

COUNTY OF HIGHLAND, VIRGINIA



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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County of Highland, Virginia

Board of Supervisors

Harry Sponaugle, Chairman
Kevin Wagner, Vice-Chairman
David Blanchard, Member

County School Board

Joseph T. Neil, Chairman
John Moyers, Vice-Chairman
Chris Amirault, Member

Welfare Board Members

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

Other Officials

Clerk of the Circuit Court.....	Judy Hupman
Commissioner of the Revenue.....	Darlene Crummett
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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding progress on pages 4-9, and 76-93 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 other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is 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 November 22, 2019, 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
November 22, 2019

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, 2019.

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 \$6,968,951 (net position). Of this amount, \$4,461,068 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$(780,732) of which \$(3,651,626) is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$35,277, while the School Board's net position decreased by \$(14,592). (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,554,410, or 70 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2019 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2019.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,736,580, a decrease of \$(21,768) 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 \$6,968,951 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,644,960	\$ 6,479,387	\$ 902,279	\$ 902,860	\$ 7,547,239	\$ 7,382,247
Capital assets	1,827,111	1,798,949	733,848	746,399	2,560,959	2,545,348
Total	<u>\$ 8,472,071</u>	<u>\$ 8,278,336</u>	<u>\$ 1,636,127</u>	<u>\$ 1,649,259</u>	<u>\$ 10,108,198</u>	<u>\$ 9,927,595</u>
Deferred Outflows of Resources	\$ 225,023	\$ 266,157	\$ 10,018	\$ 10,459	\$ 235,041	\$ 276,616
Long-term liabilities	\$ 1,307,950	\$ 1,357,488	\$ 174,162	\$ 180,676	\$ 1,482,112	\$ 1,538,164
Other liabilities	91,819	58,821	20,353	17,199	112,172	76,020
Total	<u>\$ 1,399,769</u>	<u>\$ 1,416,309</u>	<u>\$ 194,515</u>	<u>\$ 197,875</u>	<u>\$ 1,594,284</u>	<u>\$ 1,614,184</u>
Deferred Inflows of Resources	\$ 1,776,531	\$ 1,639,816	\$ 3,473	\$ 16,537	\$ 1,780,004	\$ 1,656,353
Net investment in capital assets	\$ 1,716,417	\$ 1,719,475	\$ 603,095	\$ 609,846	\$ 2,319,512	\$ 2,329,321
Restricted	169,525	208,914	18,846	18,846	188,371	227,760
Unrestricted	3,634,852	3,559,979	826,216	816,614	4,461,068	4,376,593
Total net position	<u>\$ 5,520,794</u>	<u>\$ 5,488,368</u>	<u>\$ 1,448,157</u>	<u>\$ 1,445,306</u>	<u>\$ 6,968,951</u>	<u>\$ 6,933,674</u>

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 33.28 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 \$4,461,068 or 64.01 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 \$35,277.

Governmental Activities

Governmental activities increased the County's net position by \$32,426.

County of Highland's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 33,893	\$ 24,260	\$ 406,927	\$ 407,695	\$ 440,820	\$ 431,955
Operating grants and contributions	1,518,561	1,414,588	7,241	24,577	1,525,802	1,439,165
Capital grants and contributions	-	75,753	-	-	-	75,753
General revenues:						
General property taxes	3,645,328	3,453,866	-	-	3,645,328	3,453,866
Other local taxes	349,453	380,791	-	-	349,453	380,791
Use of money and property	85,710	52,671	841	666	86,551	53,337
Other	53,060	75,055	-	-	53,060	75,055
Grants and contributions not restricted to specific programs	346,381	336,864	-	-	346,381	336,864
Total Revenues	<u>\$ 6,032,386</u>	<u>\$ 5,813,848</u>	<u>\$ 415,009</u>	<u>\$ 432,938</u>	<u>\$ 6,447,395</u>	<u>\$ 6,246,786</u>
Expenses:						
General government	\$ 1,030,748	\$ 1,093,250	\$ -	\$ -	\$ 1,030,748	\$ 1,093,250
Judicial administration	306,194	284,983	-	-	306,194	284,983
Public safety	1,102,196	1,050,709	-	-	1,102,196	1,050,709
Public works	57,113	52,921	-	-	57,113	52,921
Health and welfare	683,751	645,087	-	-	683,751	645,087
Education	2,534,181	2,408,542	-	-	2,534,181	2,408,542
Parks, recreational, and cultural	98,841	100,272	-	-	98,841	100,272
Community development	175,093	216,422	-	-	175,093	216,422
Interest on long-term debt	5,543	4,348	-	-	5,543	4,348
Recreation Commission	-	-	44,353	50,145	44,353	50,145
Refuse Disposal	-	-	322,787	325,013	322,787	325,013
McDowell Water System	-	-	51,318	59,418	51,318	59,418
Total	<u>\$ 5,993,660</u>	<u>\$ 5,856,534</u>	<u>\$ 418,458</u>	<u>\$ 434,576</u>	<u>\$ 6,412,118</u>	<u>\$ 6,291,110</u>
Increase in net position before transfers	<u>\$ 38,726</u>	<u>\$ (42,686)</u>	<u>\$ (3,449)</u>	<u>\$ (1,638)</u>	<u>\$ (35,277)</u>	<u>\$ (44,324)</u>
Transfers	<u>\$ (6,300)</u>	<u>\$ 2,934</u>	<u>\$ 6,300</u>	<u>\$ (2,934)</u>	<u>\$ -</u>	<u>\$ -</u>
Increase / decrease in net position	<u>\$ 32,426</u>	<u>\$ (39,752)</u>	<u>\$ 2,851</u>	<u>\$ (4,572)</u>	<u>\$ 35,277</u>	<u>\$ (44,324)</u>
Net position, beginning	<u>5,488,368</u>	<u>5,528,120</u>	<u>1,445,306</u>	<u>1,449,878</u>	<u>6,933,674</u>	<u>6,977,998</u>
Net position, ending	<u><u>\$ 5,520,794</u></u>	<u><u>\$ 5,488,368</u></u>	<u><u>\$ 1,448,157</u></u>	<u><u>\$ 1,445,306</u></u>	<u><u>\$ 6,968,951</u></u>	<u><u>\$ 6,933,674</u></u>

Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$4,736,580.

The general fund is the chief operating fund of the County. As of June 30, 2019, total fund balance of the general fund was \$4,349,233, of which \$3,554,410 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 59.3 percent and total fund balance represents 72.56 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$2,415,746.

The fund balance of the County's general fund increased by \$149,152 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 \$826,216. 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 \$103,480 increase, which is 2.04 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$147,507, which is 2.69 percent of the total original budget.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2019 is \$2,560,959 (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	
	2019	2018	2019	2018	2019	2018
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Buildings and improvements	1,053,325	1,123,328	-	-	1,053,325	1,123,328
Machinery and equipment	576,421	478,256	-	-	576,421	478,256
Utility plant and equipment	-	-	730,032	733,748	730,032	733,748
Furniture and equipment	-	-	-	8,835	-	8,835
Total	<u>\$ 1,827,111</u>	<u>\$ 1,798,949</u>	<u>\$ 733,848</u>	<u>\$ 746,399</u>	<u>\$ 2,560,959</u>	<u>\$ 2,545,348</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	
	2019	2018	2019	2018	2019	2018
Landfill closure/ post-closure liability	\$ 57,447	\$ 55,162	\$ -	\$ -	\$ 57,447	\$ 55,162
Revenue Bonds	-	-	130,753	142,138	130,753	142,138
Net Pension Obligation	879,795	1,074,188	25,595	30,825	905,390	1,105,013
Net OPEB Liability	105,739	120,980	5,261	6,020	111,000	127,000
Compensated absences	154,275	138,881	12,553	9,316	166,828	148,197
Capital Leases	110,694	96,340	-	-	110,694	96,340
Total	<u>\$ 1,307,950</u>	<u>\$ 1,485,551</u>	<u>\$ 174,162</u>	<u>\$ 188,299</u>	<u>\$ 1,482,112</u>	<u>\$ 1,673,850</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 2.2 percent, which is a decrease from the rate of 2.8 percent a year ago. This compares favorably to the state's average unemployment rate of 2.9 percent and the national average rate of 3.7 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 2020 fiscal year.

During fiscal year 2019, unassigned fund balance in the general fund increased \$148,298. 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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 4,396,261	\$ 867,256	\$ 5,263,517	\$ 321,425	\$ 48,825
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,792,280	-	1,792,280	-	-
Accounts receivable	19,698	35,023	54,721	1,461	-
Notes receivable	70,000	-	70,000	-	-
Due from component unit	183,433	-	183,433	-	-
Due from other governmental units	168,901	-	168,901	138,708	-
Inventories	-	-	-	9,587	-
Prepaid items	14,387	-	14,387	48,280	-
Capital assets (net of accumulated depreciation):					
Land	197,365	3,816	201,181	13,035	-
Buildings and improvements	1,053,325	-	1,053,325	2,584,091	-
Machinery and equipment	576,421	-	576,421	273,768	-
Utility plant and equipment	-	730,032	730,032	-	-
Total assets	\$ 8,472,071	\$ 1,636,127	\$ 10,108,198	\$ 3,390,355	\$ 48,825
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 213,288	\$ 9,436	\$ 222,724	\$ 531,779	\$ -
OPEB related items	11,735	582	12,317	55,995	-
Total Deferred Outflows of Resources	\$ 225,023	\$ 10,018	\$ 235,041	\$ 587,774	\$ -
LIABILITIES					
Accounts payable	\$ 63,736	\$ 19,163	\$ 82,899	\$ 3,916	\$ 390
Accrued liabilities	-	-	-	321,425	-
Accrued interest payable	2,571	210	2,781	-	-
Due to primary government	-	-	-	183,433	-
Unearned revenue	25,512	980	26,492	-	-
Long-term liabilities:					
Due within one year	30,278	6,117	36,395	-	-
Due in more than one year	1,277,672	168,045	1,445,717	3,861,469	-
Total liabilities	\$ 1,399,769	\$ 194,515	\$ 1,594,284	\$ 4,370,243	\$ 390
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 1,662,608	\$ -	\$ 1,662,608	\$ -	\$ -
Pension related items	104,397	2,999	107,396	367,618	-
OPEB related items	9,526	474	10,000	21,000	-
Total deferred inflows of resources	\$ 1,776,531	\$ 3,473	\$ 1,780,004	\$ 388,618	\$ -
NET POSITION					
Net investment in capital assets	\$ 1,716,417	\$ 603,095	\$ 2,319,512	\$ 2,870,894	\$ -
Restricted:					
Debt service and bond covenants	-	18,846	18,846	-	-
Recording equipment	768	-	768	-	-
Law library	7,672	-	7,672	-	-
Courthouse maintenance	4,267	-	4,267	-	-
E911	126,121	-	126,121	-	-
\$4 for life program	27,876	-	27,876	-	-
Forfeited assets	2,821	-	2,821	-	-
Unrestricted	3,634,852	826,216	4,461,068	(3,651,626)	48,435
Total net position	\$ 5,520,794	\$ 1,448,157	\$ 6,968,951	\$ (780,732)	\$ 48,435

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

County of Highland, Virginia

Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government administration	\$ 1,030,748	\$ 276	\$ 173,997	\$ -
Judicial administration	306,194	8,201	231,448	-
Public safety	1,102,196	25,416	635,900	-
Public works	57,113	-	-	-
Health and welfare	683,751	-	477,216	-
Education	2,534,181	-	-	-
Parks, recreation, and cultural	98,841	-	-	-
Community development	175,093	-	-	-
Interest on long-term debt	5,543	-	-	-
Total governmental activities	<u>\$ 5,993,660</u>	<u>\$ 33,893</u>	<u>\$ 1,518,561</u>	<u>\$ -</u>
Business-type Activities:				
Refuse Disposal	\$ 322,787	\$ 326,801	\$ 7,241	\$ -
McDowell Water System	51,318	34,391	-	-
Recreation Commission	44,353	45,735	-	-
Total business-type activities	<u>\$ 418,458</u>	<u>\$ 406,927</u>	<u>\$ 7,241</u>	<u>\$ -</u>
Total primary government	<u><u>\$ 6,412,118</u></u>	<u><u>\$ 440,820</u></u>	<u><u>\$ 1,525,802</u></u>	<u><u>\$ -</u></u>
COMPONENT UNIT:				
School Board	\$ 4,393,127	\$ 69,753	\$ 1,768,964	\$ -
Economic Development Authority	29,029	28	31,617	-
Total component unit	<u><u>\$ 4,422,156</u></u>	<u><u>\$ 69,781</u></u>	<u><u>\$ 1,800,581</u></u>	<u><u>\$ -</u></u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Taxes on recordation and wills				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
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
\$ (856,475)	\$ -	\$ (856,475)	\$ -	\$ -
(66,545)	-	(66,545)	-	-
(440,880)	-	(440,880)	-	-
(57,113)	-	(57,113)	-	-
(206,535)	-	(206,535)	-	-
(2,534,181)	-	(2,534,181)	-	-
(98,841)	-	(98,841)	-	-
(175,093)	-	(175,093)	-	-
(5,543)	-	(5,543)	-	-
<u>\$ (4,441,206)</u>	<u>\$ -</u>	<u>\$ (4,441,206)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 11,255	\$ 11,255	\$ -	\$ -
-	(16,927)	(16,927)	-	-
-	1,382	1,382	-	-
<u>\$ -</u>	<u>\$ (4,290)</u>	<u>\$ (4,290)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (4,441,206)</u>	<u>\$ (4,290)</u>	<u>\$ (4,445,496)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(2,554,410)	\$ -
-	-	-	-	2,616
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,554,410)</u>	<u>2,616</u>
\$ 3,645,328	\$ -	\$ 3,645,328	\$ -	\$ -
124,764	-	124,764	-	-
129,227	-	129,227	-	-
58,333	-	58,333	-	-
4,245	-	4,245	-	-
32,884	-	32,884	-	-
85,710	841	86,551	-	31
53,060	-	53,060	5,640	-
346,381	-	346,381	2,534,178	-
(6,300)	6,300	-	-	-
<u>\$ 4,473,632</u>	<u>\$ 7,141</u>	<u>\$ 4,480,773</u>	<u>\$ 2,539,818</u>	<u>\$ 31</u>
<u>\$ 32,426</u>	<u>\$ 2,851</u>	<u>\$ 35,277</u>	<u>\$ (14,592)</u>	<u>\$ 2,647</u>
<u>5,488,368</u>	<u>1,445,306</u>	<u>6,933,674</u>	<u>(766,140)</u>	<u>45,788</u>
<u>\$ 5,520,794</u>	<u>\$ 1,448,157</u>	<u>\$ 6,968,951</u>	<u>\$ (780,732)</u>	<u>\$ 48,435</u>

FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2019

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 4,028,981	\$ -	\$ 120,441	\$ 58,125	\$ 179,232	\$ 9,482	\$ 4,396,261
Receivables (net of allowance for uncollectibles):							
Taxes receivable	1,792,280	-	-	-	-	-	1,792,280
Accounts receivable	19,698	-	-	-	-	-	19,698
Notes receivable	70,000	-	-	-	-	-	70,000
Due from other funds	41,066	-	-	-	-	-	41,066
Due from component unit	183,433	-	-	-	-	-	183,433
Due from other governmental units	110,379	51,570	6,952	-	-	-	168,901
Prepaid items	-	-	2,000	12,387	-	-	14,387
Total assets	<u>\$ 6,245,837</u>	<u>\$ 51,570</u>	<u>\$ 129,393</u>	<u>\$ 70,512</u>	<u>\$ 179,232</u>	<u>\$ 9,482</u>	<u>\$ 6,686,026</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 51,960	\$ 10,504	\$ 1,272	\$ -	\$ -	\$ -	\$ 63,736
Due to other funds	-	41,066	-	-	-	-	41,066
Unearned revenue - other	25,512	-	-	-	-	-	25,512
Total liabilities	<u>\$ 77,472</u>	<u>\$ 51,570</u>	<u>\$ 1,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,314</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	\$ 1,819,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,819,132
Total deferred inflows of resources	<u>\$ 1,819,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,819,132</u>
Fund balances:							
Nonspendable:							
Prepaid items	\$ -	\$ -	\$ 2,000	\$ 12,387	\$ -	\$ -	\$ 14,387
Notes receivable	70,000	-	-	-	-	-	70,000
Restricted:							
Recording equipment	768	-	-	-	-	-	768
Law library	7,672	-	-	-	-	-	7,672
Courthouse maintenance	4,267	-	-	-	-	-	4,267
E911	-	-	126,121	-	-	-	126,121
\$4 for life program	27,876	-	-	-	-	-	27,876
Forfeited assets	-	-	-	-	-	2,821	2,821
Committed:							
Equipment replacement	114,430	-	-	-	-	-	114,430
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	8,857	-	-	-	-	-	8,857
Cupola timepiece project	853	-	-	-	-	-	853
Dangerous dog registry	405	-	-	-	-	-	405
Body armor	1,600	-	-	-	-	-	1,600
Assigned:							
Fire prevention programs	22,291	-	-	-	-	-	22,291
Special revenue funds	-	-	-	-	-	6,661	6,661
Capital projects funds	-	-	-	58,125	179,232	-	237,357
Unassigned	3,554,410	-	-	-	-	-	3,554,410
Total fund balances	<u>\$ 4,349,233</u>	<u>\$ -</u>	<u>\$ 128,121</u>	<u>\$ 70,512</u>	<u>\$ 179,232</u>	<u>\$ 9,482</u>	<u>\$ 4,736,580</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,245,837</u>	<u>\$ 51,570</u>	<u>\$ 129,393</u>	<u>\$ 70,512</u>	<u>\$ 179,232</u>	<u>\$ 9,482</u>	<u>\$ 6,686,026</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,736,580	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	197,365	
Buildings and improvements		1,053,325	
Machinery and equipment		<u>576,421</u>	
			1,827,111
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	\$	<u>156,524</u>	
			156,524
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	213,288	
OPEB related items		<u>11,735</u>	
			225,023
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Capital leases payable	\$	(110,694)	
Compensated absences		(154,275)	
Landfill closure/post-closure costs		(57,447)	
Net pension liability		(879,795)	
Net OPEB liabilities		(105,739)	
Accrued interest		<u>(2,571)</u>	
			(1,310,521)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(104,397)	
OPEB related items		<u>(9,526)</u>	
			<u>(113,923)</u>
Net position of governmental activities	\$		<u><u>5,520,794</u></u>

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

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County of Highland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General	Virginia Public Assistance	E-911	County Capital Improvements
REVENUES				
General property taxes	\$ 3,623,902	\$ -	\$ -	\$ -
Other local taxes	349,453	-	-	-
Permits, privilege fees, and regulatory licenses	8,006	-	-	-
Fines and forfeitures	4,730	-	-	-
Revenue from the use of money and property	85,710	-	-	-
Charges for services	21,157	-	-	-
Miscellaneous	52,509	551	-	-
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,135,975	173,408	81,312	-
Federal	161,032	303,808	-	-
Total revenues	<u>\$ 5,442,474</u>	<u>\$ 477,767</u>	<u>\$ 81,312</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
General government administration	\$ 983,061	\$ -	\$ -	\$ -
Judicial administration	292,841	-	-	-
Public safety	908,032	-	101,405	-
Public works	39,979	-	-	-
Health and welfare	111,123	577,297	-	-
Education	2,415,749	-	-	-
Parks, recreation, and cultural	65,370	-	-	-
Community development	175,318	-	-	-
Nondepartmental	8,540	-	-	-
Capital projects	53,479	-	-	163,925
Debt service:				
Principal retirement	-	-	-	17,201
Interest and other fiscal charges	-	-	-	872
Total expenditures	<u>\$ 5,053,492</u>	<u>\$ 577,297</u>	<u>\$ 101,405</u>	<u>\$ 181,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 388,982</u>	<u>\$ (99,530)</u>	<u>\$ (20,093)</u>	<u>\$ (181,998)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 11,200	\$ 99,530	\$ -	\$ 134,000
Transfers out	(251,030)	-	-	-
Issuance of capital leases	-	-	-	-
Total other financing sources (uses)	<u>\$ (239,830)</u>	<u>\$ 99,530</u>	<u>\$ -</u>	<u>\$ 134,000</u>
Net change in fund balances	\$ 149,152	\$ -	\$ (20,093)	\$ (47,998)
Fund balances - beginning	4,200,081	-	148,214	118,510
Fund balances - ending	<u>\$ 4,349,233</u>	<u>\$ -</u>	<u>\$ 128,121</u>	<u>\$ 70,512</u>

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

Exhibit 5

School Capital Projects		Other Governmental Funds	Total
\$	-	\$ -	\$ 3,623,902
	-	-	349,453
	-	-	8,006
	-	-	4,730
	-	-	85,710
	-	-	21,157
	-	-	53,060
	-	-	-
	-	9,407	1,400,102
	-	-	464,840
\$	-	\$ 9,407	\$ 6,010,960
\$	-	\$ -	\$ 983,061
	-	-	292,841
	-	4,031	1,013,468
	-	-	39,979
	-	-	688,420
	-	-	2,415,749
	-	-	65,370
	-	-	175,318
	-	-	8,540
154,526	-	-	371,930
32,014	-	-	49,215
2,100	-	-	2,972
\$ 188,640	\$ 4,031	\$ -	\$ 6,106,863
\$ (188,640)	\$ 5,376	\$ -	\$ (95,903)
\$	-	\$ -	\$ 244,730
	-	-	(251,030)
80,435	-	-	80,435
\$ 80,435	\$ -	\$ -	\$ 74,135
\$ (108,205)	\$ 5,376	\$ -	\$ (21,768)
287,437	4,106	-	4,758,348
\$ 179,232	\$ 9,482	\$ -	\$ 4,736,580

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	(21,768)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$	167,540	
Depreciation expense		(175,472)	
Allocation of debt financed school assets based on current year debt issuance and repayments		<u>36,094</u>	28,162

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

Property taxes	\$	<u>21,426</u>	21,426
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	\$	(80,435)	
Principal repayments		49,215	
Accrued interest		(2,571)	
Increase in accrued landfill closure and post-closure monitoring costs		<u>(1,292)</u>	(35,083)

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	\$	(14,092)	
Pension expense		48,928	
OPEB expense		<u>4,853</u>	39,689

Change in net position of governmental activities	\$	<u><u>32,426</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 88,396	\$ 621,144	\$ 157,716	\$ 867,256
Accounts receivable	6,001	29,022	-	35,023
Total current assets	<u>\$ 94,397</u>	<u>\$ 650,166</u>	<u>\$ 157,716</u>	<u>\$ 902,279</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	(576,800)	(116,603)	(12,896)	(706,299)
Total net capital assets	<u>\$ 649,869</u>	<u>\$ 76,074</u>	<u>\$ 7,905</u>	<u>\$ 733,848</u>
Total assets	<u>\$ 744,266</u>	<u>\$ 726,240</u>	<u>\$ 165,621</u>	<u>\$ 1,636,127</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 9,436	\$ -	\$ 9,436
OPEB related items	-	582	-	582
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 10,018</u>	<u>\$ -</u>	<u>\$ 10,018</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 456	\$ 18,339	\$ 368	\$ 19,163
Accrued interest payable	210	-	-	210
Unearned revenue	-	-	980	980
Revenue bonds - current portion	6,117	-	-	6,117
Total current liabilities	<u>\$ 6,783</u>	<u>\$ 18,339</u>	<u>\$ 1,348</u>	<u>\$ 26,470</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 124,636	\$ -	\$ -	\$ 124,636
Compensated absences	-	12,553	-	12,553
Net OPEB liability	-	5,261	-	5,261
Net pension liability	-	25,595	-	25,595
Total noncurrent liabilities	<u>\$ 124,636</u>	<u>\$ 43,409</u>	<u>\$ -</u>	<u>\$ 168,045</u>
Total liabilities	<u>\$ 131,419</u>	<u>\$ 61,748</u>	<u>\$ 1,348</u>	<u>\$ 194,515</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 2,999	\$ -	\$ 2,999
OPEB related items	-	474	-	474
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 3,473</u>	<u>\$ -</u>	<u>\$ 3,473</u>
NET POSITION				
Net investment in capital assets	\$ 519,116	\$ 76,074	\$ 7,905	\$ 603,095
Restricted for debt service and bond covenants	18,846	-	-	18,846
Unrestricted	74,885	594,963	156,368	826,216
Total net position	<u>\$ 612,847</u>	<u>\$ 671,037</u>	<u>\$ 164,273</u>	<u>\$ 1,448,157</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, 2019

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 34,391	\$ -	\$ -	\$ 34,391
Refuse disposal	-	306,800	-	306,800
Recycling revenues	-	8,664	-	8,664
Tire disposal	-	4,570	-	4,570
Program income	-	-	43,481	43,481
Operating grants	-	-	-	-
Other revenues	-	6,767	2,254	9,021
Total operating revenues	<u>\$ 34,391</u>	<u>\$ 326,801</u>	<u>\$ 45,735</u>	<u>\$ 406,927</u>
OPERATING EXPENSES				
Personnel services	\$ 11,290	\$ 111,279	\$ -	\$ 122,569
Contractual services	2,343	192,594	60	194,997
Depreciation	23,802	6,441	930	31,173
Supplies	-	-	31,075	31,075
Staff expenses	-	-	325	325
Utilities	-	-	5,399	5,399
Other charges	7,852	12,473	6,564	26,889
Total operating expenses	<u>\$ 45,287</u>	<u>\$ 322,787</u>	<u>\$ 44,353</u>	<u>\$ 412,427</u>
Operating income (loss)	<u>\$ (10,896)</u>	<u>\$ 4,014</u>	<u>\$ 1,382</u>	<u>\$ (5,500)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue (expense)	\$ -	\$ 7,241	\$ -	\$ 7,241
Investment income	47	-	794	841
Interest expense	(6,031)	-	-	(6,031)
Total nonoperating revenues (expenses)	<u>\$ (5,984)</u>	<u>\$ 7,241</u>	<u>\$ 794</u>	<u>\$ 2,051</u>
Income before transfers	<u>\$ (16,880)</u>	<u>\$ 11,255</u>	<u>\$ 2,176</u>	<u>\$ (3,449)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 17,500	\$ 17,500
Transfers out	-	(1,200)	(10,000)	(11,200)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (1,200)</u>	<u>\$ 7,500</u>	<u>\$ 6,300</u>
Change in net position	<u>\$ (16,880)</u>	<u>\$ 10,055</u>	<u>\$ 9,676</u>	<u>\$ 2,851</u>
Total net position - beginning	629,727	660,982	154,597	1,445,306
Total net position - ending	<u>\$ 612,847</u>	<u>\$ 671,037</u>	<u>\$ 164,273</u>	<u>\$ 1,448,157</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 34,656	\$ 315,881	\$ 40,577	\$ 391,114
Payments to suppliers	(9,994)	(199,522)	(30,810)	(240,326)
Payments to employees	(11,290)	(124,616)	-	(135,906)
Other receipts (payments)	-	6,767	(10,034)	(3,267)
Net cash provided by (used for) operating activities	\$ 13,372	\$ (1,490)	\$ (267)	\$ 11,615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ (1,200)	\$ (10,000)	\$ (11,200)
Transfers from other funds	-	-	17,500	17,500
Intergovernmental revenues	-	7,241	-	7,241
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 6,041	\$ 7,500	\$ 13,541
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on bonds	\$ (5,800)	\$ -	\$ -	\$ (5,800)
Interest expense	(6,044)	-	-	(6,044)
Purchase of capital assets	-	(18,622)	-	(18,622)
Net cash provided by (used for) capital and related financing activities	\$ (11,844)	\$ (18,622)	\$ -	\$ (30,466)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 47	\$ -	\$ 794	\$ 841
Net cash provided by (used for) investing activities	\$ 47	\$ -	\$ 794	\$ 841
Net increase (decrease) in cash and cash equivalents	\$ 1,575	\$ (14,071)	\$ 8,027	\$ (4,469)
Cash and cash equivalents - beginning	86,821	635,215	149,689	871,725
Cash and cash equivalents - ending	<u>88,396</u>	<u>621,144</u>	<u>157,716</u>	<u>867,256</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (10,896)	\$ 4,014	\$ 1,382	\$ (5,500)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 23,802	\$ 6,441	\$ 930	\$ 31,173
(Increase) decrease in accounts receivable	265	(4,153)	-	(3,888)
(Increase) decrease in deferred outflow of resources	-	441	-	441
Increase (decrease) in net pension liability	-	(2,465)	-	(2,465)
Increase (decrease) in net OPEB liability	-	94	-	94
Increase (decrease) in deferred inflows of resources	-	(13,064)	-	(13,064)
Increase (decrease) in accounts payable	201	5,545	325	6,071
Increase (decrease) in unearned revenue	-	-	(2,904)	(2,904)
Increase (decrease) in compensated absences	-	1,657	-	1,657
Total adjustments	\$ 24,268	\$ (5,504)	\$ (1,649)	\$ 17,115
Net cash provided by (used for) operating activities	<u>\$ 13,372</u>	<u>\$ (1,490)</u>	<u>\$ (267)</u>	<u>\$ 11,615</u>

