

COUNTY OF HIGHLAND, VIRGINIA



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

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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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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018, 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, 2018, 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 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 2 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. 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, 88-90, and 91-103 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 13, 2018, 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 13, 2018

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, 2018.

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 \$6,933,674 (net position). Of this amount, \$4,376,593 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$(766,140) of which \$(3,732,893) is unrestricted. (See Exhibit 1.)

The Government's net position decreased by \$(44,324), while the School Board's net position decreased by \$(39,917). (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,406,112, or 68 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2018 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2018.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,758,348, a decrease of \$(155,066) 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 \$6,933,674 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 6,479,387	\$ 6,645,601	\$ 902,860	\$ 894,742	\$ 7,382,247	\$ 7,540,343
Capital assets	1,798,949	1,752,505	746,399	779,010	2,545,348	2,531,515
Total	<u>\$ 8,278,336</u>	<u>\$ 8,398,106</u>	<u>\$ 1,649,259</u>	<u>\$ 1,673,752</u>	<u>\$ 9,927,595</u>	<u>\$ 10,071,858</u>
Deferred Outflows of Resources	\$ 266,157	\$ 287,684	\$ 10,459	\$ 4,452	\$ 276,616	\$ 292,136
Long-term liabilities	\$ 1,357,488	\$ 1,454,086	\$ 180,676	\$ 188,297	\$ 1,538,164	\$ 1,642,383
Other liabilities	58,821	31,465	17,199	25,146	76,020	56,611
Total	<u>\$ 1,416,309</u>	<u>\$ 1,485,551</u>	<u>\$ 197,875</u>	<u>\$ 213,443</u>	<u>\$ 1,614,184</u>	<u>\$ 1,698,994</u>
Deferred Inflows of Resources	\$ 1,639,816	\$ 1,547,987	\$ 16,537	\$ 14,881	\$ 1,656,353	\$ 1,562,868
Net investment in capital assets	\$ 1,719,475	\$ 1,656,165	\$ 609,846	\$ 636,872	\$ 2,329,321	\$ 2,293,037
Restricted	208,914	219,853	18,846	18,846	227,760	238,699
Unrestricted	3,559,979	3,652,102	816,614	794,160	4,376,593	4,446,262
Total net position - as restated	<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>

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 33.59 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 \$4,376,593 or 63.12 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 decreased by \$(44,324).

Governmental Activities

Governmental activities decreased the County's net position by \$(39,752).

County of Highland's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 24,260	\$ 25,436	\$ 407,695	\$ 402,425	\$ 431,955	\$ 427,861
Operating grants and contributions	1,414,588	1,362,068	24,577	14,740	1,439,165	1,376,808
Capital grants and contributions	75,753	54,690	-	-	75,753	54,690
General revenues:						
General property taxes	3,453,866	3,418,317	-	-	3,453,866	3,418,317
Other local taxes	380,791	371,613	-	-	380,791	371,613
Use of money and property	52,671	38,838	666	485	53,337	39,323
Other	75,055	63,791	-	-	75,055	63,791
Grants and contributions not restricted to specific programs	336,864	292,994	-	-	336,864	292,994
Total Revenues	\$ 5,813,848	\$ 5,627,747	\$ 432,938	\$ 417,650	\$ 6,246,786	\$ 6,045,397
Expenses:						
General government	\$ 1,093,250	\$ 1,044,258	\$ -	\$ -	\$ 1,093,250	\$ 1,044,258
Judicial administration	284,983	276,845	-	-	284,983	276,845
Public safety	1,050,709	1,081,259	-	-	1,050,709	1,081,259
Public works	52,921	52,679	-	-	52,921	52,679
Health and welfare	645,087	602,845	-	-	645,087	602,845
Education	2,408,542	2,106,438	-	-	2,408,542	2,106,438
Parks, recreational, and cultural	100,272	95,302	-	-	100,272	95,302
Community development	216,422	169,001	-	-	216,422	169,001
Interest on long-term debt	4,348	4,822	-	-	4,348	4,822
Recreation Commission	-	-	50,145	55,257	50,145	55,257
Refuse Disposal	-	-	325,013	302,433	325,013	302,433
McDowell Water System	-	-	59,418	55,425	59,418	55,425
Total	\$ 5,856,534	\$ 5,433,449	\$ 434,576	\$ 413,115	\$ 6,291,110	\$ 5,846,564
Increase in net position before transfers	\$ (42,686)	\$ 194,298	\$ (1,638)	\$ 4,535	\$ (44,324)	\$ 198,833
Transfers	\$ 2,934	\$ 9,974	\$ (2,934)	\$ (9,974)	\$ -	\$ -
Increase / decrease in net position	\$ (39,752)	\$ 204,272	\$ (4,572)	\$ (5,439)	\$ (44,324)	\$ 198,833
Net position, beginning as restated	5,528,120	5,439,113	1,449,878	1,461,052	6,977,998	6,900,165
Effect of change in accounting principle	-	(115,265)	-	(5,735)	-	(121,000)
Net position, ending	\$ 5,488,368	\$ 5,528,120	\$ 1,445,306	\$ 1,449,878	\$ 6,933,674	\$ 6,977,998

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 \$4,758,348.

The general fund is the chief operating fund of the County. As of June 30, 2018, total fund balance of the general fund was \$4,200,081, of which \$3,406,112 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 83.8 percent and total fund balance represents 67.9 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$2,323,813.

The fund balance of the County's general fund decreased by \$(175,433) 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 \$816,614. 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 \$150,564 increase, which is 3.06 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$131,015, which is 2.65 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, 2018 is \$2,545,348 (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	
	2018	2017	2018	2017	2018	2017
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Buildings and improvements	1,123,328	1,058,508	-	-	1,123,328	1,058,508
Machinery and equipment	478,256	496,632	-	-	478,256	496,632
Utility plant and equipment	-	-	733,748	775,194	733,748	775,194
Furniture and equipment	-	-	8,835	-	8,835	-
Total	<u>\$ 1,798,949</u>	<u>\$ 1,752,505</u>	<u>\$ 746,399</u>	<u>\$ 779,010</u>	<u>\$ 2,545,348</u>	<u>\$ 2,531,515</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	
	2018	2017 (restated)	2018	2017 (restated)	2018	2017 (restated)
Landfill closure/ post-closure liability	\$ 56,155	\$ 55,162	\$ -	\$ -	\$ 56,155	\$ 55,162
Revenue Bonds	-	-	136,553	142,138	136,553	142,138
Net Pension Obligation	977,843	1,074,188	28,060	30,825	1,005,903	1,105,013
Net OPEB Liability	103,833	120,980	5,167	6,020	109,000	127,000
Compensated absences	140,183	138,881	10,896	9,316	151,079	148,197
Capital Leases	79,474	96,340	-	-	79,474	96,340
Total	<u>\$ 1,357,488</u>	<u>\$ 1,485,551</u>	<u>\$ 180,676</u>	<u>\$ 188,299</u>	<u>\$ 1,538,164</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 2.8 percent, which is a decrease from the rate of 3.2 percent a year ago. This compares favorably to the state's average unemployment rate of 3.3 percent and the national average rate of 4.2 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 2018 fiscal year.

During fiscal year 2018, unassigned fund balance in the general fund decreased \$(100,473). 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 4,469,897	\$ 871,725	\$ 5,341,622	\$ 333,679	\$ 45,724
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,625,126	-	1,625,126	-	-
Accounts receivable	17,506	31,135	48,641	-	-
Notes receivable	20,000	-	20,000	-	-
Due from component unit	165,275	-	165,275	-	-
Due from other governmental units	164,694	-	164,694	131,600	-
Inventories	-	-	-	9,970	64
Prepaid items	16,889	-	16,889	42,091	-
Capital assets (net of accumulated depreciation):					
Land	197,365	3,816	201,181	13,035	-
Buildings and improvements	1,123,328	-	1,123,328	2,703,038	-
Machinery and equipment	478,256	-	478,256	250,680	-
Utility plant and equipment	-	742,583	742,583	-	-
Total assets	<u>\$ 8,278,336</u>	<u>\$ 1,649,259</u>	<u>\$ 9,927,595</u>	<u>\$ 3,484,093</u>	<u>\$ 45,788</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 259,276	\$ 10,117	\$ 269,393	\$ 587,048	\$ -
OPEB related items	6,881	342	7,223	50,374	-
Total Deferred Outflows of Resources	<u>\$ 266,157</u>	<u>\$ 10,459</u>	<u>\$ 276,616</u>	<u>\$ 637,422</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 33,309	\$ 13,092	\$ 46,401	\$ 7,697	\$ -
Accrued liabilities	-	-	-	333,679	-
Accrued interest payable	-	223	223	-	-
Due to primary government	-	-	-	165,275	-
Unearned revenue	25,512	3,884	29,396	-	-
Long-term liabilities:					
Due within one year	32,096	5,835	37,931	-	-
Due in more than one year	1,325,392	174,841	1,500,233	3,914,438	-
Total liabilities	<u>\$ 1,416,309</u>	<u>\$ 197,875</u>	<u>\$ 1,614,184</u>	<u>\$ 4,421,089</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 1,527,120	\$ -	\$ 1,527,120	\$ -	\$ -
Pension related items	101,265	15,968	117,233	443,566	-
OPEB related items	11,431	569	12,000	23,000	-
Total deferred inflows of resources	<u>\$ 1,639,816</u>	<u>\$ 16,537</u>	<u>\$ 1,656,353</u>	<u>\$ 466,566</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 1,719,475	\$ 609,846	\$ 2,329,321	\$ 2,966,753	\$ -
Restricted:					
Debt service and bond covenants	-	18,846	18,846	-	-
Recording equipment	768	-	768	-	-
Law library	7,586	-	7,586	-	-
Courthouse maintenance	31,792	-	31,792	-	-
E911	143,889	-	143,889	-	-
\$4 for life program	24,879	-	24,879	-	-
Unrestricted	3,559,979	816,614	4,376,593	(3,732,893)	45,788
Total net position	<u>\$ 5,488,368</u>	<u>\$ 1,445,306</u>	<u>\$ 6,933,674</u>	<u>\$ (766,140)</u>	<u>\$ 45,788</u>

