

# COUNTY OF HIGHLAND, VIRGINIA



## FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

**COUNTY OF HIGHLAND, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2020**

---

## County of Highland, Virginia

---

### Board of Supervisors

---

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

### County School Board

---

Sherry Sullenberger, Chairman  
Joseph Neil, Vice-Chairman  
Kenny Hodges, Member

### Welfare Board Members

---

David W. Blanchard, Chairman  
Kim Billingsley, Vice-Chairman  
Matthew Blagg, 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 .....	Alice Shumate
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

## Table of Contents

	<u>Page</u>
Independent Auditors' Report .....	1-3
Management's Discussion and Analysis .....	4-9

	<u>Exhibit</u>	<u>Page</u>
--	----------------	-------------

### Basic Financial Statements:

#### *Government-wide Financial Statements:*

Statement of Net Position .....	1	10
Statement of Activities .....	2	11-12

#### *Fund Financial Statements:*

Balance Sheet—Governmental Funds .....	3	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	4	14
Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds .....	5	15-16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6	17
Statement of Net Position—Proprietary Funds .....	7	18
Statement of Revenues, Expenses, and Changes in Net Position— Proprietary Funds .....	8	19
Statement of Cash Flows—Proprietary Funds .....	9	20
Notes to Financial Statements .....		21-71

### Required Supplementary Information:

#### *Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual:*

General Fund .....	10	72
Special Revenue Fund—Virginia Public Assistance Fund .....	11	73
Special Revenue Fund—E-911 Fund .....	12	74
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Primary Government .....	13	75-76

---

**Table of Contents (Continued)**

---

	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
<b>Required Supplementary Information: (Continued)</b>		
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Component Unit School Board (nonprofessional) .....	14	77-78
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan .....	15	79
Schedule of Employer Contributions – Pension Plans .....	16	80
Notes to Required Supplementary Information – Pension Plans .....	17	81
Schedule of County's Share of Net OPEB Liability – Group Life Insurance Plan .....	18	82
Schedule of School Board's Share of Net OPEB Liability – Group Life Insurance Plan .....	19	83
Schedule of Employer Contributions – Group Life Insurance Plan .....	20	84
Notes to Required Supplementary Information – Group Life Insurance Plan .....	21	85
Schedule of School Board's Share of Net OPEB Liability – Teacher Employee Health Insurance Credit (HIC) Plan .....	22	86
Schedule of Employer Contributions – Teacher Employee Health Insurance Credit (HIC) Plan .....	23	87
Notes to Required Supplementary Information – Teacher Employee Health Insurance Credit (HIC) Plan .....	24	88
<b>Other Supplementary Information:</b>		
Agency Fund—Statement of Changes in Assets and Liabilities .....	25	89
<i>Schedule of Revenues, Expenditures, and Changes in Fund Balances—     Budget and Actual:</i>		
County Capital Improvements Fund .....	26	90
School Capital Projects Fund .....	27	91
Nonmajor Special Revenue Funds .....	28	92
<i>Discretely Presented Component Unit-School Board:</i>		
Combining Balance Sheet .....	29	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds .....	30	94
Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual .....	31	95-96

## Table of Contents (Continued)

### Other Supplementary Information: (Continued)

	<u>Exhibit</u>	<u>Page</u>
<i>Discretely Presented Component Unit- Economic Development Authority of Highland County, Virginia:</i>		
Statement of Net Position .....	32	97
Statement of Revenues, Expenses, and Changes in Net Position .....	33	98
Statement of Cash Flows .....	34	99

	<u>Schedule</u>	<u>Page</u>
<i>Supporting Schedules:</i>		
Schedule of Revenues—Budget and Actual—Governmental Funds .....	1	100-104
Schedule of Expenditures—Budget and Actual—Governmental Funds .....	2	105-108

	<u>Table</u>	<u>Page</u>
<b>Statistical Information:</b>		
Net Position by Component .....	1	109-110
Changes in Net Position .....	2	111-114
Governmental Activities Tax Revenues by Source .....	3	115
Fund Balances of Governmental Funds .....	4	116-117
Changes in Fund Balances of Governmental Funds .....	5	118-119
General Governmental Tax Revenues by Source .....	6	120
Assessed Value and Estimated Actual Value of Taxable Property .....	7	121-122
Property Tax Rates .....	8	123
Principal Property Taxpayers .....	9	124
Property Tax Levies and Collections .....	10	125
Ratios of Outstanding Debt by Type .....	11	126
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita ...	12	127
Pledged-Revenue Coverage .....	13	128
Demographic and Economic Statistics .....	14	129
Full-time Equivalent County Government Employees by Function .....	15	130
Capital Assets Statistics by Function .....	16	131

### Compliance:

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 <i>Government Auditing Standards</i> .....	132-133
---	---------

## Table of Contents (Continued)

---

### **Compliance: (Continued)**

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	134-135
Schedule of Expenditures of Federal Awards .....	136-137
Schedule of Findings and Questioned Costs .....	138



---

**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, 2020, 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, 2020, 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.

## **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, 72-74, and 75-88 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.

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 December 11, 2020, 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  
December 11, 2020

## **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, 2020.

### **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 \$7,342,226 (net position). Of this amount, \$5,014,745 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$(917,033) of which \$(3,730,763) is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$373,275, while the School Board's net position decreased by \$(136,301). (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,779,802, or 76 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2020 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2020.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,026,765, a increase of \$290,185 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 \$7,342,226 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,271,482	\$ 6,644,960	\$ 932,451	\$ 902,279	\$ 8,203,933	\$ 7,547,239
Capital assets	1,677,834	1,827,111	701,486	733,848	2,379,320	2,560,959
Total	\$ 8,949,316	\$ 8,472,071	\$ 1,633,937	\$ 1,636,127	\$ 10,583,253	\$ 10,108,198
Deferred Outflows of Resources	\$ 328,889	\$ 225,023	\$ 28,227	\$ 10,018	\$ 357,116	\$ 235,041
Long-term liabilities	\$ 1,170,993	\$ 1,307,950	\$ 191,403	\$ 174,162	\$ 1,362,396	\$ 1,482,112
Other liabilities	287,721	91,819	18,484	20,353	306,205	112,172
Total	\$ 1,458,714	\$ 1,399,769	\$ 209,887	\$ 194,515	\$ 1,668,601	\$ 1,594,284
Deferred Inflows of Resources	\$ 1,920,277	\$ 1,776,531	\$ 9,265	\$ 3,473	\$ 1,929,542	\$ 1,780,004
Net investment in capital assets	\$ 1,677,834	\$ 1,716,417	\$ 576,840	\$ 603,095	\$ 2,254,674	\$ 2,319,512
Restricted	53,961	169,525	18,846	18,846	72,807	188,371
Unrestricted	4,167,419	3,634,852	847,326	826,216	5,014,745	4,461,068
Total net position	\$ 5,899,214	\$ 5,520,794	\$ 1,443,012	\$ 1,448,157	\$ 7,342,226	\$ 6,968,951

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 30.71 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 \$5,014,745 or 68.30 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 \$373,275.

### Governmental Activities

Governmental activities increased the County's net position by \$378,420.

### **County of Highland's Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 35,450	\$ 33,893	\$ 418,535	\$ 406,927	\$ 453,985	\$ 440,820
Operating grants and contributions	1,544,009	1,518,561	5,904	7,241	1,557,413	1,525,802
Capital grants and contributions	7,500	-	-	-	-	-
General revenues:						
General property taxes	3,878,523	3,645,328	-	-	3,878,523	3,645,328
Other local taxes	373,526	349,453	-	-	373,526	349,453
Use of money and property	67,557	85,710	715	841	68,272	86,551
Other	46,295	53,060	-	-	46,295	53,060
Grants and contributions not restricted to specific programs	357,366	346,381	-	-	357,366	346,381
Total Revenues	\$ 6,310,226	\$ 6,032,386	\$ 425,154	\$ 415,009	\$ 6,735,380	\$ 6,447,395
Expenses:						
General government	\$ 1,093,375	\$ 1,030,748	\$ -	\$ -	\$ 1,093,375	\$ 1,030,748
Judicial administration	298,969	306,194	-	-	298,969	306,194
Public safety	1,325,589	1,102,196	-	-	1,325,589	1,102,196
Public works	47,354	57,113	-	-	47,354	57,113
Health and welfare	579,137	683,751	-	-	579,137	683,751
Education	2,275,557	2,534,181	-	-	2,275,557	2,534,181
Parks, recreational, and cultural	107,009	98,841	-	-	107,009	98,841
Community development	188,825	175,093	-	-	188,825	175,093
Interest on long-term debt	1,265	5,543	-	-	1,265	5,543
Recreation Commission	-	-	46,864	44,353	46,864	44,353
Refuse Disposal	-	-	345,461	322,787	345,461	322,787
McDowell Water System	-	-	52,700	51,318	52,700	51,318
Total	\$ 5,917,080	\$ 5,993,660	\$ 445,025	\$ 418,458	\$ 6,362,105	\$ 6,412,118
Increase in net position before transfers	\$ 393,146	\$ 38,726	\$ (19,871)	\$ (3,449)	\$ 373,275	\$ (35,277)
Transfers	\$ (14,726)	\$ 6,300	\$ 14,726	\$ 6,300	\$ (14,726)	\$ -
Increase / decrease in net position	\$ 378,420	\$ 32,426	\$ (5,145)	\$ 2,851	\$ 373,275	\$ 35,277
Net position, beginning	5,520,794	5,488,368	1,448,157	1,445,306	6,968,951	6,933,674
Net position, ending	\$ 5,899,214	\$ 5,520,794	\$ 1,443,012	\$ 1,448,157	\$ 7,342,226	\$ 6,968,951



## **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 \$5,026,765.

The general fund is the chief operating fund of the County. As of June 30, 2020, total fund balance of the general fund was \$4,630,144, of which \$3,779,802 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 63 percent and total fund balance represents 78 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$2,554,410.

The fund balance of the County's general fund increased by \$280,911 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 \$847,326. 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 \$3,995 increase, which is .0007 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$0, which is 0 percent of the total original budget.

## **Capital Asset and Debt Administration**

### **Capital assets**

The County's investment in capital assets as of June 30, 2020 is \$2,379,320 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Construction in progress	100,000	-	-	-	100,000	-
Buildings and improvements	983,322	1,053,325	-	-	983,322	1,053,325
Machinery and equipment	397,147	576,421	-	-	397,147	576,421
Utility plant and equipment	-	-	690,695	730,032	690,695	730,032
Furniture and equipment	-	-	6,975	-	6,975	-
Total	<u>\$ 1,677,834</u>	<u>\$ 1,827,111</u>	<u>\$ 701,486</u>	<u>\$ 733,848</u>	<u>\$ 2,379,320</u>	<u>\$ 2,560,959</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	
	2020	2019	2020	2019	2020	2019
Landfill closure/ post-closure liability	\$ 58,394	\$ 57,447	\$ -	\$ -	\$ 58,394	\$ 57,447
Revenue Bonds	-	-	124,646	130,753	124,646	130,753
Net Pension Liability	845,865	879,795	41,899	25,595	887,764	905,390
Net OPEB Liability	111,324	105,739	5,514	5,261	116,838	111,000
Compensated absences	155,410	154,275	19,344	12,553	174,754	166,828
Capital Leases	-	110,694	-	-	-	110,694
Total	<u>\$ 1,170,993</u>	<u>\$ 1,307,950</u>	<u>\$ 191,403</u>	<u>\$ 174,162</u>	<u>\$ 1,362,396</u>	<u>\$ 1,482,112</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 4.9 percent, which is an increase from the rate of 2.2 percent a year ago. This compares favorably to the state's average unemployment rate of 8.2 percent and the national average rate of 11.1 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 2021 fiscal year.

During fiscal year 2020, unassigned fund balance in the general fund increased \$225,392. 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, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,922,734	\$ 876,144	\$ 5,798,878	\$ 288,250	\$ 42,997
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,946,167	-	1,946,167	-	-
Accounts receivable	20,923	56,307	77,230	-	-
Notes receivable	55,000	-	55,000	-	-
Due from component unit	161,477	-	161,477	-	-
Due from other governmental units	150,140	-	150,140	161,527	-
Inventories	-	-	-	16,760	-
Prepaid items	15,041	-	15,041	33,614	-
Capital assets (net of accumulated depreciation):					
Land	197,365	3,816	201,181	13,035	-
Buildings and improvements	983,322	-	983,322	2,490,516	-
Machinery and equipment	397,147	-	397,147	310,179	-
Utility plant and equipment	-	697,670	697,670	-	-
Construction in progress	100,000	-	100,000	-	-
Total assets	\$ 8,949,316	\$ 1,633,937	\$ 10,583,253	\$ 3,313,881	\$ 42,997
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	\$ 306,544	\$ 27,157	\$ 333,701	\$ 710,644	\$ -
OPEB related items	22,345	1,070	23,415	74,074	-
Total Deferred Outflows of Resources	\$ 328,889	\$ 28,227	\$ 357,116	\$ 784,718	\$ -
<b>LIABILITIES</b>					
Accounts payable	\$ 84,361	\$ 18,288	\$ 102,649	\$ 6,105	\$ -
Accrued liabilities	-	-	-	288,250	-
Accrued interest payable	-	196	196	-	-
Due to primary government	-	-	-	161,477	-
Unearned revenue	203,360	-	203,360	-	-
Long-term liabilities:					
Due within one year	-	6,412	6,412	-	-
Due in more than one year	1,170,993	184,991	1,355,984	4,063,352	-
Total liabilities	\$ 1,458,714	\$ 209,887	\$ 1,668,601	\$ 4,519,184	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 1,679,409	\$ -	\$ 1,679,409	\$ -	\$ -
Pension related items	232,256	8,838	241,094	457,899	-
OPEB related items	8,612	427	9,039	38,549	-
Total deferred inflows of resources	\$ 1,920,277	\$ 9,265	\$ 1,929,542	\$ 496,448	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 1,677,834	\$ 576,840	\$ 2,254,674	\$ 2,813,730	\$ -
Restricted:					
Debt service and bond covenants	-	18,846	18,846	-	-
Recording equipment	768	-	768	-	-
Law library	7,782	-	7,782	-	-
Courthouse maintenance	6,300	-	6,300	-	-
E911	6,964	-	6,964	-	-
\$4 for life program	27,876	-	27,876	-	-
Forfeited assets	4,271	-	4,271	-	-
Unrestricted	4,167,419	847,326	5,014,745	(3,730,763)	42,997
Total net position	\$ 5,899,214	\$ 1,443,012	\$ 7,342,226	\$ (917,033)	\$ 42,997