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019

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 in accordance with Governmental Accounting Standards Board Statement 39. 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, 2019 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 unit. 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 as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. *Allowance for Uncollectible Accounts*

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$13,363, at June 30, 2019 and is comprised solely of property taxes. This allowance represents 0.036% 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, 2019 (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:

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as expense in the Statement of Activities and long term liability in the Statement of Net Position. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The County accrues salary-related payments associated with the payment of compensated absences.

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 equity

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

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

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.

9. Net Position

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

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 Flow Assumption

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

11. Deferred Outflows/Inflows of Resources

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

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

E. Pensions

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

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

F. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to employees of participating political subdivisions. The GLI Program 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program 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. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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.

A. Excess of expenditures over appropriations at June 30, 2019:

Fund	Function	Excess of Expenditures over Appropriations
General	Judicial administrator	\$ 93
Total General Fund		\$ 93
County capital improvements fund	Capital projects	\$ 18,073
School capital projects fund	Capital projects	80,435
E-911 fund	Administration	1,095
Total Primary Government		\$ 99,696
School Cafeteria Fund	Education	\$ 10,769
Total Component Unit - School Board		\$ 10,769
Total All Funds		\$ 110,465

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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 the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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, 2019 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 41
Total	\$ 41

Interest Rate Risk

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

	<u>Fair Value</u>	<u>Less than 1 yr</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>10+ years</u>
LGIP	\$ 41	\$ 41	\$ -	\$ -	\$ -

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, 2019 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 28,069
Local sales taxes	21,155	-
Communication taxes	10,217	-
DMV select	841	-
Mobile home titling tax	600	-
Rolling Stock	57	-
Recordation tax	1,179	-
Public assistance and welfare administration	29,954	-
Wireless	6,952	-
Commonwealth attorney	5,922	-
Clerk of Circuit Court	12,183	-
Treasurer	5,772	-
Commissioner of Revenue	5,853	-
Sheriff	46,600	-
School grants	-	102,340
Federal Government:		
School grants	-	8,299
Public assistance and welfare administration	21,616	-
Total	\$ 168,901	\$ 138,708

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	\$ 41,066	\$ -	\$ -	\$ 183,433
VPA Fund	-	41,066	-	-
Sub-total	\$ 41,066	\$ 41,066	\$ -	\$ 183,433
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 183,433	\$ -
Total	\$ 41,066	\$ 41,066	\$ 183,433	\$ 183,433

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, 2019 (Continued)

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2019 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 11,200	\$ 251,030
Virginia Public Assistance Fund	99,530	-
Refuse Disposal Fund	-	1,200
Recreation Commission	17,500	10,000
County Capital Improvements Fund	134,000	-
Total	<u>\$ 262,230</u>	<u>\$ 262,230</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, 2019 was as follows:

Governmental Activities:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 197,365	\$ -	\$ -	\$ 197,365
Total capital assets not being depreciated	<u>\$ 197,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,365</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,841,416	\$ -	\$ -	\$ 1,841,416
Machinery and equipment	1,585,688	215,961	-	1,801,649
Total capital assets being depreciated	<u>\$ 3,427,104</u>	<u>\$ 215,961</u>	<u>\$ -</u>	<u>\$ 3,643,065</u>
Accumulated depreciation:				
Buildings and improvements	\$ (718,088)	\$ (70,003)	\$ -	\$ (788,091)
Machinery and equipment	(1,107,432)	(117,796)	-	(1,225,228)
Total accumulated depreciation	<u>\$ (1,825,520)</u>	<u>\$ (187,799)</u>	<u>\$ -</u>	<u>\$ (2,013,319)</u>
Total capital assets being depreciated, net	<u>\$ 1,601,584</u>	<u>\$ 28,162</u>	<u>\$ -</u>	<u>\$ 1,629,746</u>
Governmental activities capital assets, net	<u>\$ 1,798,949</u>	<u>\$ 28,162</u>	<u>\$ -</u>	<u>\$ 1,827,111</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

McDowell Water System Fund

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
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	(552,998)	(23,802)	-	(576,800)
Capital assets being depreciated, net	\$ 669,855	\$ (23,802)	\$ -	\$ 646,053
McDowell water system capital assets, net	\$ 673,671	\$ (23,802)	\$ -	\$ 649,869

Refuse Disposal Fund

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets being depreciated:				
Utility plant and equipment	\$ 174,055	\$ 18,622	\$ -	\$ 192,677
Accumulated depreciation	(110,162)	(6,441)	-	(116,603)
Capital assets being depreciated, net	\$ 63,893	\$ 12,181	\$ -	\$ 76,074
Refuse disposal fund capital assets, net	\$ 63,893	\$ 12,181	\$ -	\$ 76,074

Recreation Commission Fund

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(11,966)	(930)	-	(12,896)
Capital assets being depreciated, net	\$ 8,835	\$ (930)	\$ -	\$ 7,905
Recreation commission fund capital assets, net	\$ 8,835	\$ (930)	\$ -	\$ 7,905

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:	
General government administration	\$ 26,263
Judicial administration	7,632
Public safety	92,668
Public works	13,203
Education	12,330
Parks and Recreation	35,703
Total depreciation expense - governmental activities	\$ <u>187,799</u>
Business-type Activities:	
McDowell Water System	\$ 23,802
Refuse disposal	6,441
Recreation Commission	930
Total depreciation expense - business-type activities	\$ <u>31,173</u>

Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
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	\$ -	\$ -	\$ 4,813,646
Furniture, equipment and vehicles	1,067,711	112,602	(8,375)	1,171,938
Total capital assets being depreciated	\$ 5,881,357	\$ 112,602	\$ (8,375)	\$ 5,985,584
Accumulated depreciation:				
Buildings and improvements	\$ (2,110,608)	\$ (118,947)	\$ -	\$ (2,229,555)
Furniture, equipment and vehicles	(817,031)	(89,514)	8,375	(898,170)
Total accumulated depreciation	\$ (2,927,639)	\$ (208,461)	\$ 8,375	\$ (3,127,725)
Total capital assets being depreciated, net	\$ 2,953,718	\$ (95,859)	\$ -	\$ 2,857,859
School Board capital assets, net	\$ 2,966,753	\$ (95,859)	\$ -	\$ 2,870,894

Depreciation expense was charged to education in the amount of \$208,461.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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. The effect on the County of Highland, Virginia for the year ended June 30, 2019, 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, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Capital leases	\$ 79,474	\$ 80,435	\$ 49,215	\$ 110,694
Landfill closure/post-closure costs	56,155	1,292	-	57,447
Compensated absences	140,183	14,092	-	154,275
Net OPEB liability	103,833	19,053	17,147	105,739
Net pension liability	977,843	617,656	715,704	879,795
Total Long-Term Obligations	<u>\$ 1,357,488</u>	<u>\$ 732,528</u>	<u>\$ 782,066</u>	<u>\$ 1,307,950</u>

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

Years Ending June 30,	Capital Leases	
	Principal	Interest
2020	\$ 30,278	\$ 3,835
2021	31,306	2,808
2022	32,375	1,739
2023	16,735	647
Total	<u>\$ 110,694</u>	<u>\$ 9,029</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Governmental Activities Indebtedness: (Continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Capital leases:</u>		
\$80435 issued August 8, 2018, due in annual installments of \$17,382 beginning September 15, 2018 through September 15, 2022, for the purchase of a school bus	\$ 63,316	\$ 14,944
\$78,808 issued August 7, 2017, due in annual installments of \$16,732 beginning January 20, 2018 through January 20, 20122, for the purchase of a school bus	47,378	15,334
Total capital leases	\$ 110,694	\$ 30,278
Landfill closure/post-closure costs	\$ 57,447	\$ -
Compensated absences (payable from the General Fund)	\$ 154,275	\$ -
Net OPEB liability	\$ 105,739	\$ -
Net pension liability	\$ 879,795	\$ -
Total long-term obligations	\$ 1,307,950	\$ 30,278

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, 2019:

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2019
Direct Borrowings and Placements:				
Revenue Bonds	\$ 136,553	\$ -	\$ 5,800	\$ 130,753
Other Long-Term Obligations:				
Compensated absences	\$ 10,896	\$ 1,657	\$ -	\$ 12,553
Net OPEB liability	5,167	947	853	5,261
Net pension liability	28,060	18,345	20,810	25,595
Total Other Long-Term Obligations	\$ 44,123	\$ 20,949	\$ 21,663	\$ 43,409
Total Long-Term Obligations	\$ 180,676	\$ 20,949	\$ 27,463	\$ 174,162

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

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
2020	\$ 6,117	\$ 5,727
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	1,311	8
Total	\$ 130,753	\$ 62,495

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>McDowell Water System:</u>		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 24,770	\$ 2,204
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	17,222	1,511
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	28,250	1,182
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	60,511	1,220
Total revenue bonds	\$ <u>130,753</u>	\$ <u>6,117</u>
<u>Refuse Disposal Fund:</u>		
Compensated Absences	\$ 12,553	\$ -
Net OPEB Liability	5,261	-
Net Pension Liability	25,595	-
Total long-term obligations	\$ <u>174,162</u>	\$ <u>6,117</u>

The County's outstanding revenue bonds from direct borrowings and direct placements related to governmental activities of \$130,753 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, 2019:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Compensated absences	\$ 63,272	\$ 1,191	\$ -	\$ 64,463
Net OPEB liabilities	483,000	70,000	73,000	480,000
Net pension liability	3,368,166	959,611	1,010,771	3,317,006
Total Long-Term Obligations	\$ <u>3,914,438</u>	\$ <u>1,030,802</u>	\$ <u>1,083,771</u>	\$ <u>3,861,469</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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.

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

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 creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- 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 creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- 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 creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. 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, 2019 (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 creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% 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 creditable service 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 creditable service 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, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	26	16
Inactive members:		
Vested inactive members	3	1
Non-vested inactive members	6	2
Inactive members active elsewhere in VRS	6	3
Total inactive members	15	6
Active members	35	9
Total covered employees	76	31

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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, 2019 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 \$161,674 and \$148,896 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2019 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 \$39,821 and \$30,448 for the years ended June 30, 2019 and June 30, 2018, 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, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% 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 age 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.

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – 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% to 20%

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% to 15%

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

Largest 10 – Hazardous Duty: 70% 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.

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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2019 (Continued)****NOTE 10—PENSION PLANS: (CONTINUED)****Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)**

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% to 45%

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.5%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2018, 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, 2018 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, 2017	\$ 6,948,957	\$ 5,943,054	\$ 1,005,903
Changes for the year:			
Service cost	\$ 156,750	\$ -	\$ 156,750
Interest	474,696	-	474,696
Differences between expected and actual experience	(84,912)	-	(84,912)
Assumption changes	-	-	-
Contributions - employer	-	148,896	(148,896)
Contributions - employee	-	65,835	(65,835)
Net investment income	-	436,495	(436,495)
Benefit payments, including refunds	(335,177)	(335,177)	-
Administrative expenses	-	(3,791)	3,791
Other changes	-	(388)	388
Net changes	\$ 211,357	\$ 311,870	\$ (100,513)
Balances at June 30, 2018	\$ 7,160,314	\$ 6,254,924	\$ 905,390

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (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, 2017	\$ 1,229,409	\$ 855,243	\$ 374,166
Changes for the year:			
Service cost	\$ 20,910	\$ -	\$ 20,910
Interest	83,621	-	83,621
Differences between expected and actual experience	79,475	-	79,475
Assumption changes	-	-	-
Contributions - employer	-	30,448	(30,448)
Contributions - employee	-	11,825	(11,825)
Net investment income	-	62,498	(62,498)
Benefit payments, including refunds	(69,651)	(69,651)	-
Administrative expenses	-	(550)	550
Other changes	-	(55)	55
Net changes	\$ 114,355	\$ 34,515	\$ 79,840
Balances at June 30, 2018	\$ 1,343,764	\$ 889,758	\$ 454,006

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability	\$ 1,710,176	\$ 905,390	\$ 226,382
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 603,990	\$ 454,006	\$ 326,463

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (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, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$97,993 and \$77,768, respectively. At June 30, 2019, 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	\$ 59,721	\$ 59,342	\$ 34,826	\$ -
Change in assumptions	1,234	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	47,959	-	6,618
Impact of change in proportional allocation	95	95	-	-
Employer contributions subsequent to the measurement date	161,674	-	39,821	-
Total	<u>\$ 222,724</u>	<u>\$ 107,396</u>	<u>\$ 74,647</u>	<u>\$ 6,618</u>

\$161,674 and \$39,821 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, 2020. 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)
2020	\$ 42,118	\$ 38,127
2021	(18,613)	(427)
2022	(64,884)	(8,770)
2023	(4,967)	(722)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (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, 2019 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 \$291,132 and \$314,346 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$2,863,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .02435% as compared to .02435% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$180,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2019 (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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 245,000
Change in assumptions	34,000	-
Net difference between projected and actual earnings on pension plan investments	-	61,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	132,000	55,000
Employer contributions subsequent to the measurement date	<u>291,132</u>	<u>-</u>
Total	<u>\$ 457,132</u>	<u>\$ 361,000</u>

\$291,132 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (11,000)
2021	(40,000)
2022	(111,000)
2023	(21,000)
2024	(12,000)

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2019 (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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability (Asset)	\$	4,373,000	\$ 2,863,000	\$ 1,613,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (Continued)

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

Plan Description

The Group Life Insurance (GLI) Program 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 Program 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 Program. 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 program, it is not included as part of the GLI Program OPEB.