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

County of Highland, Virginia

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government administration	\$ 1,093,250	\$ 366	\$ 173,022	\$ -
Judicial administration	284,983	3,014	228,175	-
Public safety	1,050,709	20,880	573,962	-
Public works	52,921	-	-	27,262
Health and welfare	645,087	-	439,429	-
Education	2,408,542	-	-	48,491
Parks, recreation, and cultural	100,272	-	-	-
Community development	216,422	-	-	-
Interest on long-term debt	4,348	-	-	-
Total governmental activities	<u>\$ 5,856,534</u>	<u>\$ 24,260</u>	<u>\$ 1,414,588</u>	<u>\$ 75,753</u>
Business-type Activities:				
Refuse Disposal	\$ 325,013	\$ 329,308	\$ 7,077	\$ -
McDowell Water System	59,418	35,549	-	-
Recreation Commission	50,145	42,838	17,500	-
Total business-type activities	<u>\$ 434,576</u>	<u>\$ 407,695</u>	<u>\$ 24,577</u>	<u>\$ -</u>
Total primary government	<u>\$ 6,291,110</u>	<u>\$ 431,955</u>	<u>\$ 1,439,165</u>	<u>\$ 75,753</u>
COMPONENT UNIT:				
School Board	\$ 4,384,650	\$ 61,405	\$ 1,864,233	\$ -
Economic Development Authority	13,165	-	27,209	-
Total component unit	<u>\$ 4,397,815</u>	<u>\$ 61,405</u>	<u>\$ 1,891,442</u>	<u>\$ -</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use taxes

Consumers' utility taxes

Motor vehicle licenses

Taxes on recordation and wills

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (919,862)	\$ -	\$ (919,862)	\$ -	\$ -
(53,794)	-	(53,794)	-	-
(455,867)	-	(455,867)	-	-
(25,659)	-	(25,659)	-	-
(205,658)	-	(205,658)	-	-
(2,360,051)	-	(2,360,051)	-	-
(100,272)	-	(100,272)	-	-
(216,422)	-	(216,422)	-	-
(4,348)	-	(4,348)	-	-
<u>\$ (4,341,933)</u>	<u>\$ -</u>	<u>\$ (4,341,933)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 11,372	\$ 11,372	\$ -	\$ -
-	(23,869)	(23,869)	-	-
-	10,193	10,193	-	-
<u>\$ -</u>	<u>\$ (2,304)</u>	<u>\$ (2,304)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (4,341,933)</u>	<u>\$ (2,304)</u>	<u>\$ (4,344,237)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(2,459,012)	\$ -
-	-	-	-	14,044
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,459,012)</u>	<u>\$ 14,044</u>
\$ 3,453,866	\$ -	\$ 3,453,866	\$ -	\$ -
122,452	-	122,452	-	-
148,083	-	148,083	-	-
58,162	-	58,162	-	-
22,335	-	22,335	-	-
29,759	-	29,759	-	-
52,671	666	53,337	-	18
75,055	-	75,055	10,553	-
336,864	-	336,864	2,408,542	-
2,934	(2,934)	-	-	-
<u>\$ 4,302,181</u>	<u>\$ (2,268)</u>	<u>\$ 4,299,913</u>	<u>\$ 2,419,095</u>	<u>\$ 18</u>
<u>\$ (39,752)</u>	<u>\$ (4,572)</u>	<u>\$ (44,324)</u>	<u>\$ (39,917)</u>	<u>\$ 14,062</u>
5,528,120	1,449,878	6,977,998	(726,223)	31,726
<u>\$ 5,488,368</u>	<u>\$ 1,445,306</u>	<u>\$ 6,933,674</u>	<u>\$ (766,140)</u>	<u>\$ 45,788</u>

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FUND FINANCIAL STATEMENTS

Balance Sheet
Governmental Funds
June 30, 2018

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 3,911,334	\$ 15,444	\$ 139,506	\$ 112,070	\$ 287,437	\$ 4,106	\$ 4,469,897
Receivables (net of allowance for uncollectibles):							
Taxes receivable	1,625,126	-	-	-	-	-	1,625,126
Accounts receivable	17,506	-	-	-	-	-	17,506
Notes receivable	20,000	-	-	-	-	-	20,000
Due from other funds	54,329	-	-	-	-	-	54,329
Due from component unit	165,275	-	-	-	-	-	165,275
Due from other governmental units	112,925	44,885	6,884	-	-	-	164,694
Prepaid items	1,010	-	4,325	11,554	-	-	16,889
Total assets	<u>\$ 5,907,505</u>	<u>\$ 60,329</u>	<u>\$ 150,715</u>	<u>\$ 123,624</u>	<u>\$ 287,437</u>	<u>\$ 4,106</u>	<u>\$ 6,533,716</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 19,694	\$ 6,000	\$ 2,501	\$ 5,114	\$ -	\$ -	\$ 33,309
Due to other funds	-	54,329	-	-	-	-	54,329
Unearned revenue - other	25,512	-	-	-	-	-	25,512
Total liabilities	<u>\$ 45,206</u>	<u>\$ 60,329</u>	<u>\$ 2,501</u>	<u>\$ 5,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,150</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	\$ 1,662,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,662,218
Total deferred inflows of resources	<u>\$ 1,662,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,662,218</u>
Fund balances:							
Nonspendable:							
Prepaid items	\$ 1,010	\$ -	\$ 4,325	\$ 11,554	\$ -	\$ -	\$ 16,889
Notes receivable	20,000	-	-	-	-	-	20,000
Restricted:							
Recording equipment	768	-	-	-	-	-	768
Law library	7,586	-	-	-	-	-	7,586
Courthouse maintenance	31,792	-	-	-	-	-	31,792
E911	-	-	143,889	-	-	-	143,889
\$4 for life program	24,879	-	-	-	-	-	24,879
Committed:							
Assessor	40,482	-	-	-	-	-	40,482
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	7,127	-	-	-	-	-	7,127
Cupola timepiece project	853	-	-	-	-	-	853
Sheriff's trailer	5,027	-	-	-	-	-	5,027
Dangerous dog registry	320	-	-	-	-	-	320
Body armor	1,600	-	-	-	-	-	1,600
Assigned:							
Fire prevention programs	2,291	-	-	-	-	-	2,291
Special revenue funds	-	-	-	-	-	4,106	4,106
Capital projects funds	-	-	-	106,956	287,437	-	394,393
Unassigned	3,406,112	-	-	-	-	-	3,406,112
Total fund balances	<u>\$ 4,200,081</u>	<u>\$ -</u>	<u>\$ 148,214</u>	<u>\$ 118,510</u>	<u>\$ 287,437</u>	<u>\$ 4,106</u>	<u>\$ 4,758,348</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,907,505</u>	<u>\$ 60,329</u>	<u>\$ 150,715</u>	<u>\$ 123,624</u>	<u>\$ 287,437</u>	<u>\$ 4,106</u>	<u>\$ 6,533,716</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, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,758,348	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	197,365	
Buildings and improvements		1,123,328	
Machinery and equipment		<u>478,256</u>	
			1,798,949
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>135,098</u>	
			135,098
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	259,276	
OPEB related items		<u>6,881</u>	
			266,157
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	\$	(79,474)	
Compensated absences		(140,183)	
Landfill closure/post-closure costs		(56,155)	
Net pension liability		(977,843)	
Net OPEB liabilities		<u>(103,833)</u>	
			(1,357,488)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(101,265)	
OPEB related items		<u>(11,431)</u>	
			<u>(112,696)</u>
Net position of governmental activities	\$		<u><u>5,488,368</u></u>

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

County of Highland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2018

	General	Virginia Public Assistance	E-911	County Capital Improvements
REVENUES				
General property taxes	\$ 3,431,495	\$ -	\$ -	\$ -
Other local taxes	380,791	-	-	-
Permits, privilege fees, and regulatory licenses	10,436	-	-	-
Fines and forfeitures	1,332	-	-	-
Revenue from the use of money and property	52,671	-	-	-
Charges for services	12,492	-	-	-
Miscellaneous	48,432	1,123	-	-
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,111,363	158,373	43,870	-
Federal	177,467	281,056	-	-
Total revenues	<u>\$ 5,226,479</u>	<u>\$ 440,552</u>	<u>\$ 43,870</u>	<u>\$ -</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,033,524	\$ -	\$ -	\$ -
Judicial administration	285,819	-	-	-
Public safety	902,028	-	51,910	-
Public works	39,245	-	-	-
Health and welfare	110,581	535,216	-	-
Education	2,323,813	-	-	-
Parks, recreation, and cultural	62,940	-	-	-
Community development	189,929	-	-	-
Nondepartmental	8,180	-	-	-
Capital projects	55,460	-	-	238,283
Debt service:				
Principal retirement	-	-	-	16,370
Interest and other fiscal charges	-	-	-	1,703
Total expenditures	<u>\$ 5,011,519</u>	<u>\$ 535,216</u>	<u>\$ 51,910</u>	<u>\$ 256,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 214,960</u>	<u>\$ (94,664)</u>	<u>\$ (8,040)</u>	<u>\$ (256,356)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 32,657	\$ 94,664	\$ -	\$ 136,000
Transfers out	(423,050)	-	-	-
Issuance of capital leases	-	-	-	-
Total other financing sources (uses)	<u>\$ (390,393)</u>	<u>\$ 94,664</u>	<u>\$ -</u>	<u>\$ 136,000</u>
Net change in fund balances	\$ (175,433)	\$ -	\$ (8,040)	\$ (120,356)
Fund balances - beginning	4,375,514	-	156,254	238,866
Fund balances - ending	<u>\$ 4,200,081</u>	<u>\$ -</u>	<u>\$ 148,214</u>	<u>\$ 118,510</u>