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

County of Highland, Virginia

Statement of Activities  
Year Ended June 30, 2020

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government administration	\$ 1,093,375	\$ 184	\$ 194,597	\$ -
Judicial administration	298,969	3,917	233,390	-
Public safety	1,325,589	31,349	608,709	7,500
Public works	47,354	-	-	-
Health and welfare	579,137	-	426,897	-
Education	2,275,557	-	80,416	-
Parks, recreation, and cultural	107,009	-	-	-
Community development	188,825	-	-	-
Interest on long-term debt	1,265	-	-	-
Total governmental activities	<u>\$ 5,917,080</u>	<u>\$ 35,450</u>	<u>\$ 1,544,009</u>	<u>\$ 7,500</u>
Business-type Activities:				
Refuse Disposal	\$ 345,461	\$ 332,005	\$ 5,904	\$ -
McDowell Water System	52,700	40,549	-	-
Recreation Commission	46,864	45,981	-	-
Total business-type activities	<u>\$ 445,025</u>	<u>\$ 418,535</u>	<u>\$ 5,904</u>	<u>\$ -</u>
Total primary government	<u>\$ 6,362,105</u>	<u>\$ 453,985</u>	<u>\$ 1,549,913</u>	<u>\$ 7,500</u>
<b>COMPONENT UNITS:</b>				
School Board	\$ 4,597,227	\$ 45,276	\$ 2,131,016	\$ -
Economic Development Authority	313,710	306	27,053	-
Total component units	<u>\$ 4,910,937</u>	<u>\$ 45,582</u>	<u>\$ 2,158,069</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

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
\$ (898,594)	\$ -	\$ (898,594)	\$ -	\$ -
(61,662)	-	(61,662)	-	-
(678,031)	-	(678,031)	-	-
(47,354)	-	(47,354)	-	-
(152,240)	-	(152,240)	-	-
(2,195,141)	-	(2,195,141)	-	-
(107,009)	-	(107,009)	-	-
(188,825)	-	(188,825)	-	-
(1,265)	-	(1,265)	-	-
<u>\$ (4,330,121)</u>	<u>\$ -</u>	<u>\$ (4,330,121)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (7,552)	\$ (7,552)	\$ -	\$ -
-	(12,151)	(12,151)	-	-
-	(883)	(883)	-	-
<u>\$ -</u>	<u>\$ (20,586)</u>	<u>\$ (20,586)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (4,330,121)</u>	<u>\$ (20,586)</u>	<u>\$ (4,350,707)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(2,420,935)	\$ -
-	-	-	-	(286,351)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,420,935)</u>	<u>(286,351)</u>
\$ 3,878,523	\$ -	\$ 3,878,523	\$ -	\$ -
144,402	-	144,402	-	-
127,263	-	127,263	-	-
57,765	-	57,765	-	-
8,114	-	8,114	-	-
35,982	-	35,982	-	-
67,557	715	68,272	-	16
46,295	-	46,295	9,077	-
357,366	-	357,366	2,275,557	280,897
(14,726)	14,726	-	-	-
<u>\$ 4,708,541</u>	<u>\$ 15,441</u>	<u>\$ 4,723,982</u>	<u>\$ 2,284,634</u>	<u>\$ 280,913</u>
\$ 378,420	\$ (5,145)	\$ 373,275	\$ (136,301)	\$ (5,438)
5,520,794	1,448,157	6,968,951	(780,732)	48,435
<u>\$ 5,899,214</u>	<u>\$ 1,443,012</u>	<u>\$ 7,342,226</u>	<u>\$ (917,033)</u>	<u>\$ 42,997</u>

## **FUND FINANCIAL STATEMENTS**

Balance Sheet  
Governmental Funds  
June 30, 2020

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,528,401	\$ -	\$ 1,485	\$ 144,009	\$ 239,606	\$ 9,233	\$ 4,922,734
Receivables (net of allowance for uncollectibles):							
Taxes receivable	1,946,167	-	-	-	-	-	1,946,167
Accounts receivable	20,923	-	-	-	-	-	20,923
Notes receivable	55,000	-	-	-	-	-	55,000
Due from other funds	22,592	-	-	-	-	-	22,592
Due from component unit	161,477	-	-	-	-	-	161,477
Due from other governmental units	116,510	26,338	7,292	-	-	-	150,140
Prepaid items	1,696	-	-	13,345	-	-	15,041
Total assets	<u>\$ 6,852,766</u>	<u>\$ 26,338</u>	<u>\$ 8,777</u>	<u>\$ 157,354</u>	<u>\$ 239,606</u>	<u>\$ 9,233</u>	<u>\$ 7,294,074</u>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 62,266	\$ 3,746	\$ 1,813	\$ 13,089	\$ -	\$ 3,447	\$ 84,361
Due to other funds	-	22,592	-	-	-	-	22,592
Unearned revenue - other	203,360	-	-	-	-	-	203,360
Total liabilities	<u>\$ 265,626</u>	<u>\$ 26,338</u>	<u>\$ 1,813</u>	<u>\$ 13,089</u>	<u>\$ -</u>	<u>\$ 3,447</u>	<u>\$ 310,313</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	\$ 1,956,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,956,996
Total deferred inflows of resources	<u>\$ 1,956,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,956,996</u>
<b>FUND BALANCES:</b>							
Nonspendable:							
Prepaid items	\$ 1,696	\$ -	\$ -	\$ 13,345	\$ -	\$ -	\$ 15,041
Notes receivable	55,000	-	-	-	-	-	55,000
Restricted:							
Recording equipment	768	-	-	-	-	-	768
Law library	7,782	-	-	-	-	-	7,782
Courthouse maintenance	6,300	-	-	-	-	-	6,300
E911	-	-	6,964	-	-	-	6,964
\$4 for life program	27,876	-	-	-	-	-	27,876
Forfeited assets	-	-	-	-	-	4,271	4,271
Committed:							
Assessor	15,700	-	-	-	-	-	15,700
Equipment replacement	115,630	-	-	-	-	-	115,630
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	9,240	-	-	-	-	-	9,240
Cupola timepiece project	853	-	-	-	-	-	853
Dangerous dog registry	490	-	-	-	-	-	490
EMS Stipends	28,312	-	-	-	-	-	28,312
Body armor	2,600	-	-	-	-	-	2,600
Assigned:							
Fire prevention programs	42,291	-	-	-	-	-	42,291
Special revenue funds	-	-	-	-	-	1,515	1,515
Capital projects funds	-	-	-	130,920	239,606	-	370,526
Unassigned	3,779,802	-	-	-	-	-	3,779,802
Total fund balances	<u>\$ 4,630,144</u>	<u>\$ -</u>	<u>\$ 6,964</u>	<u>\$ 144,265</u>	<u>\$ 239,606</u>	<u>\$ 5,786</u>	<u>\$ 5,026,765</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,852,766</u>	<u>\$ 26,338</u>	<u>\$ 8,777</u>	<u>\$ 157,354</u>	<u>\$ 239,606</u>	<u>\$ 9,233</u>	<u>\$ 7,294,074</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, 2020

---

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	5,026,765	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Land	\$	197,365		
Buildings and improvements		983,322		
Machinery and equipment		397,147		
Construction in progress		<u>100,000</u>		
			1,677,834	
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			277,587	
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.				
Pension related items	\$	306,544		
OPEB related items		<u>22,345</u>		
			328,889	
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	\$	(155,410)		
Landfill closure/post-closure costs		(58,394)		
Net pension liability		(845,865)		
Net OPEB liabilities		<u>(111,324)</u>		
			(1,170,993)	
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.				
Pension related items	\$	(232,256)		
OPEB related items		<u>(8,612)</u>		
			(240,868)	
Net position of governmental activities			\$	<u><u>5,899,214</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, 2020

	General	Virginia Public Assistance	E-911	County Capital Improvements
<b>REVENUES</b>				
General property taxes	\$ 3,757,460	\$ -	\$ -	\$ -
Other local taxes	373,526	-	-	-
Permits, privilege fees, and regulatory licenses	17,171	-	-	-
Fines and forfeitures	1,529	-	-	-
Revenue from the use of money and property	67,557	-	-	-
Charges for services	16,750	-	-	-
Miscellaneous	45,223	1,072	-	-
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,169,777	140,829	43,817	-
Federal	179,933	286,068	-	-
Total revenues	<u>\$ 5,628,926</u>	<u>\$ 427,969</u>	<u>\$ 43,817</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 995,186	\$ -	\$ -	\$ -
Judicial administration	297,490	-	-	-
Public safety	1,114,773	-	182,633	-
Public works	40,302	-	-	-
Health and welfare	113,385	491,675	-	-
Education	2,157,348	-	-	-
Parks, recreation, and cultural	70,440	-	-	-
Community development	188,825	-	-	-
Nondepartmental	9,919	-	-	-
Capital projects	10,737	-	-	60,247
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 4,998,405</u>	<u>\$ 491,675</u>	<u>\$ 182,633</u>	<u>\$ 60,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 630,521</u>	<u>\$ (63,706)</u>	<u>\$ (138,816)</u>	<u>\$ (60,247)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,900	\$ 63,706	\$ 17,659	\$ 134,000
Transfers out	(353,510)	-	-	-
Total other financing sources (uses)	<u>\$ (349,610)</u>	<u>\$ 63,706</u>	<u>\$ 17,659</u>	<u>\$ 134,000</u>
Net change in fund balances	\$ 280,911	\$ -	\$ (121,157)	\$ 73,753
Fund balances - beginning	4,349,233	-	128,121	70,512
Fund balances - ending	<u>\$ 4,630,144</u>	<u>\$ -</u>	<u>\$ 6,964</u>	<u>\$ 144,265</u>

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

**Exhibit 5**

<b>School Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 3,757,460
-	-	373,526
-	-	17,171
-	-	1,529
-	-	67,557
-	-	16,750
-	-	46,295
80,416	-	80,416
-	8,035	1,362,458
-	-	466,001
<u>\$ 80,416</u>	<u>\$ 8,035</u>	<u>\$ 6,189,163</u>
\$ -	\$ -	\$ 995,186
-	-	297,490
-	11,731	1,309,137
-	-	40,302
-	-	605,060
-	-	2,157,348
-	-	70,440
-	-	188,825
-	-	9,919
25,031	-	96,015
110,694	-	110,694
3,836	-	3,836
<u>\$ 139,561</u>	<u>\$ 11,731</u>	<u>\$ 5,884,252</u>
<u>\$ (59,145)</u>	<u>\$ (3,696)</u>	<u>\$ 304,911</u>
\$ 119,519	\$ -	\$ 338,784
-	-	(353,510)
<u>\$ 119,519</u>	<u>\$ -</u>	<u>\$ (14,726)</u>
\$ 60,374	\$ (3,696)	\$ 290,185
179,232	9,482	4,736,580
<u>\$ 239,606</u>	<u>\$ 5,786</u>	<u>\$ 5,026,765</u>

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
Year Ended June 30, 2020

---

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

Net change in fund balances - total governmental funds	\$ 290,185
--	------------

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	\$ 124,178	
Depreciation expense	(180,277)	
Allocation of debt financed school assets based on current year debt issuance and repayments	<u>(93,178)</u>	
		(149,277)

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

Property taxes	121,063
----------------	---------

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.

Principal repayments	\$ 110,694	
Accrued interest	2,571	
Increase in accrued landfill closure and post-closure monitoring costs	<u>(947)</u>	
		112,318

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	\$ (1,135)	
Change in pension related items	(673)	
Change in OPEB related items	<u>5,939</u>	
		<u>4,131</u>

Change in net position of governmental activities	\$ <u><u>378,420</u></u>
---	--------------------------

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

Statement of Net Position  
 Proprietary Funds  
 June 30, 2020

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 88,835	\$ 612,724	\$ 174,585	\$ 876,144
Accounts receivable	12,036	44,271	-	56,307
Total current assets	<u>\$ 100,871</u>	<u>\$ 656,995</u>	<u>\$ 174,585</u>	<u>\$ 932,451</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,222,853	192,677	20,801	1,436,331
Accumulated depreciation	(600,601)	(124,234)	(13,826)	(738,661)
Net capital assets	<u>\$ 626,068</u>	<u>\$ 68,443</u>	<u>\$ 6,975</u>	<u>\$ 701,486</u>
Total assets	<u>\$ 726,939</u>	<u>\$ 725,438</u>	<u>\$ 181,560</u>	<u>\$ 1,633,937</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ -	\$ 27,157	\$ -	\$ 27,157
OPEB related items	-	1,070	-	1,070
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 28,227</u>	<u>\$ -</u>	<u>\$ 28,227</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 230	\$ 18,058	\$ -	\$ 18,288
Accrued interest payable	196	-	-	196
Revenue bonds - current portion	6,412	-	-	6,412
Total current liabilities	<u>\$ 6,838</u>	<u>\$ 18,058</u>	<u>\$ -</u>	<u>\$ 24,896</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 118,234	\$ -	\$ -	\$ 118,234
Compensated absences	-	19,344	-	19,344
Net OBEB liability	-	5,514	-	5,514
Net pension liability	-	41,899	-	41,899
Total noncurrent liabilities	<u>\$ 118,234</u>	<u>\$ 66,757</u>	<u>\$ -</u>	<u>\$ 184,991</u>
Total liabilities	<u>\$ 125,072</u>	<u>\$ 84,815</u>	<u>\$ -</u>	<u>\$ 209,887</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ -	\$ 8,838	\$ -	\$ 8,838
OPEB related items	-	427	-	427
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 9,265</u>	<u>\$ -</u>	<u>\$ 9,265</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 501,422	\$ 68,443	\$ 6,975	\$ 576,840
Restricted for debt service and bond covenants	18,846	-	-	18,846
Unrestricted	81,599	591,142	174,585	847,326
Total net position	<u>\$ 601,867</u>	<u>\$ 659,585</u>	<u>\$ 181,560</u>	<u>\$ 1,443,012</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, 2020