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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.

Benefit Amounts

The GLI Program 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 program 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 creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

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

Contributions

The contribution requirements for the GLI Program 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 Program 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, 2019 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 Program were \$7,317 and \$7,223 for the years ended June 30, 2019 and June 30, 2018, respectively. School Board contributions to the GLI Program for professional employees were \$9,897 and \$10,141, for the years ended June 30, 2019 and June 30, 2018 respectively. School Board contributions to the GLI Program for nonprofessional employees were \$1,260 and \$1,244, for the years ended June 30, 2019 and June 30, 2018 respectively.

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

At June 30, 2019, the County reported a liability of \$111,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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 Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.00730% as compared to 0.00719% at June 30, 2017.

At June 30, 2019, the School Board reported liability of \$19,000 for nonprofessional employees and \$155,000 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2018 and June 30, 2017, the participating employer's proportion for nonprofessional employees was 0.00126%, and 0.00127%, respectively. At June 30, 2018, the participating employer's proportion for School Board professional employees was 0.01026% as compared to 0.01306% at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$3,000, while the School Board recognized GLI OPEB expense of \$0, and \$0 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2019 (Continued)

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

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

At June 30, 2019, 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	\$ 5,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000
Change in assumptions	-	5,000
Employer contributions subsequent to the measurement date	7,317	-
Total	\$ 12,317	\$ 10,000

	Component Unit School Board			
	Nonprofessional Employees Deferred Outflows of Resources	Deferred Inflows of Resources	Professional Employees Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,000	\$ -	\$ 8,000	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	5,000
Change in assumptions	-	1,000	-	6,000
Changes in proportion	-	-	5,000	-
Employer contributions subsequent to the measurement date	1,260	-	9,897	-
Total	\$ 2,260	\$ 2,000	\$ 22,897	\$ 14,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

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

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

\$7,317, \$1,260 and \$9,897 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, 2020. 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,
2020	2020	2020
\$ (2,000)	\$ (1,000)	\$ (1,000)
2021	2021	2021
(2,000)	-	(1,000)
2022	2022	2022
(1,000)	-	(1,000)
2023	2023	2023
-	-	-
2024	2024	2024
-	-	1,000
Thereafter	Thereafter	Thereafter
-	-	1,000

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
ValORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Line of Duty Disability	Increased rate from 14% to 25%

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates – SPORS 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality Rates – VaLORS 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

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

Actuarial Assumptions (Continued)

Mortality Rates – VaLORS Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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

Actuarial Assumptions (Continued)

Mortality Rates – 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 15%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 15%

Mortality Rates – 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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Actuarial Assumptions (Continued)

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program'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 Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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.

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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, 2018, 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, 2018 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.

Notes to Financial Statements
June 30, 2019 (Continued)

NOTE 11—GROUP LIFE INSURANCE (GLI) PROGRAM (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 145,000	\$ 111,000	\$ 84,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-nonprofessional employees	\$ 25,000	\$ 19,000	\$ 14,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-professional employees	\$ 203,000	\$ 155,000	\$ 117,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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) PROGRAM (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program 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 Program. 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 Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program 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 Program 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 Program 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, 2019 (Continued)

**NOTE 12—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. 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 Program were \$22,838 and \$23,988 for the years ended June 30, 2019 and June 30, 2018, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB

At June 30, 2019, the school division reported a liability of \$306,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .02411% as compared to 0.02422% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$25,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	-
Change in assumptions	-	3,000
Change in proportion	8,000	-
Employer contributions subsequent to the measurement date	22,838	-
Total	<u>\$ 30,838</u>	<u>\$ 5,000</u>

**NOTE 12—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):
(CONTINUED)*****Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB: (Continued)***

\$22,838 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>		
2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		3,000

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

Actuarial Assumptions (Continued)

Mortality Rates – Teachers

Actuarial Assumptions

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

Notes to Financial Statements
June 30, 2019 (Continued)

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
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The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

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

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. 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, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program 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, 2018 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 Program net HIC OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	342,000	\$ 306,000	\$ 276,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (Continued)

NOTE 13—UNEARNED/DEFERRED/UNAVAILABLE REVENUE:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2019:

	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.	\$ -	\$ 156,524
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2018. The uncollected tax billings are not available for the funding of current expenditures.	1,612,616	1,612,616
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	49,992	49,992
Total primary government deferred/unavailable revenue	\$ 1,662,608	\$ 1,819,132
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
Event registration fees collected in advance for events occurring in the subsequent year	980	980
Total primary government unearned revenue	\$ 26,492	\$ 26,492

NOTE 14—SURETY BONDS:

Fidelity and Deposit Company of Maryland - Surety:	
David W. Blanchard Supervisor	\$ 1,000
Harry Sponaugle Supervisor	1,000
Kevin Wagner Supervisor	1,000
Kevin Wagner McDowell Water System, Chairman	5,000
Roberta A. Lambert County Administrator	3,000
Karen DeVore 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
Darlene Crummett Commissioner of the Revenue	3,000
David A. Neil Sheriff	30,000
St. Paul Fire and Marine Insurance Company:	
Social Services - blanket bond	75,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2019 (Continued)

NOTE 15—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 16—CAPITAL LEASES:

The government has entered into lease agreements as lessee for financing school buses. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present values of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

		Governmental Activities
Asset:		
Machinery and equipment	\$	159,243
Less: Accumulated depreciation		(19,254)
Total	\$	<u>139,989</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, are as follows:

Year Ended June 30,		Governmental Activities
2020	\$	34,114
2021		34,114
2022		34,114
2023		17,382
Total minimum lease payments	\$	<u>119,724</u>
Less: amount representing interest		(9,030)
Present value of minimum lease payments	\$	<u>110,694</u>

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 \$57,447 at June 30, 2019. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

NOTE 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, 2019 was \$20,000, while the balance of the Bolar Volunteer Fire Department loan was \$50,000.

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, 2018.

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 December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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, 2019 (Continued)**

NOTE 20—LITIGATION:

At June 30, 2019, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 3,385,990	\$ 3,480,215	\$ 3,623,902	\$ 143,687
Other local taxes	372,418	378,756	349,453	(29,303)
Permits, privilege fees, and regulatory licenses	11,350	6,410	8,006	1,596
Fines and forfeitures	3,000	3,436	4,730	1,294
Revenue from the use of money and property	82,000	64,001	85,710	21,709
Charges for services	10,675	10,325	21,157	10,832
Miscellaneous	39,650	48,340	52,509	4,169
Intergovernmental:				
Commonwealth	1,068,999	1,066,143	1,135,975	69,832
Federal	55,000	100,000	161,032	61,032
Total revenues	<u>\$ 5,029,082</u>	<u>\$ 5,157,626</u>	<u>\$ 5,442,474</u>	<u>\$ 284,848</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,023,320	\$ 988,830	\$ 983,061	\$ 5,769
Judicial administration	277,248	292,748	292,841	(93)
Public safety	907,125	934,925	908,032	26,893
Public works	40,171	40,171	39,979	192
Health and welfare	111,123	111,673	111,123	550
Education	2,418,708	2,418,708	2,415,749	2,959
Parks, recreation, and cultural	66,274	66,274	65,370	904
Community development	208,340	198,380	175,318	23,062
Nondepartmental	12,548	63,148	8,540	54,608
Capital projects	-	53,480	53,479	1
Total expenditures	<u>\$ 5,064,857</u>	<u>\$ 5,168,337</u>	<u>\$ 5,053,492</u>	<u>\$ 114,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,775)</u>	<u>\$ (10,711)</u>	<u>\$ 388,982</u>	<u>\$ 399,693</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 53,275	\$ 28,211	\$ 11,200	\$ (17,011)
Transfers out	(17,500)	(17,500)	(251,030)	(233,530)
Total other financing sources (uses)	<u>\$ 35,775</u>	<u>\$ 10,711</u>	<u>\$ (239,830)</u>	<u>\$ (250,541)</u>
Net change in fund balances	\$ -	\$ -	\$ 149,152	\$ 149,152
Fund balances - beginning	-	-	4,200,081	4,200,081
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,349,233</u>	<u>\$ 4,349,233</u>

Special Revenue Fund-Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 551	\$ 551
Intergovernmental:				
Commonwealth	251,120	221,825	173,408	(48,417)
Federal	199,462	247,720	303,808	56,088
Total revenues	<u>\$ 450,582</u>	<u>\$ 469,545</u>	<u>\$ 477,767</u>	<u>\$ 8,222</u>
EXPENDITURES				
Health and welfare	<u>\$ 634,618</u>	<u>\$ 621,847</u>	<u>\$ 577,297</u>	<u>\$ 44,550</u>
Total expenditures	<u>\$ 634,618</u>	<u>\$ 621,847</u>	<u>\$ 577,297</u>	<u>\$ 44,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (184,036)</u>	<u>\$ (152,302)</u>	<u>\$ (99,530)</u>	<u>\$ 52,772</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 184,036</u>	<u>\$ 152,302</u>	<u>\$ 99,530</u>	<u>\$ (52,772)</u>
Total other financing sources (uses)	<u>\$ 184,036</u>	<u>\$ 152,302</u>	<u>\$ 99,530</u>	<u>\$ (52,772)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 81,312	\$ 81,312
Total revenues	\$ -	\$ -	\$ 81,312	\$ 81,312
EXPENDITURES				
Public safety	\$ -	\$ 100,310	\$ 101,405	\$ (1,095)
Total expenditures	\$ -	\$ 100,310	\$ 101,405	\$ (1,095)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (100,310)	\$ (20,093)	\$ 80,217
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 100,310	\$ -	\$ (100,310)
Total other financing sources (uses)	\$ -	\$ 100,310	\$ -	\$ (100,310)
Net change in fund balances	\$ -	\$ -	\$ (20,093)	\$ (20,093)
Fund balances - beginning	-	-	148,214	148,214
Fund balances - ending	-	-	128,121	128,121

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County of Highland, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Primary Government

For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 156,750	\$ 155,202
Interest	474,696	445,876
Changes of benefit terms	-	-
Differences between expected and actual experience	(84,912)	155,277
Changes in assumptions	-	3,210
Benefit payments, including refunds of employee contributions	(335,177)	(360,531)
Net change in total pension liability	\$ 211,357	\$ 399,034
Total pension liability - beginning	6,948,957	6,549,923
Total pension liability - ending (a)	<u>\$ 7,160,314</u>	<u>\$ 6,948,957</u>
Plan fiduciary net position		
Contributions - employer	\$ 148,896	\$ 144,304
Contributions - employee	65,835	63,793
Net investment income	436,495	655,009
Benefit payments, including refunds of employee contributions	(335,177)	(360,531)
Administrative expense	(3,791)	(3,850)
Other	(388)	(581)
Net change in plan fiduciary net position	\$ 311,870	\$ 498,144
Plan fiduciary net position - beginning	5,943,054	5,444,910
Plan fiduciary net position - ending (b)	<u>\$ 6,254,924</u>	<u>\$ 5,943,054</u>
County's net pension liability - ending (a) - (b)	\$ 905,390	\$ 1,005,903
Plan fiduciary net position as a percentage of the total pension liability	87.36%	85.52%
Covered payroll	\$ 1,382,360	\$ 1,326,229
County's net pension liability as a percentage of covered payroll	65.50%	75.85%