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

Exhibit 5

School Capital Projects	Other Governmental Funds	Total
\$ -	\$ -	\$ 3,431,495
-	-	380,791
-	-	10,436
-	-	1,332
-	-	52,671
-	-	12,492
25,000	500	75,055
48,491	-	48,491
-	6,585	1,320,191
-	-	458,523
<u>\$ 73,491</u>	<u>\$ 7,085</u>	<u>\$ 5,791,477</u>
\$ -	\$ -	\$ 1,033,524
-	-	285,819
-	7,060	960,998
-	-	39,245
-	-	645,797
-	-	2,323,813
-	-	62,940
-	-	189,929
-	-	8,180
84,275	-	378,018
79,304	-	95,674
2,645	-	4,348
<u>\$ 166,224</u>	<u>\$ 7,060</u>	<u>\$ 6,028,285</u>
<u>\$ (92,733)</u>	<u>\$ 25</u>	<u>\$ (236,808)</u>
\$ 162,663	\$ -	\$ 425,984
-	-	(423,050)
78,808	-	78,808
<u>\$ 241,471</u>	<u>\$ -</u>	<u>\$ 81,742</u>
\$ 148,738	\$ 25	\$ (155,066)
138,699	4,081	4,913,414
<u>\$ 287,437</u>	<u>\$ 4,106</u>	<u>\$ 4,758,348</u>

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	(155,066)
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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	\$	206,335	
Depreciation expense		(159,437)	
Allocation of debt financed school assets based on current year repayments		<u>(454)</u>	
			46,444

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

Property taxes	\$	<u>22,371</u>	22,371
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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	\$	(78,808)	
Principal repayments		95,674	
Increase in accrued landfill closure and post-closure monitoring costs		<u>(993)</u>	
			15,873

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

Change in compensated absences	\$	(1,302)	
Pension expense		25,046	
OPEB expense		<u>6,882</u>	
			<u>30,626</u>

Change in net position of governmental activities	\$	<u><u>(39,752)</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, 2018

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 86,821	\$ 635,215	\$ 149,689	\$ 871,725
Accounts receivable	6,266	24,869	-	31,135
Total current assets	<u>\$ 93,087</u>	<u>\$ 660,084</u>	<u>\$ 149,689</u>	<u>\$ 902,860</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,222,853	174,055	20,801	1,417,709
Accumulated depreciation	(552,998)	(110,162)	(11,966)	(675,126)
Total net capital assets	<u>\$ 673,671</u>	<u>\$ 63,893</u>	<u>\$ 8,835</u>	<u>\$ 746,399</u>
Total assets	<u>\$ 766,758</u>	<u>\$ 723,977</u>	<u>\$ 158,524</u>	<u>\$ 1,649,259</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 10,117	\$ -	\$ 10,117
OPEB related items	-	342	-	342
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 10,459</u>	<u>\$ -</u>	<u>\$ 10,459</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 255	\$ 12,794	\$ 43	\$ 13,092
Accrued interest payable	223	-	-	223
Unearned revenue	-	-	3,884	3,884
Revenue bonds - current portion	5,835	-	-	5,835
Total current liabilities	<u>\$ 6,313</u>	<u>\$ 12,794</u>	<u>\$ 3,927</u>	<u>\$ 23,034</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 130,718	\$ -	\$ -	\$ 130,718
Compensated absences	-	10,896	-	10,896
Net OBEB liability	-	5,167	-	5,167
Net pension liability	-	28,060	-	28,060
Total noncurrent liabilities	<u>\$ 130,718</u>	<u>\$ 44,123</u>	<u>\$ -</u>	<u>\$ 174,841</u>
Total liabilities	<u>\$ 137,031</u>	<u>\$ 56,917</u>	<u>\$ 3,927</u>	<u>\$ 197,875</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 15,968	\$ -	\$ 15,968
OPEB related items	-	569	-	569
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 16,537</u>	<u>\$ -</u>	<u>\$ 16,537</u>
NET POSITION				
Net investment in capital assets	\$ 537,118	\$ 63,893	\$ 8,835	\$ 609,846
Restricted for debt service and bond covenants	18,846	-	-	18,846
Unrestricted	73,763	597,089	145,762	816,614
Total net position	<u>\$ 629,727</u>	<u>\$ 660,982</u>	<u>\$ 154,597</u>	<u>\$ 1,445,306</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, 2018

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 35,549	\$ -	\$ -	\$ 35,549
Refuse disposal	-	307,259	-	307,259
Recycling revenues	-	8,784	-	8,784
Tire disposal	-	3,860	-	3,860
Program income	-	-	40,171	40,171
Operating grants	-	-	17,500	17,500
Other revenues	-	9,405	2,667	12,072
Total operating revenues	\$ 35,549	\$ 329,308	\$ 60,338	\$ 425,195
OPERATING EXPENSES				
Personnel services	\$ 11,272	\$ 117,636	\$ -	\$ 128,908
Contractual services	7,613	180,684	300	188,597
Depreciation	25,292	6,389	930	32,611
Supplies	-	-	18,451	18,451
Staff expenses	-	-	150	150
Utilities	-	-	4,574	4,574
Other charges	8,993	20,304	25,740	55,037
Total operating expenses	\$ 53,170	\$ 325,013	\$ 50,145	\$ 428,328
Operating income (loss)	\$ (17,621)	\$ 4,295	\$ 10,193	\$ (3,133)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue (expense)	\$ -	\$ 7,077	\$ -	\$ 7,077
Investment income	22	-	644	666
Interest expense	(6,248)	-	-	(6,248)
Total nonoperating revenues (expenses)	\$ (6,226)	\$ 7,077	\$ 644	\$ 1,495
Income before transfers	\$ (23,847)	\$ 11,372	\$ 10,837	\$ (1,638)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 8,392	\$ -	\$ -	\$ 8,392
Transfers out	(1,326)	-	(10,000)	(11,326)
Total other financing sources (uses)	\$ 7,066	\$ -	\$ (10,000)	\$ (2,934)
Change in net position	\$ (16,781)	\$ 11,372	\$ 837	\$ (4,572)
Total net position - beginning, as restated	646,508	649,610	153,760	1,449,878
Total net position - ending	\$ 629,727	\$ 660,982	\$ 154,597	\$ 1,445,306

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 33,537	\$ 318,971	\$ 58,855	\$ 411,363
Payments to suppliers	(17,396)	(206,130)	(21,936)	(245,462)
Payments to employees	(11,272)	(124,026)	-	(135,298)
Other receipts (payments)	-	9,405	(27,797)	(18,392)
Net cash provided by (used for) operating activities	\$ 4,869	\$ (1,780)	\$ 9,122	\$ 12,211
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ (1,326)	\$ -	\$ (10,000)	\$ (11,326)
Transfers from other funds	8,392	-	-	8,392
Intergovernmental revenues	-	7,077	-	7,077
Net cash provided by (used for) noncapital financing activities	\$ 7,066	\$ 7,077	\$ (10,000)	\$ 4,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on bonds	\$ (5,585)	\$ -	\$ -	\$ (5,585)
Interest expense	(6,261)	-	-	(6,261)
Net cash provided by (used for) capital and related financing activities	\$ (11,846)	\$ -	\$ -	\$ (11,846)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 22	\$ -	\$ 644	\$ 666
Net cash provided by (used for) investing activities	\$ 22	\$ -	\$ 644	\$ 666
Net increase (decrease) in cash and cash equivalents	\$ 111	\$ 5,297	\$ (234)	\$ 5,174
Cash and cash equivalents - beginning	86,710	629,918	149,923	866,551
Cash and cash equivalents - ending	\$ 86,821	\$ 635,215	\$ 149,689	\$ 871,725
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (17,621)	\$ 4,295	\$ 10,193	\$ (3,133)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 25,292	\$ 6,389	\$ 930	\$ 32,611
(Increase) decrease in accounts receivable	(2,012)	(932)	-	(2,944)
(Increase) decrease in deferred outflow of resources	-	(6,008)	-	(6,008)
Increase (decrease) in net pension liability	-	(2,765)	-	(2,765)
Increase (decrease) in net OPEB liability	-	(853)	-	(853)
Increase (decrease) in deferred inflows of resources	-	1,656	-	1,656
Increase (decrease) in accounts payable	(790)	(5,142)	(3,185)	(9,117)
Increase (decrease) in unearned revenue	-	-	1,184	1,184
Increase (decrease) in compensated absences	-	1,580	-	1,580
Total adjustments	\$ 22,490	\$ (6,075)	\$ (1,071)	\$ 15,344
Net cash provided by (used for) operating activities	\$ 4,869	\$ (1,780)	\$ 9,122	\$ 12,211

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018

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, 2018 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.

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.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are 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.

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

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

3. *Property Taxes*

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

4. *Allowance for Uncollectible Accounts*

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$7,008, at June 30, 2018 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.

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

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

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

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. In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, 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.

9. *Fund equity*

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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;

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 (continued)

- 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.

10. 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.

11. 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.

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

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

12. *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.

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.