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Water revenues	\$ 40,549	\$ -	\$ -	\$ 40,549
Refuse disposal	-	309,332	-	309,332
Recycling revenues	-	9,201	-	9,201
Tire disposal	-	3,495	-	3,495
Program income	-	-	45,751	45,751
Other revenues	-	9,977	230	10,207
Total operating revenues	<u>\$ 40,549</u>	<u>\$ 332,005</u>	<u>\$ 45,981</u>	<u>\$ 418,535</u>
<b>OPERATING EXPENSES</b>				
Personnel services	\$ 11,629	\$ 134,143	\$ -	\$ 145,772
Contractual services	3,135	191,501	-	194,636
Depreciation	23,801	7,631	930	32,362
Supplies	-	-	25,604	25,604
Utilities	-	-	7,508	7,508
Other charges	8,413	12,186	12,822	33,421
Total operating expenses	<u>\$ 46,978</u>	<u>\$ 345,461</u>	<u>\$ 46,864</u>	<u>\$ 439,303</u>
Operating income (loss)	<u>\$ (6,429)</u>	<u>\$ (13,456)</u>	<u>\$ (883)</u>	<u>\$ (20,768)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue (expense)	\$ -	\$ 5,904	\$ -	\$ 5,904
Investment income	45	-	670	715
Interest expense	(5,722)	-	-	(5,722)
Total nonoperating revenues (expenses)	<u>\$ (5,677)</u>	<u>\$ 5,904</u>	<u>\$ 670</u>	<u>\$ 897</u>
Income before transfers	<u>\$ (12,106)</u>	<u>\$ (7,552)</u>	<u>\$ (213)</u>	<u>\$ (19,871)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,126	\$ -	\$ 17,500	\$ 18,626
Transfers out	-	(3,900)	-	(3,900)
Total other financing sources (uses)	<u>\$ 1,126</u>	<u>\$ (3,900)</u>	<u>\$ 17,500</u>	<u>\$ 14,726</u>
Change in net position	<u>\$ (10,980)</u>	<u>\$ (11,452)</u>	<u>\$ 17,287</u>	<u>\$ (5,145)</u>
Total net position - beginning	612,847	671,037	164,273	1,448,157
Total net position - ending	<u>\$ 601,867</u>	<u>\$ 659,585</u>	<u>\$ 181,560</u>	<u>\$ 1,443,012</u>

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

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2020

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 34,514	\$ 306,779	\$ 44,771	\$ 386,064
Payments to suppliers	(11,774)	(203,968)	(25,972)	(241,714)
Payments to employees	(11,629)	(123,212)	-	(134,841)
Other receipts (payments)	-	9,977	(20,100)	(10,123)
Net cash provided by (used for) operating activities	\$ 11,111	\$ (10,424)	\$ (1,301)	\$ (614)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	\$ -	\$ (3,900)	\$ -	\$ (3,900)
Transfers from other funds	1,126	-	17,500	18,626
Intergovernmental revenues	-	5,904	-	5,904
Net cash provided by (used for) noncapital financing activities	\$ 1,126	\$ 2,004	\$ 17,500	\$ 20,630
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal payments on bonds	\$ (6,107)	\$ -	\$ -	\$ (6,107)
Interest expense	(5,736)	-	-	(5,736)
Net cash provided by (used for) capital and related financing activities	\$ (11,843)	\$ -	\$ -	\$ (11,843)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	\$ 45	\$ -	\$ 670	\$ 715
Net cash provided by (used for) investing activities	\$ 45	\$ -	\$ 670	\$ 715
Net increase (decrease) in cash and cash equivalents	\$ 439	\$ (8,420)	\$ 16,869	\$ 8,888
Cash and cash equivalents - beginning	88,396	621,144	157,716	867,256
Cash and cash equivalents - ending	<u>88,835</u>	<u>612,724</u>	<u>174,585</u>	<u>876,144</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (6,429)	\$ (13,456)	\$ (883)	\$ (20,768)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 23,801	\$ 7,631	\$ 930	\$ 32,362
(Increase) decrease in accounts receivable	(6,035)	(15,249)	-	(21,284)
(Increase) decrease in deferred outflow of resources	-	(18,209)	-	(18,209)
Increase (decrease) in net pension liability	-	16,304	-	16,304
Increase (decrease) in net OPEB liability	-	253	-	253
Increase (decrease) in deferred inflows of resources	-	5,792	-	5,792
Increase (decrease) in accounts payable	(226)	(281)	(368)	(875)
Increase (decrease) in unearned revenue	-	-	(980)	(980)
Increase (decrease) in compensated absences	-	6,791	-	6,791
Total adjustments	\$ 17,540	\$ 3,032	\$ (418)	\$ 20,154
Net cash provided by (used for) operating activities	<u>\$ 11,111</u>	<u>\$ (10,424)</u>	<u>\$ (1,301)</u>	<u>\$ (614)</u>

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

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020

---

#### 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, 2020 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 E-911 funds.

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. Capital projects funds consist of the County Capital Improvements Fund and the School Capital Projects Fund.

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 Sheriff's Grants Fund.

**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.

**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.

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

---

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

**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 5<sup>th</sup> and December 5<sup>th</sup>. 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 \$6,825, at June 30, 2020 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.

**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.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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 (Continued)**

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:

<b><u>Assets</u></b>	<b><u>Years</u></b>
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.

###### **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.

**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**

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.

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.

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

---

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

**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.

**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.



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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(continued)***

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 net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### **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 Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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, 2020:

Fund	Function	Excess of Expenditures over Appropriations
Sheriff's grants fund	Drug enforcement	\$ 3,446
County capital improvements fund	Capital projects	10,247
School capital projects fund	Capital projects	80,416
E-911 fund	Administration	2,533
Total Primary Government		\$ 96,642
School Cafeteria Fund	Education	\$ 12,268
Total Component Unit - School Board		\$ 12,268
Total All Funds		\$ 108,910



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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, 2020 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.

<b>County's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	\$ 1,003,119
Total	\$ 1,003,119

##### Interest Rate Risk

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

	<b><u>Fair Value</u></b>	<b><u>Less than 1 yr</u></b>
Local Government Investment Pool	\$ 1,003,119	\$ 1,003,119

##### 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, 2020 (Continued)

### NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 30,878
Local sales taxes	25,616	-
Communication taxes	10,264	-
Moped and ATV sales tax	276	-
DMV select	3,927	-
Rolling Stock	144	-
Public assistance and welfare administration	9,209	-
Wireless	7,292	-
Commonwealth attorney	6,074	-
Clerk of Circuit Court	12,621	-
Treasurer	5,951	-
Commissioner of Revenue	5,842	-
Sheriff	45,795	-
School grants	-	102,000
Federal Government:		
School grants	-	28,649
Public assistance and welfare administration	17,129	-
Total	\$ 150,140	\$ 161,527

### 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	\$ 22,592	\$ -	\$ -	\$ 161,477
VPA Fund	-	22,592	-	-
Sub-total	\$ 22,592	\$ 22,592	\$ -	\$ 161,477
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 161,477	\$ -
Total	\$ 22,592	\$ 22,592	\$ 161,477	\$ 161,477

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, 2020 (Continued)****NOTE 7—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2020 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 3,900	\$ 353,510
Virginia Public Assistance Fund	63,706	-
Refuse Disposal Fund	-	3,900
McDowell Water System	1,126	-
Recreation Commission	17,500	-
E911	17,659	-
County Capital Improvements Fund	134,000	-
School Capital Projects Fund	119,519	-
Total	<u>\$ 357,410</u>	<u>\$ 357,410</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, 2020 was as follows:

**Governmental Activities:**

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 197,365	\$ -	\$ -	\$ 197,365
Construction in progress	-	100,000	-	100,000
Total capital assets not being depreciated	<u>\$ 197,365</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 297,365</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,841,416	\$ -	\$ -	\$ 1,841,416
Machinery and equipment	1,801,649	24,178	(110,694)	1,715,133
Total capital assets being depreciated	<u>\$ 3,643,065</u>	<u>\$ 24,178</u>	<u>\$ (110,694)</u>	<u>\$ 3,556,549</u>
Accumulated depreciation:				
Buildings and improvements	\$ (788,091)	\$ (70,003)	\$ -	\$ (858,094)
Machinery and equipment	(1,225,228)	(110,274)	17,516	(1,317,986)
Total accumulated depreciation	<u>\$ (2,013,319)</u>	<u>\$ (180,277)</u>	<u>\$ 17,516</u>	<u>\$ (2,176,080)</u>
Total capital assets being depreciated, net	<u>\$ 1,629,746</u>	<u>\$ (156,099)</u>	<u>\$ (93,178)</u>	<u>\$ 1,380,469</u>
Governmental activities capital assets, net	<u>\$ 1,827,111</u>	<u>\$ (56,099)</u>	<u>\$ (93,178)</u>	<u>\$ 1,677,834</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2020 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

*McDowell Water System Fund*

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
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	\$ -	\$ -	\$ 1,222,853
Accumulated depreciation	(576,800)	(23,801)	-	(600,601)
Capital assets being depreciated, net	\$ 646,053	\$ (23,801)	\$ -	\$ 622,252
McDowell water system capital assets, net	\$ 649,869	\$ (23,801)	\$ -	\$ 626,068

*Refuse Disposal Fund*

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2019
Capital assets being depreciated:				
Utility plant and equipment	\$ 192,677	\$ -	\$ -	\$ 192,677
Accumulated depreciation	(116,603)	(7,631)	-	(124,234)
Capital assets being depreciated, net	\$ 76,074	\$ (7,631)	\$ -	\$ 68,443
Refuse disposal fund capital assets, net	\$ 76,074	\$ (7,631)	\$ -	\$ 68,443

*Recreation Commission Fund*

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(12,896)	(930)	-	(13,826)
Capital assets being depreciated, net	\$ 7,905	\$ (930)	\$ -	\$ 6,975
Recreation commission fund capital assets, net	\$ 7,905	\$ (930)	\$ -	\$ 6,975

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2020 (Continued)

### NOTE 8—CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:	
General government administration	\$ 24,102
Judicial administration	8,738
Public safety	94,185
Public works	13,202
Health and welfare	4,347
Parks and Recreation	35,703
Total depreciation expense - governmental activities	\$ <u>180,277</u>
Business-type Activities:	
McDowell Water System	\$ 23,801
Refuse disposal	7,631
Recreation Commission	930
Total depreciation expense - business-type activities	\$ <u>32,362</u>

### Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Total capital assets not being depreciated	\$ 13,035	\$ -	\$ -	\$ 13,035
Capital assets being depreciated:				
Buildings and improvements	\$ 4,813,646	\$ 29,625	\$ (8,975)	\$ 4,834,296
Furniture, equipment and vehicles	1,171,938	156,126	(181,512)	1,146,552
Total capital assets being depreciated	\$ 5,985,584	\$ 185,751	\$ (190,487)	\$ 5,980,848
Accumulated depreciation:				
Buildings and improvements	\$ (2,229,555)	\$ (120,059)	\$ 5,834	\$ (2,343,780)
Furniture, equipment and vehicles	(898,170)	(119,715)	181,512	(836,373)
Total accumulated depreciation	\$ (3,127,725)	\$ (239,774)	\$ 187,346	\$ (3,180,153)
Total capital assets being depreciated, net	\$ 2,857,859	\$ (54,023)	\$ (3,141)	\$ 2,800,695
School Board capital assets, net	\$ 2,870,894	\$ (54,023)	\$ (3,141)	\$ 2,813,730

Depreciation expense was charged to education in the amount of \$239,774.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (Continued)

#### NOTE 8—CAPITAL ASSETS: (CONTINUED)

##### Component Unit School Board (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the *Code of Virginia*, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. During the year ended June 30, 2020 debt related to school capital assets was paid in full and the remaining net school assets that had been carried on the Primary Government for financial reporting purposes were transferred to the school board. The effect on the County of Highland, Virginia for the year ended June 30, 2020, is that school financed assets in the amount of \$93,178 are reported in the Primary Government for financial reporting purposes.

#### 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, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Capital leases	\$ 110,694	\$ -	\$ 110,694	\$ -
Landfill closure/post-closure costs	57,447	947	-	58,394
Compensated absences	154,275	1,135	-	155,410
Net OPEB liability	105,739	26,274	20,689	111,324
Net pension liability	879,795	800,366	834,296	845,865
Total Long-Term Obligations	<u>\$ 1,307,950</u>	<u>\$ 828,722</u>	<u>\$ 965,679</u>	<u>\$ 1,170,993</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Landfill closure/post-closure costs	\$ 58,394	\$ -
Compensated absences (payable from the General Fund)	\$ 155,410	\$ -
Net OPEB liability	\$ 111,324	\$ -
Net pension liability	\$ 845,865	\$ -
Total long-term obligations	<u>\$ 1,170,993</u>	<u>\$ -</u>

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2020 (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, 2020:

	Balance July 1, 2019	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2020
Direct Borrowings and Placements:				
Revenue Bonds	\$ 130,753	\$ -	\$ 6,107	\$ 124,646
Other Long-Term Obligations:				
Compensated absences	\$ 12,553	\$ 6,791	\$ -	\$ 19,344
Net OPEB liability	5,261	1,277	1,024	5,514
Net pension liability	25,595	56,778	40,474	41,899
Total Other Long-Term Obligations	\$ 43,409	\$ 64,846	\$ 41,498	\$ 66,757
Total Long-Term Obligations	\$ 174,162	\$ 64,846	\$ 47,605	\$ 191,403

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
2021	\$ 6,412	\$ 5,432
2022	6,721	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	1,321	8
Total	\$ 124,646	\$ 56,768

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2020 (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
<b><u>McDowell Water System:</u></b>		
Direct Borrowings and Placements:		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 22,563	\$ 2,317
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	15,708	1,588
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	27,074	1,236
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	59,301	1,271
Total revenue bonds	\$ 124,646	\$ 6,412
<b><u>Refuse Disposal Fund:</u></b>		
Compensated Absences	\$ 19,344	\$ -
Net OPEB Liability	5,514	-
Net Pension Liability	41,899	-
Total long-term obligations	\$ 191,403	\$ 6,412

The County's outstanding revenue bonds from direct borrowings and direct placements related to business-type activities of \$124,646 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, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Compensated absences	\$ 64,463	\$ 43,185	\$ -	\$ 107,648
Net OPEB liabilities	480,000	88,736	93,517	475,219
Net pension liability	3,317,006	1,184,215	1,020,736	3,480,485
Total Long-Term Obligations	\$ 3,861,469	\$ 1,316,136	\$ 1,114,253	\$ 4,063,352



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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 hired 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 hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 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 hired 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, 2020 (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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board Nonprofessional</b>
Inactive members or their beneficiaries currently receiving benefits	23	15
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	5	2
Inactive members active elsewhere in VRS	8	3
Total inactive members	18	6
Active members	34	9
Total covered employees	75	30

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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, 2020 was 11.89% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$181,199 and \$161,674 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2020 was 16.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$40,665 and \$39,821 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 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.

The actuarial assumptions used in the June 30, 2018 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, 2020 (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, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 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 2020; 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 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 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, 2020 (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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. 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%. 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.



# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2020 (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, 2019, 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, 2019, 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, 2019 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, 2018	\$ 7,160,314	\$ 6,254,924	\$ 905,390
Changes for the year:			
Service cost	\$ 154,618	\$ -	\$ 154,618
Interest	491,087	-	491,087
Differences between expected and actual experience	(212,208)	-	(212,208)
Assumption changes	189,970	-	189,970
Contributions - employer	-	161,912	(161,912)
Contributions - employee	-	66,429	(66,429)
Net investment income	-	417,087	(417,087)
Benefit payments, including refunds	(289,585)	(289,585)	-
Administrative expenses	-	(4,071)	4,071
Other changes	-	(264)	264
Net changes	\$ 333,882	\$ 351,508	\$ (17,626)
Balances at June 30, 2019	\$ 7,494,196	\$ 6,606,432	\$ 887,764

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2020 (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, 2018	\$ 1,343,764	\$ 889,758	\$ 454,006
Changes for the year:			
Service cost	\$ 21,471	\$ -	\$ 21,471
Interest	91,803	-	91,803
Differences between expected and actual experience	(2,288)	-	(2,288)
Assumption changes	35,821	-	35,821
Contributions - employer	-	39,821	(39,821)
Contributions - employee	-	11,973	(11,973)
Net investment income	-	59,234	(59,234)
Benefit payments, including refunds	(64,597)	(64,597)	-
Administrative expenses	-	(582)	582
Other changes	-	(37)	37
Net changes	\$ 82,210	\$ 45,812	\$ 36,398
Balances at June 30, 2019	\$ 1,425,974	\$ 935,570	\$ 490,404

***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	\$ 1,730,337	\$ 887,764	\$ 210,243
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 644,187	\$ 490,404	\$ 365,654



# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2020 (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, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$186,532 and \$97,912, respectively. At June 30, 2020, 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	\$ 11,943	\$ 173,172	\$ -	\$ 981
Change in assumptions	127,520	-	15,352	-
Net difference between projected and actual earnings on pension plan investments	-	54,883	-	7,856
Impact of change in proportional allocation	13,039	13,039	-	-
Employer contributions subsequent to the measurement date	181,199	-	40,665	-
Total	<u>\$ 333,701</u>	<u>\$ 241,094</u>	<u>\$ 56,017</u>	<u>\$ 8,837</u>

\$181,199 and \$40,665 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, 2021. 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)
2021	\$ (22,260)	\$ 14,460
2022	(68,531)	(8,254)
2023	(1,492)	(206)
2024	3,691	515

#### *Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020 (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, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$283,796 and \$291,132 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$2,990,081 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was .02272% as compared to .02435% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$302,670. 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, 2020 (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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 191,468
Change in assumptions	296,088	-
Net difference between projected and actual earnings on pension plan investments	-	65,655
Changes in proportion and differences between employer contributions and proportionate share of contributions	74,743	191,939
Employer contributions subsequent to the measurement date	283,796	-
Total	\$ 654,627	\$ 449,062

\$283,796 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b><u>Year Ended June 30</u></b>	
2021	\$ (15,384)
2022	(81,093)
2023	220
2024	11,046
2025	6,980

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 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 75 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, 2018 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, 2020 (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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	\$	<u>13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

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:

		<b>Rate</b>		
		<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>	<b>1% Increase (7.75%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$	4,501,371	\$ 2,990,081	\$ 1,740,524

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020 (Continued)****NOTE 10—PENSION PLANS: (CONTINUED)****Primary Government and Component Unit School Board****Aggregate Pension Information**

<b>VRS Pension Plans</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Net Pension Liability (Asset)</b>	<b>Pension Expense</b>
Primary Government:				
Governmental Activities	\$ 306,544	\$ 232,256	\$ 845,865	\$ 174,341
Business-type Activities	27,157	8,838	41,899	12,191
Total Primary Government	<u>\$ 333,701</u>	<u>\$ 241,094</u>	<u>\$ 887,764</u>	<u>\$ 186,532</u>
Component Unit School Board:				
School Board Nonprofessional	\$ 56,017	\$ 8,837	\$ 490,404	\$ 97,912
School Board Professional	654,627	449,062	2,990,081	302,670
Total School Board	<u>\$ 710,644</u>	<u>\$ 457,899</u>	<u>\$ 3,480,485</u>	<u>\$ 400,582</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, 2020 (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 \$8,463 as of June 30, 2020.

##### ***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 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$8,269 and \$7,317 for the years ended June 30, 2020 and June 30, 2019, respectively. School Board contributions to the GLI Plan for professional employees were \$9,797 and \$9,897, for the years ended June 30, 2020 and June 30, 2019 respectively. School Board contributions to the GLI Plan for nonprofessional employees were \$1,286 and \$1,260, for the years ended June 30, 2020 and June 30, 2019 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, 2020, the County reported a liability of \$116,838 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was 0.00718% as compared to 0.00730% at June 30, 2018.

At June 30, 2020, the School Board reported liability of \$20,178 for nonprofessional employees and \$158,007 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2019 and June 30, 2018, the participating employer's proportion for nonprofessional employees was 0.00124%, and 0.00126%, respectively. At June 30, 2019, the participating employer's proportion for School Board professional employees was 0.00971% as compared to 0.01026% at June 30, 2018.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2020 (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, 2020, the County recognized GLI OPEB expense of \$2,405, while the School Board recognized GLI OPEB expense of \$417, and \$3,405 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, 2020, 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	\$ 7,770	\$ 1,515
Net difference between projected and actual earnings on GLI OPEB plan investments	-	2,400
Change in assumptions	7,376	3,523
Changes in proportion	-	1,601
Employer contributions subsequent to the measurement date	8,269	-
Total	\$ 23,415	\$ 9,039

  

	Component Unit School Board			
	Nonprofessional Employees Deferred Outflows of Resources	Nonprofessional Employees Deferred Inflows of Resources	Professional Employees Deferred Outflows of Resources	Professional Employees Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,342	\$ 263	\$ 10,508	\$ 2,048
Net difference between projected and actual earnings on GLI OPEB plan investments	-	414	-	3,246
Change in assumptions	1,274	608	9,976	4,765
Changes in proportion	-	267	3,876	7,338
Employer contributions subsequent to the measurement date	1,286	-	9,797	-
Total	\$ 3,902	\$ 1,552	\$ 34,157	\$ 17,397



# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements

June 30, 2020 (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)***

\$8,269, \$1,286 and \$9,797 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, 2021. 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,
2021	2021	2021
\$ 119	\$ 22	\$ 313
2022	2022	2022
119	22	313
2023	2023	2023
1,135	198	1,688
2024	2024	2024
2,063	358	2,322
2025	2025	2025
2,104	365	1,874
Thereafter	Thereafter	Thereafter
567	99	453

#### ***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for the other groups can be referenced in the VRS CAFR.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2018 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.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements

June 30, 2020 (Continued)

#### 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, 2018 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 2020; 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, 2018 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%

Notes to Financial Statements  
June 30, 2020 (Continued)

**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, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Plan</b>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
GLI Net OPEB Liability (Asset)	\$	1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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.

**THIS SPACE LEFT BLANK INTENTIONALLY.**

**NOTE 11—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)*****Long-Term Expected Rate of Return***

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

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strate	6.00%	3.52%	0.21%
PIP - Private Investment Partners	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

\*The above allocation provides a one-year return of 7.63%. 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%. 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.

***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, 2019, 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, 2019 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	\$ 153,493	\$ 116,838	\$ 87,112
School Board's proportionate share of the GLI Plan Net OPEB Liability-nonprofessional employees	\$ 26,508	\$ 20,178	\$ 15,044
School Board's proportionate share of the GLI Plan Net OPEB Liability-professional employees	\$ 207,578	\$ 158,007	\$ 117,807

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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 with at least 15 years of service credit, 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, 2020 (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, 2020 was 1.20% 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, 2017. 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 \$22,506 and \$22,838 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the school division reported a liability of \$297,034 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, 2019 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, 2018 and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was .02269% as compared to 0.02411% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC OPEB expense of \$23,429. 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, 2020, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,682
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	19	-
Change in assumptions	6,913	2,064
Change in proportion	6,577	15,854
Employer contributions subsequent to the measurement date	22,506	-
Total	\$ 36,015	\$ 19,600



## Notes to Financial Statements

June 30, 2020 (Continued)

**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)***

\$22,506 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, 2021. 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,**

2021	\$	(736)
2022		(737)
2023		(606)
2024		(650)
2025		(1,055)
Thereafter		(2,307)

***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, 2018, 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, 2019.

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 market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2020 (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, 2018 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 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, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2020 (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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected Rate of Return</b>	<b>Weighted Average Long-term Expected Rate of Return*</b>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.63%

\*The above allocation provides a one-year return of 7.63%. 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%. 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.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (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, 2019, 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, 2019 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	\$	332,431	\$ 297,034	\$ 266,964

##### **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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2020 (Continued)

**NOTE 13—AGGREGATION OF OPEB PLANS:**

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)	\$ 23,415	\$ 9,039	\$ 116,838	\$ 2,405
Totals	<u>\$ 23,415</u>	<u>\$ 9,039</u>	<u>\$ 116,838</u>	<u>\$ 2,405</u>

  

	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)				
School Board Nonprofessional	\$ 3,902	\$ 1,552	\$ 20,178	\$ 417
School Board Professional	34,157	17,397	158,007	3,405
Teacher Health Insurance Credit Program (Note 12)	36,015	19,600	297,034	23,429
Totals	<u>\$ 74,074</u>	<u>\$ 38,549</u>	<u>\$ 475,219</u>	<u>\$ 27,251</u>

**NOTE 14—UNEARNED/DEFERRED/UNAVAILABLE REVENUE:**

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2020:

	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.	\$ -	\$ 277,587
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2020. The uncollected tax billings are not available for the funding of current expenditures.	1,604,559	1,604,559
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	74,850	74,850
Total primary government deferred/unavailable revenue	<u>\$ 1,679,409</u>	<u>\$ 1,956,996</u>
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	\$ 25,512	\$ 25,512
CARES Act Coronavirus Relief Grant funding unspent as of June 30, 2020, to be expended by December 31, 2021	177,848	177,848
Total primary government unearned revenue	<u>\$ 203,360</u>	<u>\$ 203,360</u>

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (Continued)

---

#### NOTE 15—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

#### NOTE 16—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 17—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 \$58,394 at June 30, 2020. 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.



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2020 (Continued)

---

#### NOTE 18—NOTES RECEIVABLE:

---

On January 25, 2018, the County loaned \$20,000 to the McDowell Volunteer Fire Department for the purpose of purchasing new fire trucks to better serve the Highland community. On December 7, 2018, the County loaned \$50,000 to the Bolar Volunteer Fire Department for the purchase of a new fire truck. The balance for the McDowell Volunteer Fire Department loan at June 30, 2020 was \$10,000, while the balance of the Bolar Volunteer Fire Department loan was \$45,000.

#### NOTE 19—UPCOMING PRONOUNCEMENTS:

---

Statement No. 84, *Fiduciary Activities*, establishes 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 requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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 2020*, 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 2020 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 2020 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, 2020 (Continued)

---

#### NOTE 20—LITIGATION:

---

At June 30, 2020, 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 21—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 22—COVID- 19 PANDMEIC SUBSEQUENT DISCLOSURE:

---

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. The County is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

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. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Highland, Virginia, received the second round of CRF funds in the amount of \$191,069 subsequent to June 30, 2020.



**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2020 (Continued)**

---

**NOTE 22—COVID- 19 PANDMEIC SUBSEQUENT DISCLOSURE: (CONTINUED)**

---

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2021 will be returned to the federal government

**THIS SPACE LEFT BLANK INTENTIONALLY.**

## **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, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 3,778,600	\$ 3,778,600	\$ 3,757,460	\$ (21,140)
Other local taxes	379,712	355,712	373,526	17,814
Permits, privilege fees, and regulatory licenses	8,951	8,950	17,171	8,221
Fines and forfeitures	3,000	3,000	1,529	(1,471)
Revenue from the use of money and property	82,000	72,000	67,557	(4,443)
Charges for services	11,275	11,275	16,750	5,475
Miscellaneous	42,401	30,400	45,223	14,823
Intergovernmental:				
Commonwealth	1,105,729	1,129,126	1,169,777	40,651
Federal	100,000	122,600	179,933	57,333
Total revenues	<u>\$ 5,511,668</u>	<u>\$ 5,511,663</u>	<u>\$ 5,628,926</u>	<u>\$ 117,263</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,043,582	\$ 1,044,938	\$ 995,186	\$ 49,752
Judicial administration	283,852	299,205	297,490	1,715
Public safety	1,163,706	1,176,422	1,114,773	61,649
Public works	41,117	41,116	40,302	814
Health and welfare	113,386	113,386	113,385	1
Education	2,516,966	2,472,170	2,157,348	314,822
Parks, recreation, and cultural	71,385	71,385	70,440	945
Community development	233,991	232,331	188,825	43,506
Nondepartmental	12,549	14,846	9,919	4,927
Capital projects	4	10,744	10,737	7
Total expenditures	<u>\$ 5,480,538</u>	<u>\$ 5,476,543</u>	<u>\$ 4,998,405</u>	<u>\$ 478,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 31,130</u>	<u>\$ 35,120</u>	<u>\$ 630,521</u>	<u>\$ 595,401</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 3,900	\$ 3,900
Transfers out	<u>(31,130)</u>	<u>(35,120)</u>	<u>(353,510)</u>	<u>(318,390)</u>
Total other financing sources (uses)	<u>\$ (31,130)</u>	<u>\$ (35,120)</u>	<u>\$ (349,610)</u>	<u>\$ (314,490)</u>
Net change in fund balances	\$ -	\$ -	\$ 280,911	\$ 280,911
Fund balances - beginning	-	-	4,349,233	4,349,233
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,630,144</u>	<u>\$ 4,630,144</u>

Special Revenue Fund-Virginia Public Assistance Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 1,072	\$ 1,072
Intergovernmental:				
Commonwealth	192,021	93,889	140,829	46,940
Federal	404,157	404,157	286,068	(118,089)
Total revenues	<u>\$ 596,178</u>	<u>\$ 498,046</u>	<u>\$ 427,969</u>	<u>\$ (70,077)</u>
<b>EXPENDITURES</b>				
Health and welfare	<u>\$ 786,519</u>	<u>\$ 606,642</u>	<u>\$ 491,675</u>	<u>\$ 114,967</u>
Total expenditures	<u>\$ 786,519</u>	<u>\$ 606,642</u>	<u>\$ 491,675</u>	<u>\$ 114,967</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (190,341)</u>	<u>\$ (108,596)</u>	<u>\$ (63,706)</u>	<u>\$ 44,890</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ 190,341</u>	<u>\$ 108,596</u>	<u>\$ 63,706</u>	<u>\$ (44,890)</u>
Total other financing sources (uses)	<u>\$ 190,341</u>	<u>\$ 108,596</u>	<u>\$ 63,706</u>	<u>\$ (44,890)</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>