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

	2016	2015	2014
\$	149,304	\$ 153,716	\$ 149,038
	427,276	421,763	406,078
	51,557	-	-
	(12,933)	(138,534)	-
	-	-	-
	(338,460)	(377,894)	(284,210)
\$	276,744	\$ 59,051	\$ 270,906
	6,273,179	6,214,128	5,943,222
\$	<u>6,549,923</u>	<u>\$ 6,273,179</u>	<u>\$ 6,214,128</u>
\$	187,768	\$ 178,879	\$ 152,470
	63,391	77,375	60,075
	92,846	240,813	731,267
	(338,460)	(377,894)	(284,210)
	(3,392)	(3,366)	(3,971)
	(40)	(53)	39
\$	2,113	\$ 115,754	\$ 655,670
	5,442,797	5,327,043	4,671,373
\$	<u>5,444,910</u>	<u>\$ 5,442,797</u>	<u>\$ 5,327,043</u>
\$	1,105,013	\$ 830,382	\$ 887,085
	83.13%	86.76%	85.72%
\$	1,302,387	\$ 1,242,402	\$ 1,201,493
	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) For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 20,910	\$ 20,048
Interest	83,621	80,313
Differences between expected and actual experience	79,475	26,217
Changes in assumptions	-	(7,630)
Benefit payments, including refunds of employee contributions	(69,651)	(73,744)
Net change in total pension liability	\$ 114,355	\$ 45,204
Total pension liability - beginning	1,229,409	1,184,205
Total pension liability - ending (a)	<u>\$ 1,343,764</u>	<u>\$ 1,229,409</u>
Plan fiduciary net position		
Contributions - employer	\$ 30,448	\$ 29,727
Contributions - employee	11,825	11,534
Net investment income	62,498	94,641
Benefit payments, including refunds of employee contributions	(69,651)	(73,744)
Administrative expense	(550)	(566)
Other	(55)	(84)
Net change in plan fiduciary net position	\$ 34,515	\$ 61,508
Plan fiduciary net position - beginning	855,243	793,735
Plan fiduciary net position - ending (b)	<u>\$ 889,758</u>	<u>\$ 855,243</u>
School Division's net pension liability - ending (a) - (b)	\$ 454,006	\$ 374,166
Plan fiduciary net position as a percentage of the total pension liability	66.21%	69.57%
Covered payroll	\$ 239,365	\$ 233,486
School Division's net pension liability as a percentage of covered payroll	189.67%	160.25%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	20,055	\$ 18,181	\$ 16,918
	75,437	76,690	74,575
	44,084	(49,056)	-
	-	-	-
	(66,091)	(61,327)	(61,249)
\$	73,485	\$ (15,512)	\$ 30,244
	1,110,720	1,126,232	1,095,988
\$	<u>1,184,205</u>	<u>\$ 1,110,720</u>	<u>\$ 1,126,232</u>
\$	35,591	\$ 36,046	\$ 30,951
	11,371	11,528	10,276
	13,591	35,354	107,414
	(66,091)	(61,327)	(61,249)
	(500)	(489)	(590)
	(6)	(8)	6
\$	<u>(6,044)</u>	<u>\$ 21,104</u>	<u>\$ 86,808</u>
	799,779	778,675	691,867
\$	<u>793,735</u>	<u>\$ 799,779</u>	<u>\$ 778,675</u>
\$	390,470	\$ 310,941	\$ 347,557
	67.03%	72.01%	69.14%
\$	227,420	\$ 224,553	\$ 205,513
	171.70%	138.47%	169.12%

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.02435%	0.02435%	0.02344%	0.02404%	0.02269%
Employer's Proportionate Share of the Net Pension Liability	\$ 2,863,000	\$ 2,994,000	\$ 3,285,000	\$ 3,025,000	\$ 2,742,000
Employer's Covered Payroll	\$ 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	147%	157%	184%	169%	165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
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%
2010	95,007	95,007	-	1,042,886	9.11%
Component Unit School Board (nonprofessional)					
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%
2010	20,249	20,249	-	194,146	10.43%
Component Unit School Board (professional)					
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%
2010	114,382	114,382	-	1,835,723	6.23%

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

Notes to Required Supplementary Information - Pension
Year Ended June 30, 2019

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – 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% to 20%

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 15%

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% to 45%

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

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

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)
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 Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (nonprofessional)					
2018	0.00126% \$	19,000	\$ 239,365	7.94%	51.22%
2017	0.00127%	19,000	233,486	8.14%	48.86%
Component Unit School Board (professional)					
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 Program
Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
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%
2010	2,106	2,106	-	1,042,886	0.20%
Component Unit School Board (nonprofessional)					
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%
2010	373	373	-	194,146	0.19%
Component Unit School Board (professional)					
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%
2010	3,505	3,505	-	1,835,723	0.19%

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State 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
Line of Duty Disability	Increased rate from 14% to 25%

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 50% to 35%

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2019 (Continued)**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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% to 20%

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% to 15%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

Schedule of County of Highland, Virginia School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

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)
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) Program
Years Ended June 30, 2010 through June 30, 2019

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)
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%
2010	13,503	13,503	-	1,835,723	0.74%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

OTHER SUPPLEMENTARY INFORMATION

Agency Fund
Statement of Changes in Assets and Liabilities
June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
SPECIAL WELFARE FUND:				
ASSETS				
Cash and cash equivalents	\$ <u>-</u>	\$ <u>943</u>	\$ <u>943</u>	\$ <u>-</u>
LIABILITIES				
Amounts held for social service clients	\$ <u>-</u>	\$ <u>943</u>	\$ <u>943</u>	\$ <u>-</u>

County Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	<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>
EXPENDITURES				
Capital projects	\$ 134,000	\$ 188,000	\$ 163,925	\$ 24,075
Debt service:				
Principal retirement	-	-	17,201	(17,201)
Interest and other fiscal charges	-	-	872	(872)
Total expenditures	<u>\$ 134,000</u>	<u>\$ 188,000</u>	<u>\$ 181,998</u>	<u>\$ 6,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (134,000)</u>	<u>\$ (188,000)</u>	<u>\$ (181,998)</u>	<u>\$ 6,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 134,000</u>	<u>\$ 188,000</u>	<u>\$ 134,000</u>	<u>\$ (54,000)</u>
Total other financing sources (uses)	<u>\$ 134,000</u>	<u>\$ 188,000</u>	<u>\$ 134,000</u>	<u>\$ (54,000)</u>
Net change in fund balances	\$ -	\$ -	\$ (47,998)	\$ (47,998)
Fund balances - beginning	-	-	118,510	118,510
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 70,512</u></u>	<u><u>\$ 70,512</u></u>

School Capital Projects Fund

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

Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Capital projects	\$ -	\$ 74,091	\$ 154,526	\$ (80,435)
Debt service:				
Principal retirement	-	34,114	32,014	2,100
Interest and other fiscal charges	-	-	2,100	(2,100)
Total expenditures	<u>\$ -</u>	<u>\$ 108,205</u>	<u>\$ 188,640</u>	<u>\$ (80,435)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (108,205)</u>	<u>\$ (188,640)</u>	<u>\$ (80,435)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 27,770	\$ -	\$ (27,770)
Issuance of capital leases	-	80,435	80,435	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 108,205</u>	<u>\$ 80,435</u>	<u>\$ (27,770)</u>
Net change in fund balances	\$ -	\$ -	\$ (108,205)	\$ (108,205)
Fund balances - beginning	-	-	287,437	287,437
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179,232</u>	<u>\$ 179,232</u>

Nonmajor Special Revenue Funds

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2019

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Commonwealth	-	-	9,407	9,407
Total revenues	\$ -	\$ -	\$ 9,407	\$ 9,407
EXPENDITURES				
Public safety	\$ -	\$ 4,031	\$ 4,031	\$ -
Total expenditures	\$ -	\$ 4,031	\$ 4,031	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (4,031)	\$ 5,376	\$ 9,407
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 4,031	\$ -	\$ (4,031)
Total other financing sources (uses)	\$ -	\$ 4,031	\$ -	\$ (4,031)
Net change in fund balances	\$ -	\$ -	\$ 5,376	\$ 5,376
Fund balances - beginning	-	-	4,106	4,106
Fund balances - ending	\$ -	\$ -	\$ 9,482	\$ 9,482

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, 2019

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 302,726	\$ 18,699	\$ 321,425
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,461		1,461
Due from other governmental units	138,708	-	138,708
Inventories	-	9,587	9,587
Prepaid items	47,180	1,100	48,280
Total assets	<u>\$ 490,075</u>	<u>\$ 29,386</u>	<u>\$ 519,461</u>
LIABILITIES			
Accounts payable	\$ 3,916	\$ -	\$ 3,916
Accrued liabilities	302,726	18,699	321,425
Due to primary government	183,433	-	183,433
Total liabilities	<u>\$ 490,075</u>	<u>\$ 18,699</u>	<u>\$ 508,774</u>
FUND BALANCES			
Nonspendable:			
Inventories	\$ -	\$ 9,587	\$ 9,587
Prepaid items	47,180	1,100	48,280
Unassigned	(47,180)	-	(47,180)
Total fund balances	<u>\$ -</u>	<u>\$ 10,687</u>	<u>\$ 10,687</u>
Total liabilities and fund balances	<u>\$ 490,075</u>	<u>\$ 29,386</u>	<u>\$ 519,461</u>

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

Total fund balances per above	\$ 10,687
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 13,035	
Buildings and improvements	2,584,091	
Machinery and Equipment	<u>273,768</u>	
		2,870,894

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

Pension related items	\$ 531,779	
OPEB related items	<u>55,995</u>	
		587,774

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	\$ (64,463)	
Net OPEB liabilities	(480,000)	
Net Pension Liability	<u>(3,317,006)</u>	
		(3,861,469)

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

Pension related items	\$ (367,618)	
OPEB related items	<u>(21,000)</u>	
		(388,618)

Net position of governmental activities	\$	<u>(780,732)</u>
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2019

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ -	\$ 69,753	\$ 69,753
Miscellaneous	5,640	-	5,640
Intergovernmental:			
Local government	2,371,052	44,694	2,415,746
Commonwealth	1,544,226	5,843	1,550,069
Federal	105,803	113,092	218,895
Total revenues	<u>\$ 4,026,721</u>	<u>\$ 233,382</u>	<u>\$ 4,260,103</u>
EXPENDITURES			
Education	\$ 4,026,721	\$ 233,384	\$ 4,260,105
Total expenditures	<u>\$ 4,026,721</u>	<u>\$ 233,384</u>	<u>\$ 4,260,105</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (2)	\$ (2)
Net change in fund balances	\$ -	\$ (2)	\$ (2)
Fund balances - beginning	-	10,689	10,689
Fund balances - ending	<u>-</u>	<u>10,687</u>	<u>10,687</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (2)

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	\$ 161,023	
Depreciation expense	(220,788)	
Allocation of debt financed school assets based on current year debt issuance and repayments	<u>(36,094)</u>	(95,859)

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	\$ (1,191)	
Pension expense	71,839	
OPEB expense	<u>10,621</u>	81,269

Change in net position of governmental activities \$ (14,592)

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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, 2019

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	6,000	6,000	5,640	(360)
Intergovernmental:				
Local government	2,371,415	2,370,997	2,371,052	55
Commonwealth	1,755,972	1,714,438	1,544,226	(170,212)
Federal	91,064	91,064	105,803	14,739
Total revenues	<u>\$ 4,224,451</u>	<u>\$ 4,182,499</u>	<u>\$ 4,026,721</u>	<u>\$ (155,778)</u>
EXPENDITURES				
Education	<u>\$ 4,224,451</u>	<u>\$ 4,182,499</u>	<u>\$ 4,026,721</u>	<u>\$ 155,778</u>
Total expenditures	<u>\$ 4,224,451</u>	<u>\$ 4,182,499</u>	<u>\$ 4,026,721</u>	<u>\$ 155,778</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		
\$ 59,500	\$ 59,500	\$ 69,753	\$ 10,253
-	-	-	-
47,293	47,711	44,694	(3,017)
4,904	4,904	5,843	939
110,500	110,500	113,092	2,592
<u>\$ 222,197</u>	<u>\$ 222,615</u>	<u>\$ 233,382</u>	<u>\$ 10,767</u>
\$ 222,197	\$ 222,615	\$ 233,384	\$ (10,769)
<u>\$ 222,197</u>	<u>\$ 222,615</u>	<u>\$ 233,384</u>	<u>\$ (10,769)</u>
\$ -	\$ -	\$ (2)	\$ (2)
\$ -	\$ -	\$ (2)	\$ (2)
-	-	10,689	10,689
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,687</u>	<u>\$ 10,687</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, 2019

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 48,825
Total assets	<u>\$ 48,825</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 390
Total liabilities	<u>\$ 390</u>
NET POSITION	
Unrestricted	\$ 48,435
Total net position	<u><u>\$ 48,435</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
Year Ended June 30, 2019

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
OPERATING REVENUES	
Charges for services:	
Sale of bumper stickers	\$ 28
Total operating revenues	\$ 28
OPERATING EXPENSES	
Contractual expenses	\$ 780
Dues and memberships	2,725
Event expenses	150
Marketing	2,205
Supplies	151
Other charges	453
Total operating expenses	\$ 6,464
Operating income (loss)	\$ (6,436)
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental:	
Contribution from Highland County	\$ 29,962
Contribution from Town of Monterey	1,655
Interest income	31
Grants awarded	(22,565)
Total nonoperating revenues (expenses)	\$ 9,083
Change in net position	\$ 2,647
Total net position - beginning	45,788
Total net position - ending	\$ 48,435