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit School Board
Net Position as reported at June 30, 2017	\$ 5,643,385	\$ 1,455,613	\$ 7,098,998	\$ (264,223)
Implementation of GASB 75:				
To record the Group Life Insurance (GLI) net OPEB liability and related deferred outflow of resources as of June 30, 2017				
GLI net OPEB liability at June 30, 2017, as restated	(120,980)	(6,020)	(127,000)	(196,000)
Deferred outflow of resources related to GLI net OPEB Liability at June 30, 2017, as restated	5,715	285	6,000	11,000
To record the Health Insurance Credit (HIC) Program net OPEB liability and related deferred outflow of resources as of June 30, 2017				
HIC net OPEB liability at June 30, 2017, as restated	-	-	-	(297,000)
Deferred outflow of resources related to HIC net OPEB liability at June 30, 2017, as restated	-	-	-	20,000
Net Position as restated at June 30, 2017	\$ 5,528,120	\$ 1,449,878	\$ 6,977,998	\$ (726,223)

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to March 30, the County Treasurer and County Administrator submit to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the County Capital Improvements Fund. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations at June 30, 2018:

Fund	Function	Excess of Expenditures over Appropriations
General	Education	\$ 37,925
Total General Fund		\$ 37,925
School capital projects fund	Capital projects	\$ 78,808
Total Primary Government		\$ 116,733
School Cafeteria Fund	Education	\$ 146
Total Component Unit - School Board		\$ 146
Total All Funds		\$ 116,879

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (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, 2018 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 under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 29,600
Local sales taxes	22,303	-
Communication taxes	11,081	-
DMV select	702	-
Mobile home titling tax	390	-
Rolling Stock	128	-
Recordation tax	2,284	-
Public assistance and welfare administration	20,553	-
Wireless	6,884	-
Commonwealth attorney	5,922	-
Clerk of Circuit Court	12,183	-
Treasurer	5,772	-
Commissioner of Revenue	5,836	-
Sheriff	46,324	-
School grants	-	102,000
Federal Government:		
Public assistance and welfare administration	24,332	-
Total	<u>\$ 164,694</u>	<u>\$ 131,600</u>

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	\$ 54,329	\$ -	\$ -	\$ 165,275
VPA Fund	-	54,329	-	-
Sub-total	<u>\$ 54,329</u>	<u>\$ 54,329</u>	<u>\$ -</u>	<u>\$ 165,275</u>
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 165,275	\$ -
Total	<u>\$ 54,329</u>	<u>\$ 54,329</u>	<u>\$ 165,275</u>	<u>\$ 165,275</u>

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, 2018 (Continued)****NOTE 7—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 32,657	\$ 423,050
Virginia Public Assistance Fund	94,664	-
Refuse Disposal Fund	-	10,000
McDowell Water System	8,392	1,326
County Capital Improvements Fund	136,000	-
School Capital Projects Fund	162,663	-
Total	<u>\$ 434,376</u>	<u>\$ 434,376</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, 2018 was as follows:

Governmental Activities:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
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	\$ 1,708,456	\$ 132,960	\$ -	\$ 1,841,416
Machinery and equipment	1,512,809	73,375	(496)	1,585,688
Total capital assets being depreciated	<u>\$ 3,221,265</u>	<u>\$ 206,335</u>	<u>\$ (496)</u>	<u>\$ 3,427,104</u>
Accumulated depreciation:				
Buildings and improvements	\$ (649,948)	\$ (68,140)	\$ -	\$ (718,088)
Machinery and equipment	(1,016,177)	(91,297)	42	(1,107,432)
Total accumulated depreciation	<u>\$ (1,666,125)</u>	<u>\$ (159,437)</u>	<u>\$ 42</u>	<u>\$ (1,825,520)</u>
Total capital assets being depreciated, net	<u>\$ 1,555,140</u>	<u>\$ 46,898</u>	<u>\$ (454)</u>	<u>\$ 1,601,584</u>
Governmental activities capital assets, net	<u>\$ 1,752,505</u>	<u>\$ 46,898</u>	<u>\$ (454)</u>	<u>\$ 1,798,949</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

McDowell Water System Fund

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
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	(527,706)	(25,292)	-	(552,998)
Capital assets being depreciated, net	\$ 695,147	\$ (25,292)	\$ -	\$ 669,855
McDowell water system capital assets, net	\$ 698,963	\$ (25,292)	\$ -	\$ 673,671

Refuse Disposal Fund

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets being depreciated:				
Utility plant and equipment	\$ 174,055	\$ -	\$ -	\$ 174,055
Accumulated depreciation	(103,773)	(6,389)	-	(110,162)
Capital assets being depreciated, net	\$ 70,282	\$ (6,389)	\$ -	\$ 63,893
Refuse disposal fund capital assets, net	\$ 70,282	\$ (6,389)	\$ -	\$ 63,893

Recreation Commission Fund

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(11,036)	(930)	-	(11,966)
Capital assets being depreciated, net	\$ 9,765	\$ (930)	\$ -	\$ 8,835
Recreation commission fund capital assets, net	\$ 9,765	\$ (930)	\$ -	\$ 8,835

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:	
General government administration	\$ 25,067
Judicial administration	1,675
Public safety	83,795
Public works	13,203
Health and welfare	205
Parks and Recreation	35,492
Total depreciation expense - governmental activities	<u>\$ 159,437</u>
Business-type Activities:	
McDowell Water System	\$ 25,292
Refuse disposal	6,389
Recreation Commission	930
Total depreciation expense - business-type activities	<u>\$ 32,611</u>

Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Total capital assets not being depreciated	<u>\$ 13,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,035</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 4,787,750	\$ 25,896	\$ -	\$ 4,813,646
Furniture, equipment and vehicles	976,885	90,826	-	1,067,711
Total capital assets being depreciated	<u>\$ 5,764,635</u>	<u>\$ 116,722</u>	<u>\$ -</u>	<u>\$ 5,881,357</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,992,808)	\$ (117,800)	\$ -	\$ (2,110,608)
Furniture, equipment and vehicles	(726,179)	(90,852)	-	(817,031)
Total accumulated depreciation	<u>\$ (2,718,987)</u>	<u>\$ (208,652)</u>	<u>\$ -</u>	<u>\$ (2,927,639)</u>
Total capital assets being depreciated, net	<u>\$ 3,045,648</u>	<u>\$ (91,930)</u>	<u>\$ -</u>	<u>\$ 2,953,718</u>
School Board capital assets, net	<u>\$ 3,058,683</u>	<u>\$ (91,930)</u>	<u>\$ -</u>	<u>\$ 2,966,753</u>

Depreciation expense was charged to education in the amount of \$208,652.

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, 2018, is that school financed assets in the amount of \$57,084 are reported in the Primary Government for financial reporting purposes.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS:

Primary Government-Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2018:

	Balance July 1, 2017, as Restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Capital leases	\$ 96,340	\$ 78,808	\$ 95,674	\$ 79,474
Landfill closure/post-closure costs	55,162	993	-	56,155
Compensated absences	138,881	1,302	-	140,183
Net OPEB liability	120,980	-	17,147	103,833
Net pension liability	1,074,188	742,683	839,028	977,843
Total Long-Term Obligations	<u>\$ 1,485,551</u>	<u>\$ 823,786</u>	<u>\$ 951,849</u>	<u>\$ 1,357,488</u>

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

Years Ending June 30,	Capital Leases	
	Principal	Interest
2019	\$ 32,096	\$ 2,709
2020	15,334	1,398
2021	15,787	945
2022	16,257	475
Total	<u>\$ 79,474</u>	<u>\$ 5,527</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<u>Capital leases:</u>		
\$67,225 issued July 9, 2015, due in annual installments of \$18,073 beginning August 1, 2015 through August 1, 2020, for the purchase of an OCS Digital Optical Scanner Suite	\$ 17,201	\$ 17,201
\$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	62,273	14,895
Total capital leases	<u>\$ 79,474</u>	<u>\$ 32,096</u>
Landfill closure/post-closure costs	<u>\$ 56,155</u>	<u>\$ -</u>
Compensated absences (payable from the General Fund)	<u>\$ 140,183</u>	<u>\$ -</u>
Net OPEB liability	<u>\$ 103,833</u>	<u>\$ -</u>
Net pension liability	<u>\$ 977,843</u>	<u>\$ -</u>
Total long-term obligations	<u>\$ 1,357,488</u>	<u>\$ 32,096</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the enterprise funds for the year ended June 30, 2018:

	Balance July 1, 2017, as restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2018
Revenue Bonds	\$ 142,138	\$ -	\$ 5,585	\$ 136,553
Compensated absences	9,316	1,580	-	10,896
Net OPEB liability	6,020	-	853	5,167
Net pension liability	30,825	21,313	24,078	28,060
Total Long-Term Obligations	<u>\$ 188,299</u>	<u>\$ 22,893</u>	<u>\$ 30,516</u>	<u>\$ 180,676</u>

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

Years Ending June 30,	Revenue Bonds	
	Principal	Interest
2019	\$ 5,835	\$ 6,009
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	4,377	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	3,534	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	1,296	8
Total	<u>\$ 136,553</u>	<u>\$ 68,504</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (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%	\$ 26,870	\$ 2,097
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	18,661	1,437
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	29,367	1,130
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	61,655	1,171
Total revenue bonds	\$ 136,553	\$ 5,835
<u>Refuse Disposal Fund:</u>		
Compensated Absences	\$ 10,896	\$ -
Net OPEB Liability	5,167	-
Net Pension Liability	28,060	-
Total long-term obligations	\$ 180,676	\$ 5,835

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, 2018:

	Balance July 1, 2017, as restated	Increases	Decreases	Balance June 30, 2018
Compensated absences	\$ 45,517	\$ 17,755	\$ -	\$ 63,272
Net OPEB liabilities	493,000	44,000	54,000	483,000
Net pension liability	3,675,470	851,228	1,158,532	3,368,166
Total Long-Term Obligations	\$ 4,213,987	\$ 912,983	\$ 1,212,532	\$ 3,914,438

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN:

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:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</p>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Pension Plan Data

The information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	25	17
Inactive members:		
Vested inactive members	3	1
Non-vested inactive members	3	2
Inactive members active elsewhere in VRS	6	3
Total inactive members	12	6
Active members	34	9
Total covered employees	71	32

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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 11.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$148,896 and \$144,304 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2018 was 12.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$30,448 and \$29,769 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (continued)

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, 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 – 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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

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%

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%

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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%.