## Special Revenue Fund-E-911 Fund

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

Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 43,817	\$ 43,817
Total revenues	\$ -	\$ -	\$ 43,817	\$ 43,817
EXPENDITURES				
Public safety	\$ -	\$ 180,100	\$ 182,633	\$ (2,533)
Total expenditures	\$ -	\$ 180,100	\$ 182,633	\$ (2,533)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (180,100)	\$ (138,816)	\$ 41,284
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 180,100	\$ 17,659	\$ (162,441)
Total other financing sources (uses)	\$ -	\$ 180,100	\$ 17,659	\$ (162,441)
Net change in fund balances	\$ -	\$ -	\$ (121,157)	\$ (121,157)
Fund balances - beginning	-	-	128,121	128,121
Fund balances - ending	\$ -	\$ -	\$ 6,964	\$ 6,964

## 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, 2019

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

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

**Exhibit 13**

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 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, 2019

	<b>2019</b>	<b>2018</b>
<b>Total pension liability</b>		
Service cost	\$ 21,471	\$ 20,910
Interest	91,803	83,621
Differences between expected and actual experience	(2,288)	79,475
Changes of assumptions	35,821	-
Benefit payments	(64,597)	(69,651)
<b>Net change in total pension liability</b>	\$ 82,210	\$ 114,355
<b>Total pension liability - beginning</b>	1,343,764	1,229,409
<b>Total pension liability - ending (a)</b>	\$ 1,425,974	\$ 1,343,764
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 39,821	\$ 30,448
Contributions - employee	11,973	11,825
Net investment income	59,234	62,498
Benefit payments	(64,597)	(69,651)
Administrative expense	(582)	(550)
Other	(37)	(55)
<b>Net change in plan fiduciary net position</b>	\$ 45,812	\$ 34,515
<b>Plan fiduciary net position - beginning</b>	889,758	855,243
<b>Plan fiduciary net position - ending (b)</b>	\$ 935,570	\$ 889,758
<b>School Division's net pension liability - ending (a) - (b)</b>	\$ 490,404	\$ 454,006
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	65.61%	66.21%
<b>Covered payroll</b>	\$ 242,361	\$ 239,365
<b>School Division's net pension liability as a percentage of covered payroll</b>	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 14**

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 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
\$ 1,229,409	\$ 1,184,205	\$ 1,110,720	\$ 1,126,232
\$ 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
\$ 855,243	\$ 793,735	\$ 799,779	\$ 778,675
\$ 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%

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, 2019

	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.02272%	0.02435%	0.02435%	0.02344%	0.02404%	0.02269%
Employer's Proportionate Share of the Net Pension Liability	\$ 2,990,081	\$ 2,863,000	\$ 2,994,000	\$ 3,285,000	\$ 3,025,000	\$ 2,742,000
Employer's Covered Payroll	\$ 1,903,179	\$ 1,950,212	\$ 1,911,314	\$ 1,786,902	\$ 1,787,334	\$ 1,659,098
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157%	147%	157%	184%	169%	165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

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

## Schedule of Employer Contributions

## Pension Plans

For the Years Ended June 30, 2011 through June 30, 2020

<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>
<b>Primary Government</b>					
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%
2011	134,478	134,478	-	1,059,716	12.69%
<b>Component Unit School Board (nonprofessional)</b>					
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%
2011	21,794	21,794	-	188,368	11.57%
<b>Component Unit School Board (professional)</b>					
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%
2011	71,313	71,313	-	1,814,591	3.93%

Notes to Required Supplementary Information  
Pension Plans  
Year Ended June 30, 2020

**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, 2018 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, 2019

<b>Date</b> <b>(1)</b>	<b>Employer's Proportion of the Net GLI OPEB Liability</b> <b>(2)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability</b> <b>(3)</b>	<b>Employer's Covered Payroll</b> <b>(4)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)</b>
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, 2019

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)
<b>Component Unit School Board (nonprofessional)</b>					
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%
<b>Component Unit School Board (professional)</b>					
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, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
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%
2011	3,002	3,002	-	1,059,716	0.28%
<b>Component Unit School Board (nonprofessional)</b>					
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%
2011	527	527	-	188,368	0.28%
<b>Component Unit School Board (professional)</b>					
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%
2011	5,081	5,081	-	1,814,591	0.28%

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 Year Ended June 30, 2020

---

**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, 2018 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, 2019

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)
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, 2011 through June 30, 2020

---

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)			
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%
2011	10,888	10,888	-	1,814,591	0.60%

Notes to Required Supplementary Information  
Teacher Employee Health Insurance Credit (HIC) Plan  
Year Ended June 30, 2020

---

**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, 2018 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%

## **OTHER SUPPLEMENTARY INFORMATION**

Agency Fund  
Statement of Changes in Assets and Liabilities  
June 30, 2020

---

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>SPECIAL WELFARE FUND:</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 598	\$ 588	\$ 10
<b>LIABILITIES</b>				
Amounts held for social service clients	\$ -	\$ 598	\$ 588	\$ 10

County Capital Improvements Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2020

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Positive (Negative)</b>
<b>EXPENDITURES</b>				
Capital projects	\$ 134,000	\$ 50,000	\$ 60,247	\$ (10,247)
Total expenditures	\$ 134,000	\$ 50,000	\$ 60,247	\$ (10,247)
Excess (deficiency) of revenues over (under) expenditures	\$ (134,000)	\$ (50,000)	\$ (60,247)	\$ (10,247)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 134,000	\$ 50,000	\$ 134,000	\$ 84,000
Total other financing sources (uses)	\$ 134,000	\$ 50,000	\$ 134,000	\$ 84,000
Net change in fund balances	\$ -	\$ -	\$ 73,753	\$ 73,753
Fund balances - beginning	-	-	70,512	70,512
Fund balances - ending	\$ -	\$ -	\$ 144,265	\$ 144,265

School Capital Projects Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Intergovernmental:				
Local government	\$ -	\$ -	\$ 80,416	\$ 80,416
Total revenues	\$ -	\$ -	\$ 80,416	\$ 80,416
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 41,763	\$ 25,031	\$ 16,732
Debt service:				
Principal retirement	-	17,382	110,694	(93,312)
Interest and other fiscal charges	-	-	3,836	(3,836)
Total expenditures	\$ -	\$ 59,145	\$ 139,561	\$ (80,416)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (59,145)	\$ (59,145)	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 27,770	\$ 119,519	\$ 91,749
Total other financing sources (uses)	\$ -	\$ 27,770	\$ 119,519	\$ 91,749
Net change in fund balances	\$ -	\$ (31,375)	\$ 60,374	\$ 91,749
Fund balances - beginning	-	-	179,232	179,232
Fund balances - ending	\$ -	\$ (31,375)	\$ 239,606	\$ 270,981

## Nonmajor Special Revenue Funds

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

Year Ended June 30, 2020

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 8,035	\$ 8,035
Total revenues	\$ -	\$ -	\$ 8,035	\$ 8,035
<b>EXPENDITURES</b>				
Public safety	\$ -	\$ 8,285	\$ 11,731	\$ (3,446)
Total expenditures	\$ -	\$ 8,285	\$ 11,731	\$ (3,446)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (8,285)	\$ (3,696)	\$ 4,589
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 8,285	\$ -	\$ (8,285)
Total other financing sources (uses)	\$ -	\$ 8,285	\$ -	\$ (8,285)
Net change in fund balances	\$ -	\$ -	\$ (3,696)	\$ (3,696)
Fund balances - beginning	-	-	9,482	9,482
Fund balances - ending	\$ -	\$ -	\$ 5,786	\$ 5,786



## **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.

Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2020

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 276,878	\$ 11,372	\$ 288,250
Receivables (net of allowance for uncollectibles):			
Due from other governmental units	132,878	28,649	161,527
Inventories	-	16,760	16,760
Prepaid items	32,914	700	33,614
Total assets	<u>\$ 442,670</u>	<u>\$ 57,481</u>	<u>\$ 500,151</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,315	\$ 1,790	\$ 6,105
Accrued liabilities	276,878	11,372	288,250
Due to primary government	161,477	-	161,477
Total liabilities	<u>\$ 442,670</u>	<u>\$ 13,162</u>	<u>\$ 455,832</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	\$ -	\$ 16,760	\$ 16,760
Prepaid items	32,914	700	33,614
Assigned:			
School cafeteria	-	26,859	26,859
Unassigned	(32,914)	-	(32,914)
Total fund balances	<u>\$ -</u>	<u>\$ 44,319</u>	<u>\$ 44,319</u>
Total liabilities and fund balances	<u>\$ 442,670</u>	<u>\$ 57,481</u>	<u>\$ 500,151</u>

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

Total fund balances per above		\$ 44,319
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 13,035	
Buildings and improvements	2,490,516	
Machinery and Equipment	310,179	
		2,813,730
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 710,644	
OPEB related items	74,074	
		784,718
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	\$ (107,648)	
Net OPEB liabilities	(475,219)	
Net Pension Liability	(3,480,485)	
		(4,063,352)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (457,899)	
OPEB related items	(38,549)	
		(496,448)
Net position of governmental activities		<u>\$ (917,033)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2020

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Charges for services	\$ -	\$ 45,276	\$ 45,276
Miscellaneous	9,077	-	9,077
Intergovernmental:			
Local government	2,115,512	41,836	2,157,348
Commonwealth	1,624,902	5,906	1,630,808
Federal	311,001	189,207	500,208
Total revenues	<u>\$ 4,060,492</u>	<u>\$ 282,225</u>	<u>\$ 4,342,717</u>

**EXPENDITURES**

Education	\$ 4,060,492	\$ 248,593	\$ 4,309,085
Total expenditures	<u>\$ 4,060,492</u>	<u>\$ 248,593</u>	<u>\$ 4,309,085</u>

Excess (deficiency) of revenues over (under) expenditures    \$ -    \$ 33,632    \$ 33,632

Net change in fund balances    \$ -    \$ 33,632    \$ 33,632  
 Fund balances - beginning    -    10,687    10,687  
 Fund balances - ending    -    44,319    44,319

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    \$ 33,632

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 depreciation exceeded the capital outlays in the current period.

Capital outlays	\$ 75,057	
Depreciation expense	(222,258)	
Allocation of debt financed school assets based on current year debt issuance and repayments	<u>93,178</u>	
		(54,023)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.    (3,141)

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	\$ (43,185)	
Change in pension related items	(74,895)	
Change in OPEB related items	<u>5,311</u>	
		<u>(112,769)</u>

Change in net position of governmental activities    \$ (136,301)

**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, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	6,000	6,000	9,077	3,077
Intergovernmental:				
Local government	2,462,841	2,415,761	2,115,512	(300,249)
Commonwealth	1,721,365	1,721,365	1,624,902	(96,463)
Federal	81,577	126,373	311,001	184,628
Total revenues	<u>\$ 4,271,783</u>	<u>\$ 4,269,499</u>	<u>\$ 4,060,492</u>	<u>\$ (209,007)</u>
EXPENDITURES				
Education	<u>\$ 4,271,783</u>	<u>\$ 4,269,499</u>	<u>\$ 4,060,492</u>	<u>\$ 209,007</u>
Total expenditures	<u>\$ 4,271,783</u>	<u>\$ 4,269,499</u>	<u>\$ 4,060,492</u>	<u>\$ 209,007</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 31

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 64,500	\$ 64,500	\$ 45,276	\$ (19,224)
-	-	-	-
54,125	56,409	41,836	(14,573)
4,916	4,916	5,906	990
110,500	110,500	189,207	78,707
<u>\$ 234,041</u>	<u>\$ 236,325</u>	<u>\$ 282,225</u>	<u>\$ 45,900</u>
<u>\$ 234,041</u>	<u>\$ 236,325</u>	<u>\$ 248,593</u>	<u>\$ (12,268)</u>
<u>\$ 234,041</u>	<u>\$ 236,325</u>	<u>\$ 248,593</u>	<u>\$ (12,268)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,632</u>	<u>\$ 33,632</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,632</u>	<u>\$ 33,632</u>
<u>-</u>	<u>-</u>	<u>10,687</u>	<u>10,687</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,319</u>	<u>\$ 44,319</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, 2020

---

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 42,997
Total assets	<u>\$ 42,997</u>
<b>NET POSITION</b>	
Unrestricted	\$ 42,997
Total net position	<u><u>\$ 42,997</u></u>

Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Economic Development Authority  
Year Ended June 30, 2020

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Sale of bumper stickers	\$ 106
Other revenues	200
Total operating revenues	<u>\$ 306</u>
<b>OPERATING EXPENSES</b>	
Contractual expenses	\$ 480
Dues and memberships	2,700
Marketing	12,096
Supplies	76
Other charges	150
Total operating expenses	<u>\$ 15,502</u>
Operating income (loss)	<u>\$ (15,196)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental:	
Contribution from Highland County	\$ 26,562
Contribution from Town of Monterey	491
Grant revenue	280,897
Interest income	16
Grants awarded	(298,208)
Total nonoperating revenues (expenses)	<u>\$ 9,758</u>
Change in net position	<u>\$ (5,438)</u>
Total net position - beginning	48,435
Total net position - ending	<u><u>\$ 42,997</u></u>



Statement of Cash Flows  
Discretely Presented Component Unit - Economic Development Authority  
Year Ended June 30, 2020

	<u>Component Unit Economic Development Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 306
Payments to suppliers	(15,892)
Net cash provided by (used for) operating activities	\$ (15,586)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental revenues	\$ 27,053
Grant revenue	280,897
Grant awarded	(298,208)
Net cash provided by (used for) noncapital financing activities	\$ 9,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 16
Net cash provided by (used for) investing activities	\$ 16
Net increase (decrease) in cash and cash equivalents	\$ (5,828)
Cash and cash equivalents - beginning	48,825
Cash and cash equivalents - ending	\$ 42,997
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (15,196)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	(390)
Net cash provided by (used for) operating activities	\$ (15,586)