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

Year Ended June 30, 2019

	<u>Component Unit Economic Development Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 28
Payments to suppliers	(6,010)
Net cash provided by (used for) operating activities	<u>\$ (5,982)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	\$ 31,617
Grant awarded	(22,565)
Net cash provided by (used for) noncapital financing activities	<u>\$ 9,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 31
Net cash provided by (used for) investing activities	<u>\$ 31</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,101
Cash and cash equivalents - beginning	45,724
Cash and cash equivalents - ending	<u><u>\$ 48,825</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (6,436)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in inventories	\$ 64
Increase (decrease) in accounts payable	390
Total adjustments	<u>\$ 454</u>
Net cash provided by (used for) operating activities	<u><u>\$ (5,982)</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,910,190	\$ 2,935,414	\$ 3,061,041	\$ 125,627
Real and personal public service corporation taxes	84,000	104,000	107,431	3,431
Personal property taxes	363,000	407,000	413,803	6,803
Mobile home taxes	1,800	2,600	2,654	54
Machinery and tools taxes	1,000	1,197	1,198	1
Merchants Capital taxes	4,000	4,004	3,725	(279)
Penalties	13,000	16,000	20,024	4,024
Interest	9,000	10,000	14,026	4,026
Total general property taxes	<u>\$ 3,385,990</u>	<u>\$ 3,480,215</u>	<u>\$ 3,623,902</u>	<u>\$ 143,687</u>
Other local taxes:				
Local sales and use taxes	\$ 133,318	\$ 133,448	\$ 124,764	\$ (8,684)
Consumers' utility taxes	138,000	138,000	129,227	(8,773)
Consumption taxes	5,600	5,600	6,816	1,216
Motor vehicle licenses	53,500	55,708	58,333	2,625
Bank stock taxes	14,000	14,000	13,003	(997)
Taxes on recordation and wills	20,000	20,000	4,245	(15,755)
Hotel and motel room taxes	8,000	12,000	13,065	1,065
Total other local taxes	<u>\$ 372,418</u>	<u>\$ 378,756</u>	<u>\$ 349,453</u>	<u>\$ (29,303)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,500	\$ 1,700	\$ 1,673	\$ (27)
Transfer fees	150	150	149	(1)
Permits and other licenses	8,700	4,560	6,184	1,624
Total permits, privilege fees, and regulatory licenses	<u>\$ 11,350</u>	<u>\$ 6,410</u>	<u>\$ 8,006</u>	<u>\$ 1,596</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,000	\$ 3,436	\$ 4,730	\$ 1,294
Total fines and forfeitures	<u>\$ 3,000</u>	<u>\$ 3,436</u>	<u>\$ 4,730</u>	<u>\$ 1,294</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 76,000	\$ 58,001	\$ 73,770	\$ 15,769
Revenue from use of property	6,000	6,000	11,940	5,940
Total revenue from use of money and property	<u>\$ 82,000</u>	<u>\$ 64,001</u>	<u>\$ 85,710</u>	<u>\$ 21,709</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,275	\$ 10,125	\$ 17,410	\$ 7,285
Charges for courthouse maintenance	-	-	2,475	2,475
Charges for Commonwealth's Attorney	200	200	909	709
Charges for other services	200	-	276	276
Charges for law library	-	-	87	87
Total charges for services	<u>\$ 10,675</u>	<u>\$ 10,325</u>	<u>\$ 21,157</u>	<u>\$ 10,832</u>
Miscellaneous:				
Miscellaneous revenue	\$ 39,650	\$ 48,340	\$ 45,538	\$ (2,802)
Donations	-	-	6,971	6,971
Total miscellaneous	<u>\$ 39,650</u>	<u>\$ 48,340</u>	<u>\$ 52,509</u>	<u>\$ 4,169</u>
Total revenue from local sources	<u>\$ 3,905,083</u>	<u>\$ 3,991,483</u>	<u>\$ 4,145,467</u>	<u>\$ 153,984</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019 (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>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,000	\$ 3,300	\$ 5,904	\$ 2,604
Taxes on deeds	6,500	4,600	15,197	10,597
Motor vehicle carriers' tax	-	127	57	(70)
State recordation tax	7,268	4,885	4,639	(246)
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	\$ 182,820	\$ 179,964	\$ 192,849	\$ 12,885
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 70,429	\$ 70,429	\$ 70,475	\$ 46
Sheriff	486,582	486,582	494,077	7,495
Commissioner of revenue	69,527	69,527	69,974	447
Treasurer	68,141	68,141	68,268	127
Registrar/electoral board	31,000	31,000	35,755	4,755
Clerk of the Circuit Court	150,000	150,000	160,973	10,973
Total shared expenses	\$ 875,679	\$ 875,679	\$ 899,522	\$ 23,843
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ 6,223	\$ 3,223
Fire prevention program	-	-	20,000	20,000
Other state grants	7,500	7,500	17,381	9,881
Total other categorical aid	\$ 10,500	\$ 10,500	\$ 43,604	\$ 33,104
Total categorical aid	\$ 886,179	\$ 886,179	\$ 943,126	\$ 56,947
Total revenue from the Commonwealth	\$ 1,068,999	\$ 1,066,143	\$ 1,135,975	\$ 69,832
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 55,000	\$ 100,000	\$ 153,532	\$ 53,532
Categorical aid:				
Disaster relief public assistance grant	-	-	7,500	7,500
Total categorical aid	\$ -	\$ -	\$ 7,500	\$ 7,500
Total revenue from the federal government	\$ 55,000	\$ 100,000	\$ 161,032	\$ 61,032
Total General Fund	\$ 5,029,082	\$ 5,157,626	\$ 5,442,474	\$ 284,848
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 551	\$ 551
Total revenue from local sources	\$ -	\$ -	\$ 551	\$ 551

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
Virginia Public Assistance Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 117,988	\$ 167,825	\$ 128,190	\$ (39,635)
Comprehensive Services Act program	133,132	54,000	45,218	(8,782)
Total categorical aid	<u>\$ 251,120</u>	<u>\$ 221,825</u>	<u>\$ 173,408</u>	<u>\$ (48,417)</u>
Total revenue from the Commonwealth	<u>\$ 251,120</u>	<u>\$ 221,825</u>	<u>\$ 173,408</u>	<u>\$ (48,417)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 199,462	\$ 247,720	\$ 285,831	\$ 38,111
Comprehensive Services Act program	-	-	17,977	17,977
Total categorical aid	<u>\$ 199,462</u>	<u>\$ 247,720</u>	<u>\$ 303,808</u>	<u>\$ 56,088</u>
Total revenue from the federal government	<u>\$ 199,462</u>	<u>\$ 247,720</u>	<u>\$ 303,808</u>	<u>\$ 56,088</u>
Total Virginia Public Assistance Fund	<u><u>\$ 450,582</u></u>	<u><u>\$ 469,545</u></u>	<u><u>\$ 477,767</u></u>	<u><u>\$ 8,222</u></u>
E-911 Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 81,312	\$ 81,312
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,312</u>	<u>\$ 81,312</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,312</u>	<u>\$ 81,312</u>
Total E-911 fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 81,312</u></u>	<u><u>\$ 81,312</u></u>
Sheriff's Grants Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,586	\$ 6,586
Asset Forfeiture	-	-	2,821	2,821
Total categorical aid	<u>-</u>	<u>-</u>	<u>9,407</u>	<u>9,407</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,407</u>	<u>\$ 9,407</u>
Total Sheriff's Grants fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,407</u></u>	<u><u>\$ 9,407</u></u>
Total Primary Government	<u><u>\$ 5,479,664</u></u>	<u><u>\$ 5,627,171</u></u>	<u><u>\$ 6,010,960</u></u>	<u><u>\$ 383,789</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous revenue	\$ 6,000	\$ 6,000	\$ 5,640	\$ (360)
Total miscellaneous	\$ 6,000	\$ 6,000	\$ 5,640	\$ (360)
Total revenue from local sources	\$ 6,000	\$ 6,000	\$ 5,640	\$ (360)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,371,415	\$ 2,370,997	\$ 2,371,052	\$ 55
Total revenues from local governments	\$ 2,371,415	\$ 2,370,997	\$ 2,371,052	\$ 55
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 244,419	\$ 244,419	\$ 245,751	\$ 1,332
Basic school aid	1,171,247	1,129,713	1,013,392	(116,321)
Gifted and talented	2,142	2,142	1,951	(191)
Remedial education	11,758	11,758	10,209	(1,549)
Special education	58,961	58,961	12,079	(46,882)
Textbook payment	4,148	4,148	3,777	(371)
Vocational standards of quality payments	42,968	42,968	27,084	(15,884)
Social security fringe benefits	20,971	20,971	19,094	(1,877)
Retirement fringe benefits	46,309	46,309	42,163	(4,146)
Group life insurance instructional	1,442	1,442	1,313	(129)
State lottery payments	12,627	12,627	16,389	3,762
Early reading intervention	4,651	4,651	4,928	277
Vocational education - equipment	413	413	-	(413)
Salary supplement	-	-	1,416	1,416
ISAEP - GED prep program	7,859	7,859	-	(7,859)
Technology	102,000	102,000	102,241	241
Standards of Learning algebra readiness	1,356	1,356	1,356	-
At risk funding	18,765	18,765	16,203	(2,562)
English as a second language	269	269	269	-
Other state funds	3,667	3,667	24,611	20,944
Total categorical aid	\$ 1,755,972	\$ 1,714,438	\$ 1,544,226	\$ (170,212)
Total revenue from the Commonwealth	\$ 1,755,972	\$ 1,714,438	\$ 1,544,226	\$ (170,212)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2019 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ -	\$ -	\$ 47,757	\$ 47,757
Title I	54,930	54,930	3,268	(51,662)
Title VI-B, special education flow-through	-	-	4,920	4,920
Title VI-B, special education pre-school	9,489	9,489	1,941	(7,548)
Improving teacher quality	8,248	8,248	10,442	2,194
FEMA Assistance	10,000	10,000	10,000	-
Rural education achievement program	8,397	8,397	27,475	19,078
Total categorical aid	\$ 91,064	\$ 91,064	\$ 105,803	\$ 14,739
Total revenue from the federal government	\$ 91,064	\$ 91,064	\$ 105,803	\$ 14,739
Total School Operating Fund	\$ 4,224,451	\$ 4,182,499	\$ 4,026,721	\$ (155,778)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 59,500	\$ 59,500	\$ 69,753	\$ 10,253
Total revenue from local sources	\$ 59,500	\$ 59,500	\$ 69,753	\$ 10,253
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 47,293	\$ 47,711	\$ 44,694	\$ (3,017)
Total revenues from local governments	\$ 47,293	\$ 47,711	\$ 44,694	\$ (3,017)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,904	\$ 4,904	\$ 5,843	\$ 939
Total revenue from the Commonwealth	\$ 4,904	\$ 4,904	\$ 5,843	\$ 939
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 110,500	\$ 110,500	\$ 102,325	\$ (8,175)
USDA commodities received	-	-	10,767	10,767
Total categorical aid	\$ 110,500	\$ 110,500	\$ 113,092	\$ 2,592
Total revenue from the federal government	\$ 110,500	\$ 110,500	\$ 113,092	\$ 2,592
Total School Cafeteria Fund	\$ 222,197	\$ 222,615	\$ 233,382	\$ 10,767
Total Discretely Presented Component Unit - School Board	\$ 4,446,648	\$ 4,405,114	\$ 4,260,103	\$ (145,011)

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2019

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 30,711	\$ 32,261	\$ 32,304	\$ (43)
Total legislative	\$ 30,711	\$ 32,261	\$ 32,304	\$ (43)
General and financial administration:				
County administrator	\$ 125,403	\$ 89,413	\$ 89,267	\$ 146
Legal services	60,000	44,150	45,641	(1,491)
Independent auditor	36,500	36,500	30,638	5,862
Commissioner of revenue	132,573	132,823	132,809	14
Assessor	29,000	29,000	13,281	15,719
Treasurer	136,314	136,064	134,224	1,840
Central Purchasing	382,350	397,950	414,291	(16,341)
Total general and financial administration	\$ 902,140	\$ 865,900	\$ 860,151	\$ 5,749
Board of elections:				
Electoral board and officials	\$ 10,794	\$ 12,894	\$ 12,869	\$ 25
Registrar	79,675	77,775	77,737	38
Total board of elections	\$ 90,469	\$ 90,669	\$ 90,606	\$ 63
Total general government administration	\$ 1,023,320	\$ 988,830	\$ 983,061	\$ 5,769
Judicial administration:				
Courts:				
Circuit court	\$ 1,140	\$ 1,140	\$ 4,165	\$ (3,025)
Clerk of the circuit court	188,639	188,639	185,835	2,804
Total courts	\$ 189,779	\$ 189,779	\$ 190,000	\$ (221)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 87,469	\$ 102,969	\$ 102,841	\$ 128
Total commonwealth's attorney	\$ 87,469	\$ 102,969	\$ 102,841	\$ 128
Total judicial administration	\$ 277,248	\$ 292,748	\$ 292,841	\$ (93)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 644,155	\$ 677,955	\$ 677,876	\$ 79
Total law enforcement and traffic control	\$ 644,155	\$ 677,955	\$ 677,876	\$ 79
Fire and rescue services:				
Volunteer emergency operations	\$ 76,694	\$ 104,494	\$ 104,477	\$ 17
Total fire and rescue services	\$ 76,694	\$ 104,494	\$ 104,477	\$ 17
Correction and detention:				
Sheriff	\$ 51,000	\$ 50,800	\$ 37,877	\$ 12,923
Total correction and detention	\$ 51,000	\$ 50,800	\$ 37,877	\$ 12,923
Inspections:				
Building	\$ 63,033	\$ 63,033	\$ 57,470	\$ 5,563
Total inspections	\$ 63,033	\$ 63,033	\$ 57,470	\$ 5,563