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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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, 2016	\$ 6,549,923	\$ 5,444,910	\$ 1,105,013
Changes for the year:			
Service cost	\$ 155,202	\$ -	\$ 155,202
Interest	445,876	-	445,876
Differences between expected and actual experience	155,277	-	155,277
Assumption changes	3,210	-	3,210
Contributions - employer	-	144,304	(144,304)
Contributions - employee	-	63,793	(63,793)
Net investment income	-	655,009	(655,009)
Benefit payments, including refunds	(360,531)	(360,531)	-
Administrative expenses	-	(3,850)	3,850
Other changes	-	(581)	581
Net changes	\$ 399,034	\$ 498,144	\$ (99,110)
Balances at June 30, 2017	\$ 6,948,957	\$ 5,943,054	\$ 1,005,903

	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, 2016	\$ 1,184,205	\$ 793,735	\$ 390,470
Changes for the year:			
Service cost	\$ 20,048	\$ -	\$ 20,048
Interest	80,313	-	80,313
Differences between expected and actual experience	26,217	-	26,217
Assumption changes	(7,630)	-	(7,630)
Contributions - employer	-	29,727	(29,727)
Contributions - employee	-	11,534	(11,534)
Net investment income	-	94,641	(94,641)
Benefit payments, including refunds	(73,744)	(73,744)	-
Administrative expenses	-	(566)	566
Other changes	-	(84)	84
Net changes	\$ 45,204	\$ 61,508	\$ (16,304)
Balances at June 30, 2017	\$ 1,229,409	\$ 855,243	\$ 374,166

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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	\$ 1,804,784	\$ 1,005,903	\$ 333,098
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 509,884	\$ 374,166	\$ 258,836

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$116,222 and \$58,452, respectively. At June 30, 2018, 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	\$ 107,499	\$ 23,652	\$ 10,254	\$ -
Change in assumptions	2,222	-	-	2,920
Net difference between projected and actual earnings on pension plan investments	-	82,805	-	11,646
Impact of change in proportional allocation	10,776	10,776	-	-
Employer contributions subsequent to the measurement date	148,896	-	30,448	-
Total	\$ 269,393	\$ 117,233	\$ 40,702	\$ 14,566

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

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

\$148,896 and \$30,448 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2019	\$ (28,220)	\$ (582)
2020	74,043	4,023
2021	13,312	295
2022	(55,871)	(8,048)

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 regarding the plan description can be found 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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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 \$314,346 and \$277,816 for the years ended June 30, 2018 and June 30, 2017, respectively.

COUNTY OF HIGHLAND, VIRGINIA**Notes to Financial Statements
June 30, 2018 (Continued)****NOTE 10—PENSION PLAN: (CONTINUED)****Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2018, the school division reported a liability of \$2,994,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .02435% as compared to .02344% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$224,000. 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.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 212,000
Change in assumptions	44,000	-
Net difference between projected and actual earnings on pension plan investments	-	109,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	188,000	108,000
Employer contributions subsequent to the measurement date	314,346	-
Total	\$ 546,346	\$ 429,000

\$314,346 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, 2019. 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	
2019	\$ (115,000)
2020	14,000
2021	(15,000)
2022	(86,000)
2023	5,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (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, 2016, 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, 2017.

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 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, 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:

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, 2018 (Continued)

NOTE 10—PENSION PLAN: (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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employers' Net Pension Liability (Asset)	\$	<u>12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

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.

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 Asests	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 one 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%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 10—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (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 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. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed 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.

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)	\$	4,471,000	\$ 2,994,000	\$ 1,772,000

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 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018 (Continued)

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance 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 Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
Eligible Employees	
<p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>	
Benefit Amounts	
<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option	

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program 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.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Group Life Insurance Program were \$7,223 and \$6,896 for the years ended June 30, 2018 and June 30, 2017, respectively. School Board contributions to the Group Life Insurance Program for professional employees were \$10,141 and \$9,939, for the years ended June 30, 2018 and June 30, 2017 respectively. School Board contributions to the Group Life Insurance Program for nonprofessional employees were \$1,244 and \$1,214, for the years ended June 30, 2018 and June 30, 2017 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, 2018, the County reported a liability of \$109,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 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 Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.00719% as compared to 0.00725% at June 30, 2016.

At June 30, 2018, the School Board reported liability of \$19,000 for nonprofessional employees and \$156,000 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2017 and June 30, 2016, the participating employer's proportion for nonprofessional employees was 0.00127%. At June 30, 2017, the participating employer's proportion for School Board professional employees was 0.01036% as compared to 0.00995% at June 30, 2016.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (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 Group Life Insurance Program OPEB (Continued)

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$0, while the School Board recognized GLI OPEB expense of \$0, and \$3,000 for nonprofessional and professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, 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	\$ -	\$ 2,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	4,000
Change in assumptions	-	6,000
Employer contributions subsequent to the measurement date	7,223	-
Total	\$ 7,223	\$ 12,000

	Component Unit School Board			
	Nonprofessional Employees Deferred Outflows of Resources	Nonprofessional Employees Deferred Inflows of Resources	Professional Employees Deferred Outflows of Resources	Professional Employees Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	1,000	-	6,000
Change in assumptions	-	1,000	-	8,000
Changes in proportion	-	-	6,000	-
Employer contributions subsequent to the measurement date	1,244	-	10,141	-
Total	\$ 1,244	\$ 2,000	\$ 16,141	\$ 17,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (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 Group Life Insurance Program OPEB (Continued)

\$7,223, \$1,244 and \$10,141 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, 2019. 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,
2019	2019	2019
\$ (2,000)	\$ (2,000)	\$ (3,000)
2020	2020	2020
(2,000)	-	(3,000)
2021	2021	2021
(2,000)	-	(3,000)
2022	2022	2022
(2,000)	-	(2,000)
2023	2023	2023
(1,000)	-	-
Thereafter	Thereafter	Thereafter
(3,000)	-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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, 2018 (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, 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:

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, 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:

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, 2018 (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, 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:

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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

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.

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:

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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

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, 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:

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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, 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:

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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

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.

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:

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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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

Actuarial Assumptions (Continued)

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, 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:

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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2018 (Continued)

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, 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:

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%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance 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, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

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.

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%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

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 ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 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	\$ 140,000	\$ 109,000	\$ 83,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-nonprofessional employees	\$ 25,000	\$ 19,000	\$ 15,000
School Board's proportionate share of the Group Life Insurance Program Net OPEB Liability-professional employees	\$ 202,000	\$ 156,000	\$ 119,000

Group Life Insurance Program Fiduciary Net Position

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

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

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit 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 health insurance credit 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 Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.• <u>Disability Retirement</u> – 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:<ul style="list-style-type: none">○ \$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.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none">• The monthly Health Insurance Credit 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 health insurance credit as a retiree.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (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, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 Health Insurance Credit Program were \$23,988 and \$21,216 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$308,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit 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 Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .02422% as compared to 0.02343% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$26,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	3,000
Change in proportion	9,000	-
Employer contributions subsequent to the measurement date	23,988	-
Total	\$ 32,988	\$ 4,000

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

\$23,988 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,

2019	\$	5,000
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Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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, 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:

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, 2018 (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 Health Insurance Credit 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, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>

Plan Fiduciary Net Position as a Percentage
of the Total Teacher Employee HIC OPEB Liability 7.04%

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%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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 ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed 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 Health Insurance Credit 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	\$	343,000	\$ 308,000	\$ 277,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

NOTE 13—UNEARNED/DEFERRED/UNAVAILABLE REVENUE:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2018:

	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.	\$ -	\$ 135,098
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.	1,461,199	1,461,199
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	65,921	65,921
Total primary government deferred/unavailable revenue	\$ 1,527,120	\$ 1,662,218
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	3,884	3,884
Total primary government unearned revenue	\$ 29,396	\$ 29,396

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, 2018 (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 and voting machines. 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	\$	120,740
Less: Accumulated depreciation		(29,326)
Total	\$	<u>91,414</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, are as follows:

Year Ended June 30,		Governmental Activities
2019	\$	34,805
2020		16,732
2021		16,732
2022		16,732
Total minimum lease payments	\$	<u>85,001</u>
Less: amount representing interest		(5,527)
Present value of minimum lease payments	\$	<u>79,474</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

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 \$56,155 at June 30, 2018. 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.

In September 2017, management of the County received approval from the Commonwealth of Virginia Department of Environmental Quality for partial termination of post-closure care: groundwater monitoring and gas monitoring at its landfill facility. As of the date of this audit report, assessment of the facility necessary to estimate post-closure monitoring costs after partial termination has not been completed.

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. The balance for the McDowell Volunteer Fire Department loan at June 30, 2018 was \$20,000.

NOTE 19—UPCOMING PRONOUNCEMENTS:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2018 (Continued)

NOTE 19—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

NOTE 20—LITIGATION:

At June 30, 2018, 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.

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 3,329,990	\$ 3,439,190	\$ 3,431,495	\$ (7,695)
Other local taxes	390,745	390,815	380,791	(10,024)
Permits, privilege fees, and regulatory licenses	11,350	8,450	10,436	1,986
Fines and forfeitures	3,000	2,000	1,332	(668)
Revenue from the use of money and property	42,000	59,000	52,671	(6,329)
Charges for services	10,675	10,675	12,492	1,817
Miscellaneous	39,653	43,650	48,432	4,782
Intergovernmental:				
Commonwealth	1,068,725	1,073,373	1,111,363	37,990
Federal	55,000	55,000	177,467	122,467
Total revenues	<u>\$ 4,951,138</u>	<u>\$ 5,082,153</u>	<u>\$ 5,226,479</u>	<u>\$ 144,326</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,027,719	\$ 1,083,159	\$ 1,033,524	\$ 49,635
Judicial administration	267,430	286,019	285,819	200
Public safety	881,782	904,051	902,028	2,023
Public works	39,329	39,329	39,245	84
Health and welfare	113,007	110,607	110,581	26
Education	2,285,888	2,285,888	2,323,813	(37,925)
Parks, recreation, and cultural	62,840	62,940	62,940	-
Community development	225,765	202,965	189,929	13,036
Nondepartmental	12,549	33,878	8,180	25,698
Capital projects	-	58,037	55,460	2,577
Total expenditures	<u>\$ 4,916,309</u>	<u>\$ 5,066,873</u>	<u>\$ 5,011,519</u>	<u>\$ 55,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 34,829</u>	<u>\$ 15,280</u>	<u>\$ 214,960</u>	<u>\$ 199,680</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 32,657	\$ 32,657
Transfers out	<u>(34,829)</u>	<u>(15,280)</u>	<u>(423,050)</u>	<u>(407,770)</u>
Total other financing sources (uses)	<u>\$ (34,829)</u>	<u>\$ (15,280)</u>	<u>\$ (390,393)</u>	<u>\$ (375,113)</u>
Net change in fund balances	\$ -	\$ -	\$ (175,433)	\$ (175,433)
Fund balances - beginning	-	-	4,375,514	4,375,514
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,200,081</u>	<u>\$ 4,200,081</u>