## **SUPPORTING SCHEDULES**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2020

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,178,100	\$ 3,178,100	\$ 3,109,380	\$ (68,720)
Real and personal public service corporation taxes	104,000	104,000	121,848	17,848
Personal property taxes	464,000	464,000	481,193	17,193
Mobile home taxes	2,800	2,800	3,998	1,198
Machinery and tools taxes	1,000	1,000	1,138	138
Merchants Capital taxes	3,700	3,700	3,420	(280)
Penalties	15,000	15,000	20,692	5,692
Interest	10,000	10,000	15,791	5,791
Total general property taxes	\$ 3,778,600	\$ 3,778,600	\$ 3,757,460	\$ (21,140)
Other local taxes:				
Local sales and use taxes	\$ 134,112	\$ 134,112	\$ 144,402	\$ 10,290
Consumers' utility taxes	138,000	126,000	127,263	1,263
Consumption taxes	5,600	5,600	6,330	730
Motor vehicle licenses	56,000	56,000	57,765	1,765
Bank stock taxes	14,000	14,000	14,782	782
Taxes on recordation and wills	20,000	8,000	8,114	114
Hotel and motel room taxes	12,000	12,000	14,870	2,870
Total other local taxes	\$ 379,712	\$ 355,712	\$ 373,526	\$ 17,814
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,001	\$ 2,000	\$ 1,634	\$ (366)
Transfer fees	150	150	174	24
Permits and other licenses	6,800	6,800	15,363	8,563
Total permits, privilege fees, and regulatory licenses	\$ 8,951	\$ 8,950	\$ 17,171	\$ 8,221
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,000	\$ 3,000	\$ 1,529	\$ (1,471)
Total fines and forfeitures	\$ 3,000	\$ 3,000	\$ 1,529	\$ (1,471)
Revenue from use of money and property:				
Revenue from use of money	\$ 76,000	\$ 66,000	\$ 61,160	\$ (4,840)
Revenue from use of property	6,000	6,000	6,397	397
Total revenue from use of money and property	\$ 82,000	\$ 72,000	\$ 67,557	\$ (4,443)
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,275	\$ 11,275	\$ 14,178	\$ 2,903
Charges for courthouse maintenance	-	-	2,034	2,034
Charges for Commonwealth's Attorney	-	-	244	244
Charges for other services	-	-	184	184
Charges for law library	-	-	110	110
Total charges for services	\$ 11,275	\$ 11,275	\$ 16,750	\$ 5,475
Miscellaneous:				
Miscellaneous revenue	\$ 42,401	\$ 30,400	\$ 45,223	\$ 14,823
Total miscellaneous	\$ 42,401	\$ 30,400	\$ 45,223	\$ 14,823
Total revenue from local sources	\$ 4,305,939	\$ 4,259,937	\$ 4,279,216	\$ 19,279

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2020 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,500	\$ 2,500	\$ 150	\$ (2,350)
Taxes on deeds	6,500	18,500	25,217	6,717
Motor vehicle carriers' tax	-	-	144	144
State recordation tax	7,591	7,591	5,591	(2,000)
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	\$ 183,643	\$ 195,643	\$ 198,154	\$ 2,511
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 72,060	\$ 72,060	\$ 72,049	\$ (11)
Sheriff	509,120	509,120	502,342	(6,778)
Commissioner of revenue	73,868	68,868	70,484	1,616
Treasurer	70,535	70,535	70,405	(130)
Registrar/electoral board	35,000	35,000	40,487	5,487
Clerk of the Circuit Court	150,001	150,000	161,341	11,341
Total shared expenses	\$ 910,584	\$ 905,583	\$ 917,108	\$ 11,525
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Fire prevention program	-	-	20,000	20,000
Other state grants	8,502	24,900	34,515	9,615
Total other categorical aid	\$ 11,502	\$ 27,900	\$ 54,515	\$ 26,615
Total categorical aid	\$ 922,086	\$ 933,483	\$ 971,623	\$ 38,140
Total revenue from the Commonwealth	\$ 1,105,729	\$ 1,129,126	\$ 1,169,777	\$ 40,651
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Funds	\$ -	\$ -	\$ 13,221	\$ 13,221
Payments in lieu of taxes	100,000	122,600	159,212	36,612
Total noncategorical aid	\$ 100,000	\$ 122,600	\$ 172,433	\$ 49,833
Categorical aid:				
Domestic preparedness equipment program	-	-	7,500	7,500
Total categorical aid	\$ -	\$ -	\$ 7,500	\$ 7,500
Total revenue from the federal government	\$ 100,000	\$ 122,600	\$ 179,933	\$ 57,333
Total General Fund	\$ 5,511,668	\$ 5,511,663	\$ 5,628,926	\$ 117,263
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 1,072	\$ 1,072
Total revenue from local sources	\$ -	\$ -	\$ 1,072	\$ 1,072

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2020 (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>
<b>Special Revenue Funds: (continued)</b>				
<b>Virginia Public Assistance Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 58,889	\$ 58,889	\$ 127,877	\$ 68,988
Comprehensive Services Act program	133,132	35,000	12,952	(22,048)
Total categorical aid	<u>\$ 192,021</u>	<u>\$ 93,889</u>	<u>\$ 140,829</u>	<u>\$ 46,940</u>
Total revenue from the Commonwealth	<u>\$ 192,021</u>	<u>\$ 93,889</u>	<u>\$ 140,829</u>	<u>\$ 46,940</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 404,157	\$ 404,157	\$ 284,011	\$ (120,146)
Comprehensive Services Act program	-	-	2,057	2,057
Total categorical aid	<u>\$ 404,157</u>	<u>\$ 404,157</u>	<u>\$ 286,068</u>	<u>\$ (118,089)</u>
Total revenue from the federal government	<u>\$ 404,157</u>	<u>\$ 404,157</u>	<u>\$ 286,068</u>	<u>\$ (118,089)</u>
Total Virginia Public Assistance Fund	<u>\$ 596,178</u>	<u>\$ 498,046</u>	<u>\$ 427,969</u>	<u>\$ (70,077)</u>
<b>E-911 Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 43,817	\$ 43,817
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,817</u>	<u>\$ 43,817</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,817</u>	<u>\$ 43,817</u>
Total E-911 fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,817</u>	<u>\$ 43,817</u>
<b>Sheriff's Grants Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,584	\$ 6,584
Asset Forfeiture	\$ -	\$ -	\$ 1,451	\$ 1,451
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,035</u>	<u>\$ 8,035</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,035</u>	<u>\$ 8,035</u>
Total Sheriff's Grants fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,035</u>	<u>\$ 8,035</u>
<b>School Capital Projects Fund:</b>				
Intergovernmental:				
Revenues from local governments:				
Contribution from Component Unit School Board	\$ -	\$ -	\$ 80,416	\$ 80,416
Total revenues from local governments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,416</u>	<u>\$ 80,416</u>
Total School Capital Projects fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,416</u>	<u>\$ 80,416</u>
Total Primary Government	<u>\$ 6,107,846</u>	<u>\$ 6,009,709</u>	<u>\$ 6,189,163</u>	<u>\$ 179,454</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2020 (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>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous revenue	\$ 6,000	\$ 6,000	\$ 9,077	\$ 3,077
Total miscellaneous	\$ 6,000	\$ 6,000	\$ 9,077	\$ 3,077
Total revenue from local sources	\$ 6,000	\$ 6,000	\$ 9,077	\$ 3,077
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,462,841	\$ 2,415,761	\$ 2,115,512	\$ (300,249)
Total revenues from local governments	\$ 2,462,841	\$ 2,415,761	\$ 2,115,512	\$ (300,249)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 242,639	\$ 242,639	\$ 248,308	\$ 5,669
Basic school aid	1,108,406	1,108,406	1,076,299	(32,107)
Gifted and talented	2,101	2,101	2,019	(82)
Remedial education	11,142	11,142	10,733	(409)
Special education	58,873	58,873	-	(58,873)
Textbook payment	4,148	4,148	3,986	(162)
Vocational standards of quality payments	43,178	43,178	41,484	(1,694)
Social security fringe benefits	21,094	21,094	20,267	(827)
Retirement fringe benefits	46,556	46,556	44,730	(1,826)
Group life insurance instructional	1,442	1,442	1,385	(57)
State lottery payments	13,647	13,647	20,211	6,564
Early reading intervention	4,857	4,857	5,440	583
Salary supplement	20,828	20,828	14,177	(6,651)
Technology	102,000	102,000	101,980	(20)
Standards of Learning algebra readiness	1,356	1,356	1,377	21
At risk funding	22,908	22,908	16,344	(6,564)
English as a second language	269	269	235	(34)
Other state funds	15,921	15,921	15,927	6
Total categorical aid	\$ 1,721,365	\$ 1,721,365	\$ 1,624,902	\$ (96,463)
Total revenue from the Commonwealth	\$ 1,721,365	\$ 1,721,365	\$ 1,624,902	\$ (96,463)

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2020 (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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ 44,796	\$ 42,820	\$ (1,976)
Title I	54,930	54,930	110,993	56,063
Title VI-B, special education flow-through	-	-	114,368	114,368
Title VI-B, special education pre-school	-	-	3,924	3,924
Improving teacher quality	8,250	8,250	7,220	(1,030)
Perkins carryover	-	-	3,675	3,675
FEMA Assistance	10,000	10,000	10,000	-
Rural education achievement program	8,397	8,397	18,001	9,604
Total categorical aid	\$ 81,577	\$ 126,373	\$ 311,001	\$ 184,628
Total revenue from the federal government	\$ 81,577	\$ 126,373	\$ 311,001	\$ 184,628
Total School Operating Fund	\$ 4,271,783	\$ 4,269,499	\$ 4,060,492	\$ (209,007)
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 64,500	\$ 64,500	\$ 45,276	\$ (19,224)
Total revenue from local sources	\$ 64,500	\$ 64,500	\$ 45,276	\$ (19,224)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 54,125	\$ 56,409	\$ 41,836	\$ (14,573)
Total revenues from local governments	\$ 54,125	\$ 56,409	\$ 41,836	\$ (14,573)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,916	\$ 4,916	\$ 5,906	\$ 990
Total revenue from the Commonwealth	\$ 4,916	\$ 4,916	\$ 5,906	\$ 990
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 110,500	\$ 110,500	\$ 165,665	\$ 55,165
Child nutrition discretionary grant	-	-	6,291	6,291
USDA commodities received	-	-	17,251	17,251
Total categorical aid	\$ 110,500	\$ 110,500	\$ 189,207	\$ 78,707
Total revenue from the federal government	\$ 110,500	\$ 110,500	\$ 189,207	\$ 78,707
Total School Cafeteria Fund	\$ 234,041	\$ 236,325	\$ 282,225	\$ 45,900
Total Discretely Presented Component Unit - School Board	\$ 4,505,824	\$ 4,505,824	\$ 4,342,717	\$ (163,107)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2020

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 35,271	\$ 34,709	\$ 31,904	\$ 2,805
Total legislative	\$ 35,271	\$ 34,709	\$ 31,904	\$ 2,805
General and financial administration:				
County administrator	\$ 132,246	\$ 91,003	\$ 91,003	\$ -
Legal services	50,000	42,021	42,020	1
Independent auditor	36,500	36,500	36,435	65
Commissioner of revenue	136,937	136,937	136,136	801
Assessor	29,000	29,000	4,455	24,545
Treasurer	140,480	140,480	138,306	2,174
Central Purchasing	393,639	444,779	423,977	20,802
Total general and financial administration	\$ 918,802	\$ 920,720	\$ 872,332	\$ 48,388
Board of elections:				
Electoral board and officials	\$ 11,017	\$ 12,414	\$ 15,833	\$ (3,419)
Registrar	78,492	77,095	75,117	1,978
Total board of elections	\$ 89,509	\$ 89,509	\$ 90,950	\$ (1,441)
Total general government administration	\$ 1,043,582	\$ 1,044,938	\$ 995,186	\$ 49,752
Judicial administration:				
Courts:				
Circuit court	\$ 402	\$ 791	\$ 1,179	\$ (388)
Clerk of the circuit court	193,557	193,166	191,063	2,103
Total courts	\$ 193,959	\$ 193,957	\$ 192,242	\$ 1,715
Commonwealth's attorney:				
Commonwealth's attorney	\$ 89,893	\$ 105,248	\$ 105,248	\$ -
Total commonwealth's attorney	\$ 89,893	\$ 105,248	\$ 105,248	\$ -
Total judicial administration	\$ 283,852	\$ 299,205	\$ 297,490	\$ 1,715
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 707,167	\$ 696,782	\$ 681,840	\$ 14,942
Total law enforcement and traffic control	\$ 707,167	\$ 696,782	\$ 681,840	\$ 14,942
Fire and rescue services:				
Volunteer emergency operations	\$ 286,070	\$ 316,069	\$ 268,208	\$ 47,861
Total fire and rescue services	\$ 286,070	\$ 316,069	\$ 268,208	\$ 47,861
Correction and detention:				
Sheriff	\$ 46,000	\$ 49,009	\$ 60,812	\$ (11,803)
Total correction and detention	\$ 46,000	\$ 49,009	\$ 60,812	\$ (11,803)
Inspections:				
Building	\$ 79,645	\$ 69,739	\$ 69,276	\$ 463
Total inspections	\$ 79,645	\$ 69,739	\$ 69,276	\$ 463



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2020 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Medical examiner	\$ 200	\$ 200	\$ -	\$ 200
Emergency management grants	44,624	44,623	34,637	9,986
Total other protection	\$ 44,824	\$ 44,823	\$ 34,637	\$ 10,186
Total public safety	\$ 1,163,706	\$ 1,176,422	\$ 1,114,773	\$ 61,649
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 41,116	\$ 41,116	\$ 40,302	\$ 814
Total maintenance of general buildings and grounds	\$ 41,116	\$ 41,116	\$ 40,302	\$ 814
Total public works	\$ 41,117	\$ 41,116	\$ 40,302	\$ 814
Health and welfare:				
Health:				
Supplement of local health department	\$ 66,320	\$ 66,320	\$ 66,319	\$ 1
Total health	\$ 66,320	\$ 66,320	\$ 66,319	\$ 1
Mental health and mental retardation:				
Community services board	\$ 9,566	\$ 9,566	\$ 9,566	\$ -
Total mental health and mental retardation	\$ 9,566	\$ 9,566	\$ 9,566	\$ -
Welfare:				
Valley Program for the Aging	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Total welfare	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Total health and welfare	\$ 113,386	\$ 113,386	\$ 113,385	\$ 1
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,516,966	\$ 2,472,170	\$ 2,157,348	\$ 314,822
Total education	\$ 2,516,966	\$ 2,472,170	\$ 2,157,348	\$ 314,822
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 71,385	\$ 71,385	\$ 70,440	\$ 945
Total library	\$ 71,385	\$ 71,385	\$ 70,440	\$ 945
Total parks, recreation, and cultural	\$ 71,385	\$ 71,385	\$ 70,440	\$ 945
Community development:				
Planning and community development:				
Planning	\$ 16,457	\$ 14,235	\$ 13,757	\$ 478
Community development	45,222	45,222	44,472	750
Swimming pool	89,059	89,059	60,367	28,692
Economic Development	26,391	26,953	26,562	391
Total planning and community development	\$ 177,129	\$ 175,469	\$ 145,158	\$ 30,311