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2019 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 33,943	\$ 343	\$ 300	\$ 43
Medical examiner	200	200	40	160
Emergency management grants	38,100	38,100	29,992	8,108
Total other protection	<u>\$ 72,243</u>	<u>\$ 38,643</u>	<u>\$ 30,332</u>	<u>\$ 8,311</u>
Total public safety	<u>\$ 907,125</u>	<u>\$ 934,925</u>	<u>\$ 908,032</u>	<u>\$ 26,893</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 40,171	\$ 40,171	\$ 39,979	\$ 192
Total maintenance of general buildings and grounds	<u>\$ 40,171</u>	<u>\$ 40,171</u>	<u>\$ 39,979</u>	<u>\$ 192</u>
Total public works	<u>\$ 40,171</u>	<u>\$ 40,171</u>	<u>\$ 39,979</u>	<u>\$ 192</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 65,051	\$ 65,051	\$ 65,051	\$ -
Total health	<u>\$ 65,051</u>	<u>\$ 65,051</u>	<u>\$ 65,051</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 8,572	\$ 9,122	\$ 8,572	\$ 550
Total mental health and mental retardation	<u>\$ 8,572</u>	<u>\$ 9,122</u>	<u>\$ 8,572</u>	<u>\$ 550</u>
Welfare:				
Valley Program for the Aging	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Total welfare	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 111,123</u>	<u>\$ 111,673</u>	<u>\$ 111,123</u>	<u>\$ 550</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,418,708	\$ 2,418,708	\$ 2,415,749	\$ 2,959
Total education	<u>\$ 2,418,708</u>	<u>\$ 2,418,708</u>	<u>\$ 2,415,749</u>	<u>\$ 2,959</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 66,274	\$ 66,274	\$ 65,370	\$ 904
Total library	<u>\$ 66,274</u>	<u>\$ 66,274</u>	<u>\$ 65,370</u>	<u>\$ 904</u>
Total parks, recreation, and cultural	<u>\$ 66,274</u>	<u>\$ 66,274</u>	<u>\$ 65,370</u>	<u>\$ 904</u>
Community development:				
Planning and community development:				
Planning	\$ 16,413	\$ 12,563	\$ 12,513	\$ 50
Community development	42,497	42,497	42,272	225
Swimming pool	60,876	60,876	51,860	9,016
Economic Development	26,391	29,991	30,353	(362)
Total planning and community development	<u>\$ 146,177</u>	<u>\$ 145,927</u>	<u>\$ 136,998</u>	<u>\$ 8,929</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2019 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 62,163	\$ 52,453	\$ 38,320	\$ 14,133
Total cooperative extension program	\$ 62,163	\$ 52,453	\$ 38,320	\$ 14,133
Total community development	\$ 208,340	\$ 198,380	\$ 175,318	\$ 23,062
Nondepartmental:				
Miscellaneous	\$ 12,548	\$ 63,148	\$ 8,540	\$ 54,608
Total nondepartmental	\$ 12,548	\$ 63,148	\$ 8,540	\$ 54,608
Capital projects:				
Capital outlay	\$ -	\$ 53,480	\$ 53,479	\$ 1
Total capital projects	\$ -	\$ 53,480	\$ 53,479	\$ 1
Total General Fund	\$ 5,064,857	\$ 5,168,337	\$ 5,053,492	\$ 114,845
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 419,741	\$ 517,847	\$ 472,218	\$ 45,629
Comprehensive services	214,877	104,000	105,079	(1,079)
Total welfare and social services	\$ 634,618	\$ 621,847	\$ 577,297	\$ 44,550
Total health and welfare	\$ 634,618	\$ 621,847	\$ 577,297	\$ 44,550
Total Virginia Public Assistance Fund	\$ 634,618	\$ 621,847	\$ 577,297	\$ 44,550
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 100,310	\$ 101,405	\$ (1,095)
Total public safety	\$ -	\$ 100,310	\$ 101,405	\$ (1,095)
Total E-911 Fund	\$ -	\$ 100,310	\$ 101,405	\$ (1,095)
Sheriff's Grants Fund:				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 4,031	\$ 4,031	\$ -
Total Sheriff's Grants Fund	\$ -	\$ 4,031	\$ 4,031	\$ -
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County courthouse and other capital outlay	\$ 134,000	\$ 188,000	\$ 163,925	\$ 24,075
E-911 center and jail renovation	-	-	-	-
Total capital projects	\$ 134,000	\$ 188,000	\$ 163,925	\$ 24,075
Debt service:				
Principal retirement	\$ -	\$ -	\$ 17,201	\$ (17,201)
Interest and other fiscal charges	-	-	872	(872)
Total debt service	\$ -	\$ -	\$ 18,073	\$ (18,073)
Total County Capital Improvements Fund	\$ 134,000	\$ 188,000	\$ 181,998	\$ 6,002

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2019 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Capital Projects Fund:				
Capital projects expenditures:				
Building services	\$ -	\$ 74,091	\$ 154,526	\$ (80,435)
Total capital projects	\$ -	\$ 74,091	\$ 154,526	\$ (80,435)
Debt service:				
Principal retirement	\$ -	\$ 34,114	\$ 32,014	\$ 2,100
Interest and other fiscal charges	-	-	2,100	(2,100)
Total debt service	\$ -	\$ 34,114	\$ 34,114	\$ -
Total School Capital Projects Fund	\$ -	\$ 108,205	\$ 188,640	\$ (80,435)
Total Primary Government	\$ 5,833,475	\$ 6,190,730	\$ 6,106,863	\$ 83,867
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 1,904	\$ 1,904	\$ 103,331	\$ (101,427)
Executive administration services	223,974	223,974	120,401	103,573
Total administration of schools	\$ 225,878	\$ 225,878	\$ 223,732	\$ 2,146
Instruction costs:				
Elementary and secondary schools	\$ 2,503,032	\$ 2,461,080	\$ 2,404,105	\$ 56,975
Guidance services	82,413	82,413	83,489	(1,076)
Media services	775,378	775,378	749,989	25,389
Total instruction costs	\$ 3,360,823	\$ 3,318,871	\$ 3,237,583	\$ 81,288
Operating costs:				
Pupil transportation	\$ 261,135	\$ 261,135	\$ 223,392	\$ 37,743
Operation and maintenance of school plant	376,615	376,615	342,014	34,601
Total operating costs	\$ 637,750	\$ 637,750	\$ 565,406	\$ 72,344
Total education	\$ 4,224,451	\$ 4,182,499	\$ 4,026,721	\$ 155,778
Total School Operating Fund	\$ 4,224,451	\$ 4,182,499	\$ 4,026,721	\$ 155,778
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 222,197	\$ 222,615	\$ 233,384	\$ (10,769)
Total school food services	\$ 222,197	\$ 222,615	\$ 233,384	\$ (10,769)
Total education	\$ 222,197	\$ 222,615	\$ 233,384	\$ (10,769)
Total School Cafeteria Fund	\$ 222,197	\$ 222,615	\$ 233,384	\$ (10,769)
Total Discretely Presented Component Unit - School Board	\$ 4,446,648	\$ 4,405,114	\$ 4,260,105	\$ 145,009

STATISTICAL INFORMATION

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County of Highland, Virginia

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

	Fiscal Year			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 1,039,441	\$ 1,043,630	\$ 1,667,119	\$ 1,674,606
Restricted	-	-	-	-
Unrestricted	5,130,351	5,235,055	5,134,132	4,930,651
Total governmental activities net position	<u>\$ 6,169,792</u>	<u>\$ 6,278,685</u>	<u>\$ 6,801,251</u>	<u>\$ 6,605,257</u>
Business-type Activities				
Net investment in capital assets	\$ 541,856	\$ 620,438	\$ 624,487	\$ 744,401
Restricted	-	-	-	-
Unrestricted	414,814	658,121	705,106	740,052
Total business-type activities net position	<u>\$ 956,670</u>	<u>\$ 1,278,559</u>	<u>\$ 1,329,593</u>	<u>\$ 1,484,453</u>
Primary government				
Net investment in capital assets	\$ 1,581,297	\$ 1,664,068	\$ 2,291,606	\$ 2,419,007
Restricted	-	-	-	-
Unrestricted	5,545,165	5,893,176	5,839,238	5,670,703
Total primary government net position	<u>\$ 7,126,462</u>	<u>\$ 7,557,244</u>	<u>\$ 8,130,844</u>	<u>\$ 8,089,710</u>

Table 1

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 1,873,361	\$ 1,624,207	\$ 1,638,325	\$ 1,656,165	\$ 1,719,475	\$ 1,716,417
-	-	-	219,853	208,914	169,525
4,768,406	3,487,996	3,800,788	3,767,367	3,559,979	3,634,852
<u>\$ 6,641,767</u>	<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>
\$ 731,731	\$ 690,502	\$ 663,491	\$ 636,872	\$ 609,846	\$ 603,095
17,629	18,244	18,846	18,846	18,846	18,846
757,689	729,148	778,715	799,895	816,614	826,216
<u>\$ 1,507,049</u>	<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>
\$ 2,605,092	\$ 2,314,709	\$ 2,301,816	\$ 2,293,037	\$ 2,329,321	\$ 2,319,512
17,629	18,244	18,846	238,699	227,760	188,371
5,526,095	4,217,144	4,579,503	4,567,262	4,376,593	4,461,068
<u>\$ 8,148,816</u>	<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>

County of Highland, Virginia

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

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses					
Governmental Activities:					
General government administration	\$ 719,027	\$ 965,091	\$ 1,059,513	\$ 897,659	\$ 991,119
Judicial administration	239,727	242,692	246,808	247,397	259,111
Public safety	861,875	765,268	789,037	912,046	942,248
Public works	93,272	53,114	137,181	128,759	118,027
Health and welfare	354,901	372,672	413,864	384,612	373,259
Education	1,659,005	1,845,772	1,823,472	2,095,450	2,183,982
Parks, recreation, and cultural	66,781	73,426	75,516	87,396	90,387
Community development	123,846	137,377	134,348	143,030	155,553
Interest on long-term debt	45,770	44,587	32,464	23,583	14,445
Total governmental activities expenses	\$ 4,164,204	\$ 4,499,999	\$ 4,712,203	\$ 4,919,932	\$ 5,128,131
Business-type Activities:					
Refuse Disposal	\$ 256,381	\$ 257,445	\$ 267,858	\$ 278,003	\$ 293,029
McDowell Water System	46,748	50,216	60,185	69,172	65,271
Recreation Commission	-	49,255	58,943	50,491	43,559
Total business-type activities expenses	\$ 303,129	\$ 356,916	\$ 386,986	\$ 397,666	\$ 401,859
Total primary government expenses	\$ 4,467,333	\$ 4,856,915	\$ 5,099,189	\$ 5,317,598	\$ 5,529,990
Program Revenues					
Governmental Activities:					
Charges for services:					
General government administration	\$ 110,401	\$ 260	\$ 408	\$ 466	\$ 669
Judicial administration	3,713	2,705	2,802	3,092	2,018
Public safety	31,959	25,758	22,835	23,591	28,773
Operating grants and contributions	1,101,652	1,108,132	1,235,107	1,151,731	1,154,398
Capital grants and contributions	1,000	-	440,362	118,208	189,865
Total governmental activities program revenues	\$ 1,248,725	\$ 1,136,855	\$ 1,701,514	\$ 1,297,088	\$ 1,375,723
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 318,311	\$ 324,182	\$ 313,663	\$ 309,354	\$ 329,774
McDowell Water System	34,771	35,833	33,181	34,711	40,604
Recreation commission	-	41,727	40,331	34,172	39,310
Operating grants and contributions	6,125	31,910	47,916	51,694	31,931
Capital grants and contributions	-	99,100	25,082	35,408	13,900
Total business-type activities program revenues	\$ 359,207	\$ 532,752	\$ 460,173	\$ 465,339	\$ 455,519
Total primary government program revenues	\$ 1,607,932	\$ 1,669,607	\$ 2,161,687	\$ 1,762,427	\$ 1,831,242
Net (expense) / revenue					
Governmental Activities	\$ (2,915,479)	\$ (3,363,144)	\$ (3,010,689)	\$ (3,622,844)	\$ (3,752,408)
Business-type Activities	56,078	175,836	73,187	67,673	53,660
Total primary government net expense	\$ (2,859,401)	\$ (3,187,308)	\$ (2,937,502)	\$ (3,555,171)	\$ (3,698,748)

Table 2
Page 1 of 2

Fiscal Year					
2015	2016	2017	2018	2019	
\$ 1,041,826	\$ 969,269	\$ 1,044,258	\$ 1,093,250	\$ 1,030,748	
243,105	261,868	276,845	284,983	306,194	
970,089	970,542	1,081,259	1,050,709	1,102,196	
67,985	34,565	52,679	52,921	57,113	
370,547	454,484	602,845	645,087	683,751	
2,316,485	2,060,324	2,106,438	2,408,542	2,534,181	
90,404	84,826	95,302	100,272	98,841	
288,549	756,201	169,001	216,422	175,093	
5,038	2,586	4,822	4,348	5,543	
\$ 5,394,028	\$ 5,594,665	\$ 5,433,449	\$ 5,856,534	\$ 5,993,660	
\$ 291,471	\$ 276,589	\$ 302,433	\$ 325,013	\$ 322,787	
66,707	58,758	55,425	59,418	51,318	
42,973	52,814	55,257	50,145	44,353	
\$ 401,151	\$ 388,161	\$ 413,115	\$ 434,576	\$ 418,458	
\$ 5,795,179	\$ 5,982,826	\$ 5,846,564	\$ 6,291,110	\$ 6,412,118	
\$ 669	\$ 720	\$ 392	\$ 366	\$ 276	
9,681	6,101	5,025	3,014	8,201	
24,857	22,626	20,019	20,880	25,416	
1,202,330	1,361,469	1,362,068	1,414,588	1,518,561	
167,874	503,865	54,690	75,753	-	
\$ 1,405,411	\$ 1,894,781	\$ 1,442,194	\$ 1,514,601	\$ 1,552,454	
\$ 327,873	\$ 320,544	\$ 322,668	\$ 329,308	\$ 326,801	
28,950	34,371	34,734	35,549	34,391	
40,817	44,739	45,023	42,838	45,735	
20,566	24,998	14,740	24,577	7,241	
-	-	-	-	-	
\$ 418,206	\$ 424,652	\$ 417,165	\$ 432,272	\$ 414,168	
\$ 1,823,617	\$ 2,319,433	\$ 1,859,359	\$ 1,946,873	\$ 1,966,622	
\$ (3,988,617)	\$ (3,699,884)	\$ (3,991,255)	\$ (4,341,933)	\$ (4,441,206)	
17,055	36,491	4,050	(2,304)	(4,290)	
\$ (3,971,562)	\$ (3,663,393)	\$ (3,987,205)	\$ (4,344,237)	\$ (4,445,496)	