Special Revenue Fund-Virginia Public Assistance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,123	\$ 1,123
Intergovernmental:				
Commonwealth	275,112	186,980	158,373	(28,607)
Federal	212,845	212,845	281,056	68,211
Total revenues	<u>\$ 487,957</u>	<u>\$ 399,825</u>	<u>\$ 440,552</u>	<u>\$ 40,727</u>
EXPENDITURES				
Health and welfare	<u>\$ 672,965</u>	<u>\$ 554,089</u>	<u>\$ 535,216</u>	<u>\$ 18,873</u>
Total expenditures	<u>\$ 672,965</u>	<u>\$ 554,089</u>	<u>\$ 535,216</u>	<u>\$ 18,873</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (185,008)</u>	<u>\$ (154,264)</u>	<u>\$ (94,664)</u>	<u>\$ 59,600</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 185,008</u>	<u>\$ 154,264</u>	<u>\$ 94,664</u>	<u>\$ (59,600)</u>
Total other financing sources (uses)	<u>\$ 185,008</u>	<u>\$ 154,264</u>	<u>\$ 94,664</u>	<u>\$ (59,600)</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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 43,870	\$ 43,870
Total revenues	\$ -	\$ -	\$ 43,870	\$ 43,870
EXPENDITURES				
Public safety	\$ -	\$ 55,412	\$ 51,910	\$ 3,502
Total expenditures	\$ -	\$ 55,412	\$ 51,910	\$ 3,502
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (55,412)	\$ (8,040)	\$ 47,372
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 55,412	\$ -	\$ (55,412)
Total other financing sources (uses)	\$ -	\$ 55,412	\$ -	\$ (55,412)
Net change in fund balances	\$ -	\$ -	\$ (8,040)	\$ (8,040)
Fund balances - beginning	-	-	156,254	156,254
Fund balances - ending	\$ -	\$ -	\$ 148,214	\$ 148,214

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 155,202	\$ 149,304	\$ 153,716	\$ 149,038
Interest	445,876	427,276	421,763	406,078
Changes of benefit terms	-	51,557	-	-
Differences between expected and actual experience	155,277	(12,933)	(138,534)	-
Changes in assumptions	3,210	-	-	-
Benefit payments, including refunds of employee contributions	(360,531)	(338,460)	(377,894)	(284,210)
Net change in total pension liability	\$ 399,034	\$ 276,744	\$ 59,051	\$ 270,906
Total pension liability - beginning	<u>6,549,923</u>	<u>6,273,179</u>	<u>6,214,128</u>	<u>5,943,222</u>
Total pension liability - ending (a)	<u>\$ 6,948,957</u>	<u>\$ 6,549,923</u>	<u>\$ 6,273,179</u>	<u>\$ 6,214,128</u>
Plan fiduciary net position				
Contributions - employer	\$ 144,304	\$ 187,768	\$ 178,879	\$ 152,470
Contributions - employee	63,793	63,391	77,375	60,075
Net investment income	655,009	92,846	240,813	731,267
Benefit payments, including refunds of employee contributions	(360,531)	(338,460)	(377,894)	(284,210)
Administrative expense	(3,850)	(3,392)	(3,366)	(3,971)
Other	(581)	(40)	(53)	39
Net change in plan fiduciary net position	\$ 498,144	\$ 2,113	\$ 115,754	\$ 655,670
Plan fiduciary net position - beginning	<u>5,444,910</u>	<u>5,442,797</u>	<u>5,327,043</u>	<u>4,671,373</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,943,054</u>	<u>\$ 5,444,910</u>	<u>\$ 5,442,797</u>	<u>\$ 5,327,043</u>
County's net pension liability - ending (a) - (b)	\$ 1,005,903	\$ 1,105,013	\$ 830,382	\$ 887,085
Plan fiduciary net position as a percentage of the total pension liability	85.52%	83.13%	86.76%	85.72%
Covered payroll	\$ 1,326,229	\$ 1,302,387	\$ 1,242,402	\$ 1,201,493
County's net pension liability as a percentage of covered payroll	75.85%	84.85%	66.84%	73.83%

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 Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 20,048	\$ 20,055	\$ 18,181	\$ 16,918
Interest	80,313	75,437	76,690	74,575
Differences between expected and actual experience	26,217	44,084	(49,056)	-
Changes in assumptions	(7,630)	-	-	-
Benefit payments, including refunds of employee contributions	(73,744)	(66,091)	(61,327)	(61,249)
Net change in total pension liability	\$ 45,204	\$ 73,485	\$ (15,512)	\$ 30,244
Total pension liability - beginning	1,184,205	1,110,720	1,126,232	1,095,988
Total pension liability - ending (a)	<u>\$ 1,229,409</u>	<u>\$ 1,184,205</u>	<u>\$ 1,110,720</u>	<u>\$ 1,126,232</u>
Plan fiduciary net position				
Contributions - employer	\$ 29,727	\$ 35,591	\$ 36,046	\$ 30,951
Contributions - employee	11,534	11,371	11,528	10,276
Net investment income	94,641	13,591	35,354	107,414
Benefit payments, including refunds of employee contributions	(73,744)	(66,091)	(61,327)	(61,249)
Administrative expense	(566)	(500)	(489)	(590)
Other	(84)	(6)	(8)	6
Net change in plan fiduciary net position	\$ 61,508	\$ (6,044)	\$ 21,104	\$ 86,808
Plan fiduciary net position - beginning	793,735	799,779	778,675	691,867
Plan fiduciary net position - ending (b)	<u>\$ 855,243</u>	<u>\$ 793,735</u>	<u>\$ 799,779</u>	<u>\$ 778,675</u>
School Division's net pension liability - ending (a) - (b)	\$ 374,166	\$ 390,470	\$ 310,941	\$ 347,557
Plan fiduciary net position as a percentage of the total pension liability	69.57%	67.03%	72.01%	69.14%
Covered payroll	\$ 233,486	\$ 227,420	\$ 224,553	\$ 205,513
School Division's net pension liability as a percentage of covered payroll	160.25%	171.70%	138.47%	169.12%

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's Share of Net Pension Liability VRS Teacher Retirement Plan
 Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability	0.02435%	0.02344%	0.02404%	0.02269%
Employer's Proportionate Share of the Net Pension Liability	\$ 2,994,000	\$ 3,285,000	\$ 3,025,000	\$ 2,742,000
Employer's Covered Payroll	\$ 1,911,314	\$ 1,786,902	\$ 1,787,334	\$ 1,659,098
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157%	184%	169%	165%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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

For the Years Ended June 30, 2009 through June 30, 2018

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
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%
2009	92,931	92,931	-	1,020,100	9.11%
Component Unit School Board (nonprofessional)					
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%
2009	20,760	20,760	-	199,046	10.43%
Component Unit School Board (professional)					
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%
2009	167,802	167,802	-	1,904,677	8.81%

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
Year Ended June 30, 2018

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
 Year Ended June 30, 2018

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)
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
 Year Ended June 30, 2018

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)					
2017	0.00127% \$	19,000	\$ 233,486	8.14%	48.86%
Component Unit School Board (professional)					
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, 2009 through June 30, 2018

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					
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%
2009	2,754	2,754	-	1,020,100	0.27%
Component Unit School Board (nonprofessional)					
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%
2009	537	537	-	199,046	0.27%
Component Unit School Board (professional)					
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%
2009	5,143	5,143	-	1,904,672	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
Year Ended June 30, 2018

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, 2018 (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 School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
Year Ended June 30, 2018

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)
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 Health Insurance Credit Program (HIC)
Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
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%
2009	20,570	20,570	-	1,904,672	1.08%

Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
Year Ended June 30, 2018

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, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
SPECIAL WELFARE FUND:				
ASSETS				
Cash and cash equivalents	\$ <u>25</u>	\$ <u>1,157</u>	\$ <u>1,182</u>	\$ <u>-</u>
LIABILITIES				
Amounts held for social service clients	\$ <u>25</u>	\$ <u>1,157</u>	\$ <u>1,182</u>	\$ <u>-</u>

County Capital Improvements Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Capital projects	\$ 136,000	\$ 260,000	\$ 238,283	\$ 21,717
Debt service:				
Principal retirement	-	-	16,370	(16,370)
Interest and other fiscal charges	-	-	1,703	(1,703)
Total expenditures	<u>\$ 136,000</u>	<u>\$ 260,000</u>	<u>\$ 256,356</u>	<u>\$ 3,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (136,000)</u>	<u>\$ (260,000)</u>	<u>\$ (256,356)</u>	<u>\$ 3,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 136,000</u>	<u>\$ 260,000</u>	<u>\$ 136,000</u>	<u>\$ (124,000)</u>
Total other financing sources (uses)	<u>\$ 136,000</u>	<u>\$ 260,000</u>	<u>\$ 136,000</u>	<u>\$ (124,000)</u>
Net change in fund balances	\$ -	\$ -	\$ (120,356)	\$ (120,356)
Fund balances - beginning	-	-	238,866	238,866
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 118,510</u></u>	<u><u>\$ 118,510</u></u>

School Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 25,000	\$ 25,000
Intergovernmental:				
Local government	\$ -	\$ -	\$ 48,491	\$ 48,491
Total revenues	\$ -	\$ -	\$ 73,491	\$ 73,491
EXPENDITURES				
Capital projects	\$ -	\$ 5,467	\$ 84,275	\$ (78,808)
Debt service:				
Principal retirement	-	33,533	79,304	(45,771)
Interest and other fiscal charges	-	-	2,645	(2,645)
Total expenditures	\$ -	\$ 39,000	\$ 166,224	\$ (127,224)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (39,000)	\$ (92,733)	\$ (53,733)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 39,000	\$ 162,663	\$ 123,663
Issuance of capital leases	-	-	78,808	78,808
Total other financing sources (uses)	\$ -	\$ 39,000	\$ 241,471	\$ 202,471
Net change in fund balances	\$ -	\$ -	\$ 148,738	\$ 148,738
Fund balances - beginning	-	-	138,699	138,699
Fund balances - ending	\$ -	\$ -	\$ 287,437	\$ 287,437