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2020 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 56,862	\$ 56,862	\$ 43,667	\$ 13,195
Total cooperative extension program	\$ 56,862	\$ 56,862	\$ 43,667	\$ 13,195
Total community development	\$ 233,991	\$ 232,331	\$ 188,825	\$ 43,506
Nondepartmental:				
Miscellaneous	\$ 12,549	\$ 14,846	\$ 9,919	\$ 4,927
Total nondepartmental	\$ 12,549	\$ 14,846	\$ 9,919	\$ 4,927
Capital projects:				
Capital outlay	\$ 4	\$ 10,744	\$ 10,737	\$ 7
Total capital projects	\$ 4	\$ 10,744	\$ 10,737	\$ 7
Total General Fund	\$ 5,480,538	\$ 5,476,543	\$ 4,998,405	\$ 478,138
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 571,642	\$ 571,642	\$ 466,551	\$ 105,091
Comprehensive services	214,877	35,000	25,124	9,876
Total welfare and social services	\$ 786,519	\$ 606,642	\$ 491,675	\$ 114,967
Total health and welfare	\$ 786,519	\$ 606,642	\$ 491,675	\$ 114,967
Total Virginia Public Assistance Fund	\$ 786,519	\$ 606,642	\$ 491,675	\$ 114,967
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 180,100	\$ 182,633	\$ (2,533)
Total public safety	\$ -	\$ 180,100	\$ 182,633	\$ (2,533)
Total E-911 Fund	\$ -	\$ 180,100	\$ 182,633	\$ (2,533)
<b>Sheriff's Grants Fund:</b>				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 8,285	\$ 11,731	\$ (3,446)
Total Sheriff's Grants Fund	\$ -	\$ 8,285	\$ 11,731	\$ (3,446)
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects:				
County courthouse and other capital outlay	\$ 134,000	\$ 50,000	\$ 60,247	\$ (10,247)
Total County Capital Improvements Fund	\$ 134,000	\$ 50,000	\$ 60,247	\$ (10,247)

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2020 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>School Capital Projects Fund:</b>				
Capital projects:				
Building services	\$ -	\$ 41,763	\$ 25,031	\$ 16,732
Total capital projects	\$ -	\$ 41,763	\$ 25,031	\$ 16,732
Debt service:				
Principal retirement	\$ -	\$ 17,382	\$ 110,694	\$ (93,312)
Interest and other fiscal charges	-	-	3,836	(3,836)
Total debt service	\$ -	\$ 17,382	\$ 114,530	\$ (97,148)
Total School Capital Projects Fund	\$ -	\$ 59,145	\$ 139,561	\$ (80,416)
Total Primary Government	\$ 6,401,057	\$ 6,380,715	\$ 5,884,252	\$ 496,463
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 9,509	\$ 9,509	\$ 10,262	\$ (753)
Executive administration services	219,283	219,283	217,138	2,145
Total administration of schools	\$ 228,792	\$ 228,792	\$ 227,400	\$ 1,392
Instruction costs:				
Elementary and secondary schools	\$ 2,470,520	\$ 2,468,236	\$ 2,288,050	\$ 180,186
Guidance services	146,224	146,224	145,296	928
Media services	764,710	764,710	713,029	51,681
Total instruction costs	\$ 3,381,454	\$ 3,379,170	\$ 3,146,375	\$ 232,795
Operating costs:				
Pupil transportation	\$ 269,456	\$ 269,456	\$ 221,858	\$ 47,598
Operation and maintenance of school plant	392,081	392,081	384,443	7,638
Contribution to County of Highland, Virginia for facilities	-	-	80,416	(80,416)
Total operating costs	\$ 661,537	\$ 661,537	\$ 686,717	\$ (25,180)
Total education	\$ 4,271,783	\$ 4,269,499	\$ 4,060,492	\$ 209,007
Total School Operating Fund	\$ 4,271,783	\$ 4,269,499	\$ 4,060,492	\$ 209,007
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 234,041	\$ 236,325	\$ 248,593	\$ (12,268)
Total school food services	\$ 234,041	\$ 236,325	\$ 248,593	\$ (12,268)
Total education	\$ 234,041	\$ 236,325	\$ 248,593	\$ (12,268)
Total School Cafeteria Fund	\$ 234,041	\$ 236,325	\$ 248,593	\$ (12,268)
Total Discretely Presented Component Unit - School Board	\$ 4,505,824	\$ 4,505,824	\$ 4,309,085	\$ 196,739

## **STATISTICAL INFORMATION**

**County of Highland, Virginia**

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

	Fiscal Year			
	2011	2012	2013	2014
Governmental Activities				
Net investment in capital assets	\$ 1,043,630	\$ 1,667,119	\$ 1,674,606	\$ 1,873,361
Restricted	-	-	-	-
Unrestricted	5,235,055	5,134,132	4,930,651	4,768,406
Total governmental activities net position	<u>\$ 6,278,685</u>	<u>\$ 6,801,251</u>	<u>\$ 6,605,257</u>	<u>\$ 6,641,767</u>
Business-type Activities				
Net investment in capital assets	\$ 620,438	\$ 624,487	\$ 744,401	\$ 731,731
Restricted	-	-	-	17,629
Unrestricted	658,121	705,106	740,052	757,689
Total business-type activities net position	<u>\$ 1,278,559</u>	<u>\$ 1,329,593</u>	<u>\$ 1,484,453</u>	<u>\$ 1,507,049</u>
Primary government				
Net investment in capital assets	\$ 1,664,068	\$ 2,291,606	\$ 2,419,007	\$ 2,605,092
Restricted	-	-	-	17,629
Unrestricted	5,893,176	5,839,238	5,670,703	5,526,095
Total primary government net position	<u>\$ 7,557,244</u>	<u>\$ 8,130,844</u>	<u>\$ 8,089,710</u>	<u>\$ 8,148,816</u>

Table 1

Fiscal Year						
2015	2016	2017	2018	2019	2020	
\$ 1,624,207	\$ 1,638,325	\$ 1,656,165	\$ 1,719,475	\$ 1,716,417	\$ 1,677,834	
-	-	219,853	208,914	169,525	53,961	
3,487,996	3,800,788	3,767,367	3,559,979	3,634,852	4,167,419	
<u>\$ 5,112,203</u>	<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>	
\$ 690,502	\$ 663,491	\$ 636,872	\$ 609,846	\$ 603,095	\$ 576,840	
18,244	18,846	18,846	18,846	18,846	18,846	
729,148	778,715	799,895	816,614	826,216	847,326	
<u>\$ 1,437,894</u>	<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>	
\$ 2,314,709	\$ 2,301,816	\$ 2,293,037	\$ 2,329,321	\$ 2,319,512	\$ 2,254,674	
18,244	18,846	238,699	227,760	188,371	72,807	
4,217,144	4,579,503	4,567,262	4,376,593	4,461,068	5,014,745	
<u>\$ 6,550,097</u>	<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>	

County of Highland, Virginia

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

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>Expenses</b>					
Governmental Activities:					
General government administration	\$ 965,091	\$ 1,059,513	\$ 897,659	\$ 991,119	\$ 1,041,826
Judicial administration	242,692	246,808	247,397	259,111	243,105
Public safety	765,268	789,037	912,046	942,248	970,089
Public works	53,114	137,181	128,759	118,027	67,985
Health and welfare	372,672	413,864	384,612	373,259	370,547
Education	1,845,772	1,823,472	2,095,450	2,183,982	2,316,485
Parks, recreation, and cultural	73,426	75,516	87,396	90,387	90,404
Community development	137,377	134,348	143,030	155,553	288,549
Interest on long-term debt	44,587	32,464	23,583	14,445	5,038
Total governmental activities expenses	\$ 4,499,999	\$ 4,712,203	\$ 4,919,932	\$ 5,128,131	\$ 5,394,028
Business-type Activities:					
Refuse Disposal	\$ 257,445	\$ 267,858	\$ 278,003	\$ 293,029	\$ 291,471
McDowell Water System	50,216	60,185	69,172	65,271	66,707
Recreation Commission	49,255	58,943	50,491	43,559	42,973
Total business-type activities expenses	\$ 356,916	\$ 386,986	\$ 397,666	\$ 401,859	\$ 401,151
Total primary government expenses	\$ 4,856,915	\$ 5,099,189	\$ 5,317,598	\$ 5,529,990	\$ 5,795,179
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government administration	\$ 260	\$ 408	\$ 466	\$ 669	\$ 669
Judicial administration	2,705	2,802	3,092	2,018	9,681
Public safety	25,758	22,835	23,591	28,773	24,857
Operating grants and contributions	1,108,132	1,235,107	1,151,731	1,154,398	1,202,330
Capital grants and contributions	-	440,362	118,208	189,865	167,874
Total governmental activities program revenues	\$ 1,136,855	\$ 1,701,514	\$ 1,297,088	\$ 1,375,723	\$ 1,405,411
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 324,182	\$ 313,663	\$ 309,354	\$ 329,774	\$ 327,873
McDowell Water System	35,833	33,181	34,711	40,604	28,950
Recreation commission	41,727	40,331	34,172	39,310	40,817
Operating grants and contributions	31,910	47,916	51,694	31,931	20,566
Capital grants and contributions	99,100	25,082	35,408	13,900	-
Total business-type activities program revenues	\$ 532,752	\$ 460,173	\$ 465,339	\$ 455,519	\$ 418,206
Total primary government program revenues	\$ 1,669,607	\$ 2,161,687	\$ 1,762,427	\$ 1,831,242	\$ 1,823,617
Net (expense) / revenue					
Governmental Activities	\$ (3,363,144)	\$ (3,010,689)	\$ (3,622,844)	\$ (3,752,408)	\$ (3,988,617)
Business-type Activities	175,836	73,187	67,673	53,660	17,055
Total primary government net expense	\$ (3,187,308)	\$ (2,937,502)	\$ (3,555,171)	\$ (3,698,748)	\$ (3,971,562)

Table 2  
Page 1 of 2

Fiscal Year					
2016	2017	2018	2019	2020	
\$ 969,269	\$ 1,044,258	\$ 1,093,250	\$ 1,030,748	\$ 1,093,375	
261,868	276,845	284,983	306,194	298,969	
970,542	1,081,259	1,050,709	1,102,196	1,325,589	
34,565	52,679	52,921	57,113	47,354	
454,484	602,845	645,087	683,751	579,137	
2,060,324	2,106,438	2,408,542	2,534,181	2,275,557	
84,826	95,302	100,272	98,841	107,009	
756,201	169,001	216,422	175,093	188,825	
2,586	4,822	4,348	5,543	1,265	
<u>\$ 5,594,665</u>	<u>\$ 5,433,449</u>	<u>\$ 5,856,534</u>	<u>\$ 5,993,660</u>	<u>\$ 5,917,080</u>	
\$ 276,589	\$ 302,433	\$ 325,013	\$ 322,787	\$ 345,461	
58,758	55,425	59,418	51,318	52,700	
52,814	55,257	50,145	44,353	46,864	
<u>\$ 388,161</u>	<u>\$ 413,115</u>	<u>\$ 434,576</u>	<u>\$ 418,458</u>	<u>\$ 445,025</u>	
<u>\$ 5,982,826</u>	<u>\$ 5,846,564</u>	<u>\$ 6,291,110</u>	<u>\$ 6,412,118</u>	<u>\$ 6,362,105</u>	
\$ 720	\$ 392	\$ 366	\$ 276	\$ 184	
6,101	5,025	3,014	8,201	3,917	
22,626	20,019	20,880	25,416	31,349	
1,361,469	1,362,068	1,414,588	1,518,561	1,544,009	
503,865	54,690	75,753	-	7,500	
<u>\$ 1,894,781</u>	<u>\$ 1,442,194</u>	<u>\$ 1,514,601</u>	<u>\$ 1,552,454</u>	<u>\$ 1,586,959</u>	
\$ 320,544	\$ 322,668	\$ 329,308	\$ 326,801	\$ 332,005	
34,371	34,734	35,549	34,391	40,549	
44,739	45,023	42,838	45,735	45,981	
24,998	14,740	24,577	7,241	5,904	
-	-	-	-	-	
<u>\$ 424,652</u>	<u>\$ 417,165</u>	<u>\$ 432,272</u>	<u>\$ 414,168</u>	<u>\$ 424,439</u>	
<u>\$ 2,319,433</u>	<u>\$ 1,859,359</u>	<u>\$ 1,946,873</u>	<u>\$ 1,966,622</u>	<u>\$ 2,011,398</u>	
\$ (3,699,884)	\$ (3,991,255)	\$ (4,341,933)	\$ (4,441,206)	\$ (4,330,121)	
36,491	4,050	(2,304)	(4,290)	(20,586)	
<u>\$ (3,663,393)</u>	<u>\$ (3,987,205)</u>	<u>\$ (4,344,237)</u>	<u>\$ (4,445,496)</u>	<u>\$ (4,350,707)</u>	



County of Highland, Virginia

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

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,777,551	\$ 2,731,729	\$ 2,771,902	\$ 2,963,903	\$ 3,116,520
Local sales and use taxes	97,125	107,600	111,989	113,641	119,295
Consumer utility taxes	140,241	138,686	138,706	138,177	137,933
Motor vehicle licenses	51,219	53,724	53,113	54,283	54,461
E-911 taxes	30,000	33,000	34,597	33,704	30,629
Bank stock taxes	12,656	13,806	14,371	19,231	23,141
Other local taxes	25,835	22,028	22,784	21,524	24,247
Unrestricted grants and contributions	217,784	234,776	246,160	269,364	260,911
Unrestricted revenues from use of money and property	58,543	54,728	43,762	41,590	42,337
Miscellaneous	83,641	118,328	74,892	100,203	31,459
Transfers	(71,075)	24,850	(85,426)	33,298	26,250
Total governmental activities	\$ 3,423,520	\$ 3,533,255	\$ 3,426,850	\$ 3,788,918	\$ 3,867,183
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 411	\$ 2,697	\$ 1,761	\$ 2,234	\$ 383
Miscellaneous	1,186	-	-	-	-
Transfers	71,075	(24,850)	85,426	(33,298)	(26,250)
Total business-type activities	\$ 72,672	\$ (22,153)	\$ 87,187	\$ (31,064)	\$ (25,867)
Total primary government	\$ 3,496,192	\$ 3,511,102	\$ 3,514,037	\$ 3,757,854	\$ 3,841,316
<b>Change in Net Position</b>					
Governmental Activities	\$ 60,376	\$ 522,566	\$ (195,994)	\$ 36,510	\$ (121,416)
Business-type Activities	248,508	51,034	154,860	22,596	(2,812)
Total primary government	\$ 308,884	\$ 573,600	\$ (41,134)	\$ 59,106	\$ (124,228)