County of Highland, Virginia

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

	Fiscal Year				
	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,694,439	\$ 2,777,551	\$ 2,731,729	\$ 2,771,902	\$ 2,963,903
Local sales and use taxes	95,657	97,125	107,600	111,989	113,641
Consumer utility taxes	141,131	140,241	138,686	138,706	138,177
Motor vehicle licenses	55,842	51,219	53,724	53,113	54,283
E-911 taxes	24,000	30,000	33,000	34,597	33,704
Bank stock taxes	12,481	12,656	13,806	14,371	19,231
Other local taxes	24,035	25,835	22,028	22,784	21,524
Unrestricted grants and contributions	73,747	217,784	234,776	246,160	269,364
Unrestricted revenues from use of money and property	89,922	58,543	54,728	43,762	41,590
Miscellaneous	213,004	83,641	118,328	74,892	100,203
Transfers	(13,768)	(71,075)	24,850	(85,426)	33,298
Total governmental activities	\$ 3,410,490	\$ 3,423,520	\$ 3,533,255	\$ 3,426,850	\$ 3,788,918
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 69	\$ 411	\$ 2,697	\$ 1,761	\$ 2,234
Miscellaneous	-	1,186	-	-	-
Transfers	13,768	71,075	(24,850)	85,426	(33,298)
Total business-type activities	\$ 13,837	\$ 72,672	\$ (22,153)	\$ 87,187	\$ (31,064)
Total primary government	\$ 3,424,327	\$ 3,496,192	\$ 3,511,102	\$ 3,514,037	\$ 3,757,854
Change in Net Position					
Governmental Activities	\$ 495,011	\$ 60,376	\$ 522,566	\$ (195,994)	\$ 36,510
Business-type Activities	69,915	248,508	51,034	154,860	22,596
Total primary government	\$ 564,926	\$ 308,884	\$ 573,600	\$ (41,134)	\$ 59,106

Fiscal Year					
2015	2016	2017	2018	2019	
\$ 3,116,520	\$ 3,240,477	\$ 3,418,317	\$ 3,453,866	\$ 3,645,328	
119,295	138,331	130,764	122,452	124,764	
137,933	135,842	134,357	148,083	129,227	
54,461	55,960	58,419	58,162	58,333	
30,629	27,344	-	-	-	
23,141	18,425	23,386	22,335	4,245	
24,247	25,128	24,687	29,759	32,884	
260,911	283,538	292,994	336,864	346,381	
42,337	39,808	38,838	52,671	85,710	
31,459	48,241	63,791	75,055	53,060	
26,250	13,700	9,974	2,934	(6,300)	
\$ 3,867,183	\$ 4,026,794	\$ 4,195,527	\$ 4,302,181	\$ 4,473,632	
\$ 383	\$ 367	\$ 485	\$ 666	\$ 841	
-	-	-	-	-	
(26,250)	(13,700)	(9,974)	(2,934)	6,300	
\$ (25,867)	\$ (13,333)	\$ (9,489)	\$ (2,268)	\$ 7,141	
\$ 3,841,316	\$ 4,013,461	\$ 4,186,038	\$ 4,299,913	\$ 4,480,773	
\$ (121,416)	\$ 326,910	\$ 204,272	\$ (39,752)	\$ 32,426	
(2,812)	23,158	(5,439)	(4,572)	2,851	
\$ (124,228)	\$ 350,068	\$ 198,833	\$ (44,324)	\$ 35,277	

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	Taxes on Recordation and Wills	Other Local Tax	Total
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
2010	2,700,353	95,657	141,131	55,842	17,622	18,894	3,029,499

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County of Highland, Virginia

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

	Fiscal Year				
	2010	2011	2012	2013	2014
General fund					
Unreserved	\$ 4,273,643	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	50,785	50,950	31,830	20,875
Restricted	-	31,317	33,518	35,854	53,279
Committed	-	510,933	557,696	582,456	522,010
Assigned	-	3,762	4,162	5,762	2,291
Unassigned	-	3,951,635	3,757,856	3,548,282	3,611,770
Total general fund	\$ 4,273,643	\$ 4,548,432	\$ 4,404,182	\$ 4,204,184	\$ 4,210,225
All other governmental funds					
Unreserved, reported in:					
Special revenue funds	\$ 77,649	\$ -	\$ -	\$ -	\$ -
Capital projects funds	889,686	-	-	-	-
Nonspendable, reported in:					
Special revenue funds	-	-	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
Assigned, reported in:					
Special revenue funds	-	-	717	4,928	386
Capital projects funds	-	-	624,854	581,807	456,997
Unassigned, reported in:					
Special revenue funds	-	1,235	-	-	-
Capital projects funds	-	651,351	-	-	-
Total all other governmental funds	\$ 967,335	\$ 753,011	\$ 801,548	\$ 793,621	\$ 665,449

Table 4

Fiscal Year				
2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	-
25,966	20,188	7,085	21,010	70,000
35,367	37,127	63,599	65,025	40,583
629,306	572,077	793,954	705,643	661,949
4,291	4,291	4,291	2,291	22,291
3,064,653	3,316,899	3,506,585	3,406,112	3,554,410
<u>\$ 3,759,583</u>	<u>\$ 3,950,582</u>	<u>\$ 4,375,514</u>	<u>\$ 4,200,081</u>	<u>\$ 4,349,233</u>
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
2,000	-	-	4,325	2,000
-	2,000	11,004	11,554	12,387
212,760	200,558	156,254	143,889	128,942
891	6,095	4,081	4,106	6,661
573,270	569,167	366,561	394,393	237,357
-	-	-	-	-
-	-	-	-	-
<u>\$ 788,921</u>	<u>\$ 777,820</u>	<u>\$ 537,900</u>	<u>\$ 558,267</u>	<u>\$ 387,347</u>

County of Highland, Virginia

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

	Fiscal Year			
	2010	2011	2012	2013
Revenues				
General property taxes	\$ 2,700,353	\$ 2,720,255	\$ 2,726,798	\$ 2,792,621
Other local taxes	353,146	357,076	368,844	375,560
Permits, privilege fees, and regulatory licenses	18,593	13,069	11,660	9,444
Fines and forfeitures	1,006	148	271	461
Revenue from use of money and property	73,747	58,543	54,728	43,762
Charges for services	126,474	15,506	14,114	17,244
Miscellaneous	89,922	83,641	118,328	74,892
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,110,210	1,104,672	1,235,521	1,150,212
Federal	205,446	221,244	674,724	365,887
Total revenues	\$ 4,678,897	\$ 4,574,154	\$ 5,204,988	\$ 4,830,083
Expenditures				
General government administration	\$ 486,392	\$ 734,770	\$ 885,180	\$ 876,547
Judicial administration	237,262	240,966	241,077	243,248
Public safety	846,162	744,614	825,203	820,142
Public works	92,620	52,035	564,859	113,702
Health and welfare	354,901	372,672	400,767	433,413
Education	1,654,434	1,845,195	1,806,451	1,976,386
Parks, recreation, and cultural	38,305	39,621	39,236	50,882
Community development	123,846	137,377	134,348	143,030
Nondepartmental	37,379	40,442	41,052	47,220
Capital projects	66,863	53,372	193,907	76,662
Debt service:				
Principal	133,586	136,715	140,061	143,690
Interest and other fiscal charges	53,064	44,835	36,389	27,660
Total expenditures	\$ 4,124,814	\$ 4,442,614	\$ 5,308,530	\$ 4,952,582
Excess (deficiency) of revenues over (under) expenditures	\$ 554,083	\$ 131,540	\$ (103,542)	\$ (122,499)
Other financing sources (uses)				
Transfers in	\$ 879,660	\$ 603,532	\$ 958,542	\$ 488,913
Transfers out	(893,428)	(674,607)	(950,713)	(574,339)
Capital leases	-	-	-	-
Total other financing sources (uses)	\$ (13,768)	\$ (71,075)	\$ 7,829	\$ (85,426)
Net change in fund balances	\$ 540,315	\$ 60,465	\$ (95,713)	\$ (207,925)
Debt service as a percentage of noncapital expenditures	4.600%	4.136%	3.450%	3.514%

Table 5

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 3,000,868	\$ 3,105,774	\$ 3,210,564	\$ 3,424,405	\$ 3,431,495	\$ 3,623,902
380,560	389,706	401,030	371,613	380,791	349,453
18,572	12,971	12,167	11,111	10,436	8,006
200	7,402	4,148	3,130	1,332	4,730
41,590	42,337	39,808	38,838	52,671	85,710
12,688	14,852	13,132	11,195	12,492	21,157
100,203	31,459	48,241	63,791	75,055	53,060
-	-	-	39,690	48,491	-
1,333,525	1,192,723	1,327,853	1,288,183	1,320,191	1,400,102
280,102	438,392	821,019	381,879	458,523	464,840
\$ 5,168,308	\$ 5,235,616	\$ 5,877,962	\$ 5,633,835	\$ 5,791,477	\$ 6,010,960
\$ 907,832	\$ 908,466	\$ 961,166	\$ 1,019,071	\$ 1,033,524	\$ 983,061
248,313	255,204	277,099	278,697	285,819	292,841
847,010	928,580	1,088,708	948,281	960,998	1,013,468
62,766	53,477	39,370	38,693	39,245	39,979
366,276	373,225	459,318	596,500	645,797	688,420
1,877,290	2,148,131	1,891,452	2,063,961	2,323,813	2,415,749
52,178	54,998	57,867	60,129	62,940	65,370
155,553	166,046	166,290	169,001	189,929	175,318
91,862	46,994	7,412	13,148	8,180	8,540
548,408	303,803	815,764	216,497	378,018	371,930
147,611	151,796	75,878	128,246	95,674	49,215
18,638	9,354	3,645	5,893	4,348	2,972
\$ 5,323,737	\$ 5,400,074	\$ 5,843,969	\$ 5,538,117	\$ 6,028,285	\$ 6,106,863
\$ (155,429)	\$ (164,458)	\$ 33,993	\$ 95,718	\$ (236,808)	\$ (95,903)
\$ 463,843	\$ 490,251	\$ 435,424	\$ 509,655	\$ 425,984	\$ 244,730
(430,545)	(464,001)	(421,724)	(499,681)	(423,050)	(251,030)
-	-	132,205	79,320	78,808	80,435
\$ 33,298	\$ 26,250	\$ 145,905	\$ 89,294	\$ 81,742	\$ 74,135
\$ (122,131)	\$ (138,208)	\$ 179,898	\$ 185,012	\$ (155,066)	\$ (21,768)
3.481%	3.162%	1.436%	2.501%	1.718%	0.886%

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

Fiscal Year	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	Taxes on Recordation and Wills	Other Local Tax	Total
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
2010	95,657	141,131	55,842	17,622	18,894	329,146

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County of Highland, Virginia

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

Fiscal Year		Real Estate		Personal Property		Machinery and Tools		Minerals/ Mineral Lands		Merchants' Capital
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
2010		621,402,600		21,025,889		54,246		96,200		282,699

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

Source: Commissioner of Revenue

Table 7

	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (1)
\$	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%
	14,732,716	657,594,350	636,072,550	97.69%

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
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
2010	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 2019		Fiscal Year 2010	
		2019 Assessed Valuation	% of Total Assessed Valuation	2010 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,764,000	1.154%	\$ 7,592,800	1.222%
Red Oak Ranch	Farm	2,509,700	0.373%	2,569,200	0.413%
Hayfields Ltd. (1)	Farm			2,528,500	0.407%
Dividing Waters Farm	Farm	2,188,300	0.325%	2,136,800	0.344%
Bull Pasture Mtn Ranch	Farm	2,032,900	0.302%	1,936,600	0.312%
		<u>\$ 14,494,900</u>	<u>2.154%</u>	<u>\$ 16,763,900</u>	<u>2.698%</u>

Source: Commissioner of Revenue

(1) Hayfields Ltd. Is now owned by the Outdoor Foundation which is non taxable.

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
2019	\$	3,836,601	\$ 3,712,765	96.77%	\$ -	\$ 3,712,765	96.77%
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%	59,467	3,584,051	99.59%
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%	124,746	3,325,409	99.95%
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%	140,158	2,940,544	100.00%
2011		2,949,448	2,815,516	95.46%	133,914	2,949,430	100.00%
2010		2,913,404	2,783,033	95.53%	130,353	2,913,386	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				
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
2010	808,810	-	174,498		983,308	1.32%	433

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

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

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
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
2010	808,810	-	808,810	0.12%	356

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

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

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds						Coverage
	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
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%	
2010	34,771	38,716	(3,945)	3,813	8,032	-33.31%	

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	School Enrollment	Unemployment Rate
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%
2010	2,273	74,774,000	31,497	51	232	8.10%

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

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

Function	Fiscal Year				
	2015	2016	2017	2018	2019
General government	16	16	16	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	15	15	15	16	16
Fire and rescue	1	1	1	1	1
Building inspections	2	2	2	2	1
Animal control	1	1	1	0	0
Public works					
General maintenance	3	3	3	3	2
Landfill	7	6	6	6	6
Health and welfare					
Department of social services	4	5	5	6	6
Culture and recreation					
Library	2	2	2	2	2
Totals	<u>56</u>	<u>56</u>	<u>56</u>	<u>57</u>	<u>55</u>

Source: Individual County departments

Capital Asset Statistics by Function
Last Five Fiscal Years

Function	Fiscal Year				
	2015	2016	2017	2018	2019
General government					
Administration buildings	4	4	4	4	4
Vehicles	2	2	2	2	2
Public safety					
Sheriffs department:					
Patrol units	9	10	11	11	11
Building inspections:					
Vehicles	1	1	1	1	1
Animal control:					
Vehicles	1	1	1	0	1
Public works					
General maintenance:					
Trucks/vehicles	1	1	1	1	1
Landfill:					
Vehicles	1	1	1	1	1
Equipment	2	2	2	2	2
Sites	1	1	1	1	1
Component Unit - School Board					
Education:					
Schools	2	2	2	2	2
School buses	8	7	7	7	8
School admin vehicles	7	7	7	7	5

Source: Individual County departments

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 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, 2019, 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 November 22, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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, Farrow, Cox Associates

Staunton, Virginia
November 22, 2019