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2018

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 500	\$ 500
Intergovernmental:				
Commonwealth	-	-	6,585	6,585
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,085</u>	<u>\$ 7,085</u>
EXPENDITURES				
Public safety	<u>\$ -</u>	<u>\$ 7,061</u>	<u>\$ 7,060</u>	<u>\$ 1</u>
Total expenditures	<u>\$ -</u>	<u>\$ 7,061</u>	<u>\$ 7,060</u>	<u>\$ 1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (7,061)</u>	<u>\$ 25</u>	<u>\$ 7,086</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ -</u>	<u>\$ 7,061</u>	<u>\$ -</u>	<u>\$ (7,061)</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 7,061</u>	<u>\$ -</u>	<u>\$ (7,061)</u>
Net change in fund balances	\$ -	\$ -	\$ 25	\$ 25
Fund balances - beginning	-	-	4,081	4,081
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,106</u>	<u>\$ 4,106</u>

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, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 315,621	\$ 18,058	\$ 333,679
Due from other governmental units	131,600	-	131,600
Inventories	-	9,970	9,970
Prepaid items	41,372	719	42,091
Total assets	<u>\$ 488,593</u>	<u>\$ 28,747</u>	<u>\$ 517,340</u>
LIABILITIES			
Accounts payable	\$ 7,697	\$ -	\$ 7,697
Accrued liabilities	315,621	18,058	333,679
Due to primary government	165,275	-	165,275
Total liabilities	<u>\$ 488,593</u>	<u>\$ 18,058</u>	<u>\$ 506,651</u>
FUND BALANCES			
Nonspendable:			
Inventories	\$ -	\$ 9,970	\$ 9,970
Prepaid items	41,372	719	42,091
Unassigned	(41,372)	-	(41,372)
Total fund balances	<u>\$ -</u>	<u>\$ 10,689</u>	<u>\$ 10,689</u>
Total liabilities and fund balances	<u>\$ 488,593</u>	<u>\$ 28,747</u>	<u>\$ 517,340</u>

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

Total fund balances per above		\$ 10,689
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 13,035	
Buildings and improvements	2,703,038	
Machinery and Equipment	<u>250,680</u>	
		2,966,753
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 587,048	
OPEB related items	<u>50,374</u>	
		637,422
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	\$ (63,272)	
Net OPEB liabilities	(483,000)	
Net Pension Liability	<u>(3,368,166)</u>	
		(3,914,438)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (443,566)	
OPEB related items	<u>(23,000)</u>	
		<u>(466,566)</u>
Net position of governmental activities		<u>\$ (766,140)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ -	\$ 61,405	\$ 61,405
Miscellaneous	10,553	-	10,553
Intergovernmental:			
Local government	2,282,937	40,876	2,323,813
Commonwealth	1,630,986	5,031	1,636,017
Federal	114,468	113,748	228,216
Total revenues	<u>\$ 4,038,944</u>	<u>\$ 221,060</u>	<u>\$ 4,260,004</u>
EXPENDITURES			
Education	\$ 4,038,944	\$ 221,150	\$ 4,260,094
Total expenditures	<u>\$ 4,038,944</u>	<u>\$ 221,150</u>	<u>\$ 4,260,094</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (90)	\$ (90)
Net change in fund balances	\$ -	\$ (90)	\$ (90)
Fund balances - beginning	-	10,779	10,779
Fund balances - ending	<u>-</u>	<u>10,689</u>	<u>10,689</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			\$ (90)
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		\$ 116,226	
Depreciation expense		(208,610)	
Allocation of debt financed school assets based on current year repayments		<u>454</u>	
			(91,930)
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		\$ (17,755)	
Pension expense		63,484	
OPEB expense		<u>6,374</u>	
			<u>52,103</u>
Change in net position of governmental activities			<u>\$ (39,917)</u>

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, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	11,000	11,000	10,553	(447)
Intergovernmental:				
Local government	2,224,310	2,224,310	2,282,937	58,627
Commonwealth	1,837,064	1,837,064	1,630,986	(206,078)
Federal	175,864	175,864	114,468	(61,396)
Total revenues	<u>\$ 4,248,238</u>	<u>\$ 4,248,238</u>	<u>\$ 4,038,944</u>	<u>\$ (209,294)</u>
EXPENDITURES				
Education	<u>\$ 4,248,238</u>	<u>\$ 4,248,238</u>	<u>\$ 4,038,944</u>	<u>\$ 209,294</u>
Total expenditures	<u>\$ 4,248,238</u>	<u>\$ 4,248,238</u>	<u>\$ 4,038,944</u>	<u>\$ 209,294</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		
\$ 90,000	\$ 90,000	\$ 61,405	\$ (28,595)
-	-	-	-
61,578	61,578	40,876	(20,702)
4,426	4,426	5,031	605
65,000	65,000	113,748	48,748
<u>\$ 221,004</u>	<u>\$ 221,004</u>	<u>\$ 221,060</u>	<u>\$ 56</u>
<u>\$ 221,004</u>	<u>\$ 221,004</u>	<u>\$ 221,150</u>	<u>\$ (146)</u>
<u>\$ 221,004</u>	<u>\$ 221,004</u>	<u>\$ 221,150</u>	<u>\$ (146)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90)</u>	<u>\$ (90)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (90)</u>	<u>\$ (90)</u>
<u>-</u>	<u>-</u>	<u>10,779</u>	<u>10,779</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,689</u>	<u>\$ 10,689</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, 2018

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 45,724
Inventories	64
Total assets	<u>\$ 45,788</u>
NET POSITION	
Unrestricted	<u>\$ 45,788</u>
Total net position	<u><u>\$ 45,788</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
Year Ended June 30, 2018

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
OPERATING EXPENSES	
Contractual expenses	\$ 780
Dues and memberships	2,450
Event expenses	55
Marketing	7,990
Supplies	72
Other charges	818
Total operating expenses	\$ <u>12,165</u>
Operating income (loss)	\$ <u>(12,165)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental:	
Contribution from Highland County	\$ 24,227
Contribution from Town of Monterey	2,982
Interest income	18
Grants awarded	<u>(1,000)</u>
Total nonoperating revenues (expenses)	\$ <u>26,227</u>
Change in net position	\$ <u>14,062</u>
Total net position - beginning	<u>31,726</u>
Total net position - ending	\$ <u><u>45,788</u></u>

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
Year Ended June 30, 2018

	<u>Component Unit Economic Development Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (12,624)
Net cash provided by (used for) operating activities	<u>\$ (12,624)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	\$ 32,209
Grant awarded	<u>(1,000)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 31,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 18
Net cash provided by (used for) investing activities	<u>\$ 18</u>
Net increase (decrease) in cash and cash equivalents	\$ 18,603
Cash and cash equivalents - beginning	<u>27,121</u>
Cash and cash equivalents - ending	<u><u>\$ 45,724</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (12,165)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	<u>\$ (459)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (12,624)</u></u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,859,190	\$ 2,924,190	\$ 2,914,143	\$ (10,047)
Real and personal public service corporation taxes	79,000	105,000	105,209	209
Personal property taxes	363,000	376,500	378,421	1,921
Mobile home taxes	1,800	1,800	1,888	88
Machinery and tools taxes	1,000	1,000	1,228	228
Merchants Capital taxes	4,000	4,000	3,760	(240)
Penalties	13,000	16,500	16,715	215
Interest	9,000	10,200	10,131	(69)
Total general property taxes	\$ 3,329,990	\$ 3,439,190	\$ 3,431,495	\$ (7,695)
Other local taxes:				
Local sales and use taxes	\$ 151,645	\$ 136,645	\$ 122,452	\$ (14,193)
Consumers' utility taxes	138,000	147,000	148,083	1,083
Consumption taxes	5,600	6,600	6,880	280
Motor vehicle licenses	53,500	57,170	58,162	992
Bank stock taxes	14,000	14,000	13,132	(868)
Taxes on recordation and wills	20,000	20,000	22,335	2,335
Hotel and motel room taxes	8,000	9,400	9,747	347
Total other local taxes	\$ 390,745	\$ 390,815	\$ 380,791	\$ (10,024)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,500	\$ 1,600	\$ 1,695	\$ 95
Transfer fees	150	150	147	(3)
Permits and other licenses	8,700	6,700	8,594	1,894
Total permits, privilege fees, and regulatory licenses	\$ 11,350	\$ 8,450	\$ 10,436	\$ 1,986
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,000	\$ 2,000	\$ 1,332	\$ (668)
Total fines and forfeitures	\$ 3,000	\$ 2,000	\$ 1,332	\$ (668)
Revenue from use of money and property:				
Revenue from use of money	\$ 36,000	\$ 43,000	\$ 36,217	\$ (6,783)
Revenue from use of property	6,000	16,000	16,454	454
Total revenue from use of money and property	\$ 42,000	\$ 59,000	\$ 52,671	\$ (6,329)
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,275	\$ 10,275	\$ 10,444	\$ 169
Charges for courthouse maintenance	-	-	1,300	1,300
Charges for Commonwealth's Attorney	200	200	256	56
Charges for other services	200	200	366	166
Charges for law library	-	-	126	126
Total charges for services	\$ 10,675	\$ 10,675	\$ 12,492	\$ 1,817
Miscellaneous:				
Miscellaneous revenue	\$ 39,650	\$ 43,650	\$ 43,347	\$ (303)
Donations	3	-	5,085	5,085
Total miscellaneous	\$ 39,653	\$ 43,650	\$ 48,432	\$ 4,782
Total revenue from local sources	\$ 3,827,413	\$ 3,953,780	\$ 3,937,649	\$ (16,131)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,000	\$ 2,000	\$ 4,698	\$ 2,698
Taxes on deeds	6,500	6,500	7,429	929
Motor vehicle carriers' tax	-	-	160	160
State recordation tax	6,992	6,992	7,320	328
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	\$ 182,544	\$ 182,544	\$ 186,659	\$ 4,115
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 70,429	\$ 70,429	\$ 70,419	\$ (10)
Sheriff	486,582	486,582	489,812	3,230
Commissioner of revenue	69,527	69,527	69,248	(279)
Treasurer	68,141	68,141	68,118	(23)
Registrar/electoral board	31,000	35,650	35,656	6
Clerk of the Circuit Court	150,000	150,000	157,756	7,756
Total shared expenses	\$ 875,679	\$ 880,329	\$ 891,009	\$ 10,680
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Fire prevention program	-	-	20,000	20,000
Other state grants	7,502	7,500	13,695	6,195
Total other categorical aid	\$ 10,502	\$ 10,500	\$ 33,695	\$ 23,195
Total categorical aid	\$ 886,181	\$ 890,829	\$ 924,704	\$ 33,875
Total revenue from the Commonwealth	\$ 1,068,725	\$ 1,073,373	\$ 1,111,363	\$ 37,990
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 55,000	\$ 55,000	\$ 150,205	\$ 95,205
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 27,262	\$ 27,262
Total categorical aid	\$ -	\$ -	\$ 27,262	\$ 27,262
Total revenue from the federal government	\$ 55,000	\$ 55,000	\$ 177,467	\$ 122,467
Total General Fund	\$ 4,951,138	\$ 5,082,153	\$ 5,226,479	\$ 144,326
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 1,123	\$ 1,123
Total revenue from local sources	\$ -	\$ -	\$ 1,123	\$ 1,123

