013	34,711	61,730	(27,019)	4,390	7,442	-228.36%
2012	33,181	52,233	(19,052)	4,182	7,662	-160.86%

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	School Enrollment	Unemploy- ment Rate
2021	2,226	\$ 103,097,190	\$ 46,315	60	209	3.10%
2020	2,246	100,600,586	44,791	58	218	4.90%
2019	2,265	104,445,945	46,113	58	200	2.20%
2018	2,284	99,456,000	43,545	57	193	3.50%
2017	2,300	101,321,946	44,498	57	197	3.20%
2016	2,277	99,006,237	43,481	59	193	3.10%
2015	2,215	92,583,880	41,185	58	183	3.30%
2014	2,245	87,004,975	38,755	57	189	5.61%
2013	2,288	68,648,522	28,297	54	193	6.10%
2012	2,426	68,648,522	28,297	53	228	6.10%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, www.fedstats.gov,
Bureau of Labor Statistics

Full-time Equivalent County Government Employees by Function
Last Five Fiscal Years

Function	Fiscal Year				
	2017	2018	2019	2020	2021
General government	16	16	16	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	15	16	16	17	17
Fire and rescue	1	1	1	5	5
Building inspections	2	2	1	2	2
Animal control	1	0	0	1	1
Public works					
General maintenance	3	3	2	1	1
Landfill	6	6	6	6	6
Health and welfare					
Department of social services	5	6	6	6	6
Culture and recreation					
Library	2	2	2	2	2
Totals	<u>56</u>	<u>57</u>	<u>55</u>	<u>61</u>	<u>61</u>

Source: Individual County departments

Capital Asset Statistics by Function
Last Five Fiscal Years

Function	Fiscal Year				
	2017	2018	2019	2020	2021
General government					
Administration buildings	4	4	4	4	4
Vehicles	2	2	2	2	2
Public safety					
Sheriffs department:					
Patrol units	11	11	11	11	11
Building inspections:					
Vehicles	1	1	1	1	1
Animal control:					
Vehicles	1	0	1	1	1
Public works					
General maintenance:					
Trucks/vehicles	1	1	1	1	1
Landfill:					
Vehicles	1	1	1	1	1
Equipment	2	2	2	2	2
Sites	1	1	1	1	1
Component Unit - School Board					
Education:					
Schools	2	2	2	2	2
School buses	7	7	8	7	7
School admin vehicles	7	7	5	7	7

Source: Individual County departments

COMPLIANCE



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF HIGHLAND, 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 County of Highland, Virginia as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise County of Highland, Virginia's basic financial statements, and have issued our report thereon dated January 13, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Highland, 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*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 13, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF HIGHLAND, VIRGINIA**

Report on Compliance for Each Major Federal Program

We have audited County of Highland, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Highland, Virginia's major federal programs for the year ended June 30, 2021. County of Highland, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Highland, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 13, 2022

County of Highland, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Marylee Allen Promoting Safe and Stable Families Program	93.556	Not Available	\$ 9,589	
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	34,689	
Refugee and Entrant Assistance - State/Replacement Designee				
Administered Programs	93.566	Not Available	79	
Low-Income Home Energy Assistance	93.568	Not Available	5,731	
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child				
Care and Development Fund	93.596	Not Available	7,404	
Adoption and Legal Guardianship Incentive Payments	93.603	Not Available	505	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	22	
Foster Care - Title IV-E	93.658	Not Available	36,086	
Adoption Assistance	93.659	Not Available	59,821	
Social Services Block Grant	93.667	Not Available	52,099	
John H. Chafee Foster Care Program for Successful	93.674	Not Available	359	
Transition to Adulthood				
Children's Health Insurance Program	93.767	Not Available	512	
Medicaid Cluster:				
Medical Assistance Program	93.778	Not Available	47,613	
Total Department of Health and Human Services			\$ 254,509	
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Agriculture:				
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 43,666	
Department of Education:				
COVID-19 Act Summer Food Service				
Program for Children (SFSPC)	10.559	202020N85034 1	255,675	
Total Child Nutrition Cluster			\$ 299,341	
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	APE438410000	\$ 44,235	
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program	10.561	Not Available	64,118	
Total Department of Agriculture			\$ 407,694	
Department of Homeland Security				
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	Not Available	\$ 17,675	
Total Department of Homeland Security			\$ 17,675	
Election Assistance Commission				
Pass Through Payments:				
Department of Elections:				
COVID-19 HAVA Election Security Grants	90.404	Not Available	\$ 45,258	
Total Election Assistance Commission			\$ 45,258	

County of Highland, Virginia

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Education:				
Pass Through Payments:				
Department of Education:				
Special Education Cluster:				
Special Education-Grants to States	84.027	H027A190107	\$ 55,770	
Special Education-Preschool Grants	84.173	H027A190107	2,009	
Total Special Education Cluster			\$ 57,779	
Supporting Effective Instruction State Grants	84.367	S367A190044	\$ 15,638	
Title I Grants to Local Educational Agencies	84.010	S010A190046	101,245	
Career and Technical Education - Basic Grants to States	84.048	V048A190046	3,958	
Student Support and Academic Enrichment Program	84.424	S424A190048	10,000	
Total Department of Education			\$ 188,620	
Department of Treasury:				
Pass Through Payments:				
Virginia Department of Accounts:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	\$ 328,418	\$ 168,079
Virginia Department of Education:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	100,000	
Total COVID-19 Coronavirus Relief Fund			\$ 428,418	\$ 168,079
Total Department of Treasury			\$ 428,418	
Total Expenditures of Federal Awards			\$ 1,342,174	\$ 168,079

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 Highland, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the County of Highland, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Highland, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

(3) County of Highland, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

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

NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Primary government:	
Governmental funds	\$ 869,057
School Board funds	632,196
Payments in lieu of tax received from the Department of the Interior not included on schedule	(159,079)
Total primary government	\$ 1,342,174

COUNTY OF HIGHLAND, VIRGINIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no

- Significant deficiency(ies) identified? yes x 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)? yes x no

Identification of major programs:

Assistance Listing
Numbers

Name of Federal Program or Cluster

10.555/10.559 Child Nutrition Cluster
21.019 COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

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

Section IV-Prior Year Findings

There are no prior year findings.