Table 2  
Page 2 of 2

Fiscal Year					
2016	2017	2018	2019	2020	
\$ 3,240,477	\$ 3,418,317	\$ 3,453,866	\$ 3,645,328	\$ 3,878,523	
138,331	130,764	122,452	124,764	144,402	
135,842	134,357	148,083	129,227	127,263	
55,960	58,419	58,162	58,333	57,765	
27,344	-	-	-	-	
18,425	23,386	22,335	4,245	8,114	
25,128	24,687	29,759	32,884	35,982	
283,538	292,994	336,864	346,381	357,366	
39,808	38,838	52,671	85,710	67,557	
48,241	63,791	75,055	53,060	46,295	
13,700	9,974	2,934	(6,300)	(14,726)	
\$ 4,026,794	\$ 4,195,527	\$ 4,302,181	\$ 4,473,632	\$ 4,708,541	
\$ 367	\$ 485	\$ 666	\$ 841	\$ 715	
-	-	-	-	-	
(13,700)	(9,974)	(2,934)	6,300	14,726	
\$ (13,333)	\$ (9,489)	\$ (2,268)	\$ 7,141	\$ 15,441	
\$ 4,013,461	\$ 4,186,038	\$ 4,299,913	\$ 4,480,773	\$ 4,723,982	
\$ 326,910	\$ 204,272	\$ (39,752)	\$ 32,426	\$ 378,420	
23,158	(5,439)	(4,572)	2,851	(5,145)	
\$ 350,068	\$ 198,833	\$ (44,324)	\$ 35,277	\$ 373,275	

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
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
2011	2,777,551	97,125	140,241	51,219	19,356	19,135	3,104,627

**County of Highland, Virginia**

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

	Fiscal Year				
	2011	2012	2013	2014	2015
General fund					
Nonspendable	\$ 50,785	\$ 50,950	\$ 31,830	\$ 20,875	\$ 25,966
Restricted	31,317	33,518	35,854	53,279	35,367
Committed	510,933	557,696	582,456	522,010	629,306
Assigned	3,762	4,162	5,762	2,291	4,291
Unassigned	3,951,635	3,757,856	3,548,282	3,611,770	3,064,653
Total general fund	<u>\$ 4,548,432</u>	<u>\$ 4,404,182</u>	<u>\$ 4,204,184</u>	<u>\$ 4,210,225</u>	<u>\$ 3,759,583</u>
All other governmental funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital projects funds	-	8,186	8,641	9,073	-
Restricted, reported in:					
Special revenue funds	100,425	165,791	198,245	198,993	212,760
Assigned, reported in:					
Special revenue funds	-	717	4,928	386	891
Capital projects funds	-	624,854	581,807	456,997	573,270
Unassigned, reported in:					
Special revenue funds	1,235	-	-	-	-
Capital projects funds	651,351	-	-	-	-
Total all other governmental funds	<u>\$ 753,011</u>	<u>\$ 801,548</u>	<u>\$ 793,621</u>	<u>\$ 665,449</u>	<u>\$ 788,921</u>

Table 4

Fiscal Year				
2016	2017	2018	2019	2020
\$ 20,188	\$ 7,085	\$ 21,010	\$ 70,000	\$ 56,696
37,127	63,599	65,025	40,583	42,726
572,077	793,954	705,643	661,949	708,629
4,291	4,291	2,291	22,291	42,291
3,316,899	3,506,585	3,406,112	3,554,410	3,779,802
<u>\$ 3,950,582</u>	<u>\$ 4,375,514</u>	<u>\$ 4,200,081</u>	<u>\$ 4,349,233</u>	<u>\$ 4,630,144</u>
\$ -	\$ -	\$ 4,325	\$ 2,000	\$ -
2,000	11,004	11,554	12,387	13,345
200,558	156,254	143,889	128,942	11,235
6,095	4,081	4,106	6,661	1,515
569,167	366,561	394,393	237,357	370,526
-	-	-	-	-
-	-	-	-	-
<u>\$ 777,820</u>	<u>\$ 537,900</u>	<u>\$ 558,267</u>	<u>\$ 387,347</u>	<u>\$ 396,621</u>

# County of Highland, Virginia

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

	Fiscal Year			
	2011	2012	2013	2014
<b>Revenues</b>				
General property taxes	\$ 2,720,255	\$ 2,726,798	\$ 2,792,621	\$ 3,000,868
Other local taxes	357,076	368,844	375,560	380,560
Permits, privilege fees, and regulatory licenses	13,069	11,660	9,444	18,572
Fines and forfeitures	148	271	461	200
Revenue from use of money and property	58,543	54,728	43,762	41,590
Charges for services	15,506	14,114	17,244	12,688
Miscellaneous	83,641	118,328	74,892	100,203
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,104,672	1,235,521	1,150,212	1,333,525
Federal	221,244	674,724	365,887	280,102
Total revenues	\$ 4,574,154	\$ 5,204,988	\$ 4,830,083	\$ 5,168,308
<b>Expenditures</b>				
General government administration	\$ 734,770	\$ 885,180	\$ 876,547	\$ 907,832
Judicial administration	240,966	241,077	243,248	248,313
Public safety	744,614	825,203	820,142	847,010
Public works	52,035	564,859	113,702	62,766
Health and welfare	372,672	400,767	433,413	366,276
Education	1,845,195	1,806,451	1,976,386	1,877,290
Parks, recreation, and cultural	39,621	39,236	50,882	52,178
Community development	137,377	134,348	143,030	155,553
Nondepartmental	40,442	41,052	47,220	91,862
Capital projects	53,372	193,907	76,662	548,408
Debt service:				
Principal	136,715	140,061	143,690	147,611
Interest and other fiscal charges	44,835	36,389	27,660	18,638
Total expenditures	\$ 4,442,614	\$ 5,308,530	\$ 4,952,582	\$ 5,323,737
Excess (deficiency) of revenues over (under) expenditures	\$ 131,540	\$ (103,542)	\$ (122,499)	\$ (155,429)
Other financing sources (uses)				
Transfers in	\$ 603,532	\$ 958,542	\$ 488,913	\$ 463,843
Transfers out	(674,607)	(950,713)	(574,339)	(430,545)
Capital leases	-	-	-	-
Total other financing sources (uses)	\$ (71,075)	\$ 7,829	\$ (85,426)	\$ 33,298
Net change in fund balances	\$ 60,465	\$ (95,713)	\$ (207,925)	\$ (122,131)
Debt service as a percentage of noncapital expenditures	4.136%	3.450%	3.514%	3.481%

Table 5

Fiscal Year					
2015	2016	2017	2018	2019	2020
\$ 3,105,774	\$ 3,210,564	\$ 3,424,405	\$ 3,431,495	\$ 3,623,902	\$ 3,757,460
389,706	401,030	371,613	380,791	349,453	373,526
12,971	12,167	11,111	10,436	8,006	17,171
7,402	4,148	3,130	1,332	4,730	1,529
42,337	39,808	38,838	52,671	85,710	67,557
14,852	13,132	11,195	12,492	21,157	16,750
31,459	48,241	63,791	75,055	53,060	46,295
-	-	39,690	48,491	-	80,416
1,192,723	1,327,853	1,288,183	1,320,191	1,400,102	1,362,458
438,392	821,019	381,879	458,523	464,840	466,001
\$ 5,235,616	\$ 5,877,962	\$ 5,633,835	\$ 5,791,477	\$ 6,010,960	\$ 6,189,163
\$ 908,466	\$ 961,166	\$ 1,019,071	\$ 1,033,524	\$ 983,061	\$ 995,186
255,204	277,099	278,697	285,819	292,841	297,490
928,580	1,088,708	948,281	960,998	1,013,468	1,309,137
53,477	39,370	38,693	39,245	39,979	40,302
373,225	459,318	596,500	645,797	688,420	605,060
2,148,131	1,891,452	2,063,961	2,323,813	2,415,749	2,157,348
54,998	57,867	60,129	62,940	65,370	70,440
166,046	166,290	169,001	189,929	175,318	188,825
46,994	7,412	13,148	8,180	8,540	9,919
303,803	815,764	216,497	378,018	371,930	96,015
151,796	75,878	128,246	95,674	49,215	110,694
9,354	3,645	5,893	4,348	2,972	3,836
\$ 5,400,074	\$ 5,843,969	\$ 5,538,117	\$ 6,028,285	\$ 6,106,863	\$ 5,884,252
\$ (164,458)	\$ 33,993	\$ 95,718	\$ (236,808)	\$ (95,903)	\$ 304,911
\$ 490,251	\$ 435,424	\$ 509,655	\$ 425,984	\$ 244,730	\$ 338,784
(464,001)	(421,724)	(499,681)	(423,050)	(251,030)	(353,510)
-	132,205	79,320	78,808	80,435	-
\$ 26,250	\$ 145,905	\$ 89,294	\$ 81,742	\$ 74,135	\$ (14,726)
\$ (138,208)	\$ 179,898	\$ 185,012	\$ (155,066)	\$ (21,768)	\$ 290,185
3.162%	1.436%	2.501%	1.718%	0.886%	1.988%

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

<b>Fiscal Year</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
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
2011	97,125	140,241	51,219	19,356	19,135	327,076



## County of Highland, Virginia

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

---

<b>Fiscal Year</b>		<b>Real Estate</b>		<b>Personal Property</b>		<b>Machinery and Tools</b>		<b>Minerals/ Mineral Lands</b>		<b>Merchants' Capital</b>
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
2011		625,543,500		22,152,201		39,388		96,200		281,830

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

Source: Commissioner of Revenue

Table 7

---

	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value (1)</b>
\$	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%
	16,973,783	665,086,902	640,213,450	97.71%

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
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
2011	0.40	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 2020		Fiscal Year 2011	
		2020 Assessed Valuation	% of Total Assessed Valuation	2011 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,752,000	1.121%	\$ 7,592,800	1.214%
Red Oak Ranch	Farm	2,509,700	0.363%	2,578,200	0.412%
Hayfields Ltd.	Farm			2,528,500	0.404%
The Conservation Fund	Farm	2,746,900	0.397%		
Dividing Waters Farm	Farm	2,188,300	0.316%	2,136,800	0.342%
Bull Pasture Mtn Ranch	Farm	2,028,600	0.293%	1,936,600	0.310%
		<u>\$ 17,225,500</u>	<u>2.490%</u>	<u>\$ 16,772,900</u>	<u>2.682%</u>

Source: Commissioner of Revenue

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
2020	\$ 4,057,274	\$ 3,777,595	93.11%	\$ -	\$ 3,777,595	93.11%
2019	3,836,601	3,712,765	96.77%	65,333	3,778,098	98.48%
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%	60,133	3,584,717	99.61%
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%	126,206	3,326,869	100.00%
2014	3,205,509	3,076,483	95.97%	128,983	3,205,466	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%	140,133	2,940,519	100.00%
2011	2,949,448	2,815,516	95.46%	133,914	2,949,430	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			
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
2011	672,096	-	170,496	842,592	1.14%	380

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
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
2011	672,096	-	672,096	0.10%	303

(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

Water Revenue Bonds						
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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%
2011	35,333	42,374	(7,041)	4,002	7,842	-59.45%



Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age (1)</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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%
2011	2,215	74,052,000	31,673	53	226	6.20%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, [www.fedstats.gov](http://www.fedstats.gov), Bureau of Labor Statistics

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

Function	Fiscal Year				
	2016	2017	2018	2019	2020
General government	16	16	16	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	15	15	16	16	17
Fire and rescue	1	1	1	1	5
Building inspections	2	2	2	1	2
Animal control	1	1	0	0	1
Public works					
General maintenance	3	3	3	2	1
Landfill	6	6	6	6	6
Health and welfare					
Department of social services	5	5	6	6	6
Culture and recreation					
Library	2	2	2	2	2
Totals	<u>56</u>	<u>56</u>	<u>57</u>	<u>55</u>	<u>61</u>

Source: Individual County departments

Capital Asset Statistics by Function  
Last Five Fiscal Years

Function	Fiscal Year				
	2016	2017	2018	2019	2020
General government					
Administration buildings	4	4	4	4	4
Vehicles	2	2	2	2	2
Public safety					
Sheriffs department:					
Patrol units	10	11	11	11	11
Building inspections:					
Vehicles	1	1	1	1	1
Animal control:					
Vehicles	1	1	0	0	0
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	7	8	7
School admin vehicles	7	7	7	5	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, 2020, 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 December 11, 2020.

**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  
December 11, 2020

**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, 2020. 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, 2020.

## 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  
December 11, 2020



County of Highland, Virginia

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families Program	93.556	Not Available	\$ 5,990
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	32,917
Refugee and Entrant Assistance - State/Replacement Designee			
Administered Programs	93.566	Not Available	57
Low-Income Home Energy Assistance	93.568	Not Available	6,488
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	6,494
Adoption and Legal Guardianship Incentive Payments	93.603	Not Available	1,833
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	67
Foster Care - Title IV-E	93.658	Not Available	25,356
Adoption Assistance	93.659	Not Available	51,435
Social Services Block Grant	93.667	Not Available	30,229
John T. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Not Available	321
Children's Health Insurance Program	93.767	Not Available	934
Medicaid Cluster:			
Medical Assistance Program	93.778	Not Available	62,222
Total Department of Health and Human Services			\$ 224,343
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 17,251
Department of Education:			
National School Lunch Program (NSLP)	10.555	APE402540000	43,880
COVID-19 Act National School Lunch Program (NSLP)	10.555	APE402640000	26,404
Subtotal	10.555		\$ 87,535
Department of Agriculture:			
School Breakfast Program (SBP)	10.553	APE402530000	\$ 21,846
COVID-19 Act School Breakfast Program (SBP)	10.553	APE402630000	16,125
Subtotal	10.553		\$ 37,971
COVID-19 Act Summer Food Service Program for Children (SFSPC)	10.559	APE601750000	\$ 57,409
Total Child Nutrition Cluster			\$ 182,915
Child Nutrition Discretionary Grants Limited Availability	10.579	DOE868040000	\$ 6,291
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	APE438410000	42,820
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	61,725
Total Department of Agriculture			\$ 293,751
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	Not Available	\$ 7,500
Total Department of Homeland Security			\$ 7,500

County of Highland, Virginia

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2020

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Special Education Cluster:			
Special Education-Grants to States	84.027	APE430710000	\$ 114,368
Special Education-Preschool Grants	84.173	APE625210000	3,924
Total Special Education Cluster			\$ 118,292
Supporting Effective Instruction State Grants	84.367	APE614800000	\$ 7,220
Title I Grants to Local Educational Agencies	84.010	APE429010000	110,993
Rural Education	81.358	Not Available	18,002
Career and Technical Education - Basic Grants to States	84.048	APE610950000	3,675
Student Support and Academic Enrichment program	84.424	APE602810000	10,000
Total Department of Education			\$ 268,182
Department of Treasury:			
Pass Through Payments:			
Virginia Department of Accounts:			
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	\$ 13,221
Total Expenditures of Federal Awards			\$ 806,997

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, 2020. 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 - SUBRECIPIENTS

No awards were passed through to subrecipients.

NOTE E - 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	\$ 466,001
School Board funds	500,208
Payments in lieu of tax received from the Department of the Interior not included on schedule	(159,212)
Total primary government	\$ 806,997

**COUNTY OF HIGHLAND, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2020**

---

**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:

<u>CFDA</u> <u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559 .....	Child Nutrition Cluster
84.027/84.173 .....	Special Education Cluster
84.010 .....	Title I - Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?        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.