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (continued)				
Virginia Public Assistance Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 141,980	\$ 141,980	\$ 118,831	\$ (23,149)
Comprehensive Services Act program	133,132	45,000	39,542	(5,458)
Total categorical aid	\$ 275,112	\$ 186,980	\$ 158,373	\$ (28,607)
Total revenue from the Commonwealth	\$ 275,112	\$ 186,980	\$ 158,373	\$ (28,607)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 212,845	\$ 212,845	\$ 263,252	\$ 50,407
Comprehensive Services Act program	-	-	17,804	17,804
Total categorical aid	\$ 212,845	\$ 212,845	\$ 281,056	\$ 68,211
Total revenue from the federal government	\$ 212,845	\$ 212,845	\$ 281,056	\$ 68,211
Total Virginia Public Assistance Fund	\$ 487,957	\$ 399,825	\$ 440,552	\$ 40,727
E-911 Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 43,870	\$ 43,870
Total categorical aid	\$ -	\$ -	\$ 43,870	\$ 43,870
Total revenue from the Commonwealth	\$ -	\$ -	\$ 43,870	\$ 43,870
Total E-911 fund	\$ -	\$ -	\$ 43,870	\$ 43,870
Sheriff's Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous revenue	\$ -	\$ -	\$ 500	\$ 500
Total miscellaneous revenue	-	-	500	500
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,585	\$ 6,585
Asset Forfeiture	-	-	-	-
Total categorical aid	-	-	6,585	6,585
Total revenue from the Commonwealth	\$ -	\$ -	\$ 6,585	\$ 6,585
Total Sheriff's Grants fund	\$ -	\$ -	\$ 7,085	\$ 7,085
School Capital Projects Fund:				
Revenue from local sources				
Miscellaneous revenue	\$ -	\$ -	\$ 25,000	\$ 25,000
Total revenue from local sources	\$ -	\$ -	\$ 25,000	\$ 25,000
Intergovernmental:				
Revenues from local governments:				
Contribution from Component Unit School Board	\$ -	\$ -	\$ 48,491	\$ 48,491
Total revenues from local governments	\$ -	\$ -	\$ 48,491	\$ 48,491
Total School Capital Projects fund	\$ -	\$ -	\$ 73,491	\$ 73,491
Total Primary Government	\$ 5,439,095	\$ 5,481,978	\$ 5,791,477	\$ 309,499

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018 (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	\$ 11,000	\$ 11,000	\$ 10,553	\$ (447)
Total miscellaneous	\$ 11,000	\$ 11,000	\$ 10,553	\$ (447)
Total revenue from local sources	\$ 11,000	\$ 11,000	\$ 10,553	\$ (447)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,224,310	\$ 2,224,310	\$ 2,282,937	\$ 58,627
Total revenues from local governments	\$ 2,224,310	\$ 2,224,310	\$ 2,282,937	\$ 58,627
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 235,368	\$ 235,368	\$ 223,672	\$ (11,696)
Basic school aid	1,196,988	1,196,988	1,108,588	(88,400)
Gifted and talented	1,854	1,854	1,737	(117)
Remedial education	12,375	12,375	10,646	(1,729)
Enrollment loss	75,000	75,000	-	(75,000)
Textbook payment	4,523	4,523	4,238	(285)
Vocational standards of quality payments	49,687	49,687	46,599	(3,088)
Social security fringe benefits	22,124	22,124	20,731	(1,393)
Retirement fringe benefits	50,758	50,758	47,563	(3,195)
Group life insurance instructional	1,524	1,524	1,428	(96)
State lottery payments	11,294	11,294	10,592	(702)
Early reading intervention	1,959	1,959	1,781	(178)
Salary supplement	3,567	3,567	3,517	(50)
ISAEP - GED prep program	7,859	7,859	-	(7,859)
Additional teachers assistance	-	-	100	100
Technology	108,400	108,400	101,571	(6,829)
Standards of Learning algebra readiness	1,321	1,321	1,321	-
At risk funding	20,364	20,364	21,674	1,310
English as a second language	262	262	262	-
Other state funds	31,837	31,837	24,966	(6,871)
Total categorical aid	\$ 1,837,064	\$ 1,837,064	\$ 1,630,986	\$ (206,078)
Total revenue from the Commonwealth	\$ 1,837,064	\$ 1,837,064	\$ 1,630,986	\$ (206,078)

Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (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	\$ 34,000	\$ 34,000	\$ 42,263	\$ 8,263
Title I	51,550	51,550	4,888	(46,662)
Title VI-B, special education flow-through	55,120	55,120	53,000	(2,120)
Title VI-B, special education pre-school	1,881	1,881	-	(1,881)
Improving teacher quality	15,313	15,313	14,317	(996)
Rural education achievement program	18,000	18,000	-	(18,000)
Total categorical aid	<u>\$ 175,864</u>	<u>\$ 175,864</u>	<u>\$ 114,468</u>	<u>\$ (61,396)</u>
Total revenue from the federal government	<u>\$ 175,864</u>	<u>\$ 175,864</u>	<u>\$ 114,468</u>	<u>\$ (61,396)</u>
Total School Operating Fund	<u>\$ 4,248,238</u>	<u>\$ 4,248,238</u>	<u>\$ 4,038,944</u>	<u>\$ (209,294)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 90,000	\$ 90,000	\$ 61,405	\$ (28,595)
Total revenue from local sources	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 61,405</u>	<u>\$ (28,595)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 61,578	\$ 61,578	\$ 40,876	\$ (20,702)
Total revenues from local governments	<u>\$ 61,578</u>	<u>\$ 61,578</u>	<u>\$ 40,876</u>	<u>\$ (20,702)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,426	\$ 4,426	\$ 5,031	\$ 605
Total revenue from the Commonwealth	<u>\$ 4,426</u>	<u>\$ 4,426</u>	<u>\$ 5,031</u>	<u>\$ 605</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 65,000	\$ 65,000	\$ 102,389	\$ 37,389
USDA commodities received	-	-	11,359	11,359
Total categorical aid	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 113,748</u>	<u>\$ 48,748</u>
Total revenue from the federal government	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 113,748</u>	<u>\$ 48,748</u>
Total School Cafeteria Fund	<u>\$ 221,004</u>	<u>\$ 221,004</u>	<u>\$ 221,060</u>	<u>\$ 56</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 4,469,242</u>	<u>\$ 4,469,242</u>	<u>\$ 4,260,004</u>	<u>\$ (209,238)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2018

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	\$ 29,711	\$ 30,511	\$ 30,450	\$ 61
Total legislative	\$ 29,711	\$ 30,511	\$ 30,450	\$ 61
General and financial administration:				
County administrator	\$ 123,666	\$ 118,266	\$ 114,198	\$ 4,068
Legal services	40,000	70,500	70,401	99
Independent auditor	36,000	33,440	36,537	(3,097)
Commissioner of revenue	123,922	127,722	127,667	55
Assessor	85,765	97,265	65,766	31,499
Treasurer	133,365	133,365	132,319	1,046
Central Purchasing	373,100	378,400	362,823	15,577
Total general and financial administration	\$ 915,818	\$ 958,958	\$ 909,711	\$ 49,247
Board of elections:				
Electoral board and officials	\$ 10,794	\$ 12,294	\$ 12,021	\$ 273
Registrar	71,396	81,396	81,342	54
Total board of elections	\$ 82,190	\$ 93,690	\$ 93,363	\$ 327
Total general government administration	\$ 1,027,719	\$ 1,083,159	\$ 1,033,524	\$ 49,635
Judicial administration:				
Courts:				
Circuit court	\$ 1,141	\$ 1,140	\$ 1,009	\$ 131
Clerk of the circuit court	179,963	184,363	184,301	62
Total courts	\$ 181,104	\$ 185,503	\$ 185,310	\$ 193
Commonwealth's attorney:				
Commonwealth's attorney	\$ 86,326	\$ 100,516	\$ 100,509	\$ 7
Total commonwealth's attorney	\$ 86,326	\$ 100,516	\$ 100,509	\$ 7
Total judicial administration	\$ 267,430	\$ 286,019	\$ 285,819	\$ 200
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 619,816	\$ 633,216	\$ 633,258	\$ (42)
Total law enforcement and traffic control	\$ 619,816	\$ 633,216	\$ 633,258	\$ (42)
Fire and rescue services:				
Volunteer emergency operations	\$ 75,284	\$ 97,283	\$ 97,070	\$ 213
Total fire and rescue services	\$ 75,284	\$ 97,283	\$ 97,070	\$ 213
Correction and detention:				
Sheriff	\$ 51,000	\$ 34,900	\$ 34,810	\$ 90
Total correction and detention	\$ 51,000	\$ 34,900	\$ 34,810	\$ 90
Inspections:				
Building	\$ 56,735	\$ 76,235	\$ 75,889	\$ 346
Total inspections	\$ 56,735	\$ 76,235	\$ 75,889	\$ 346

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018 (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	\$ 33,047	\$ 31,917	\$ 30,621	\$ 1,296
Medical examiner	200	200	20	180
Emergency management grants	45,700	30,300	30,360	(60)
Total other protection	<u>\$ 78,947</u>	<u>\$ 62,417</u>	<u>\$ 61,001</u>	<u>\$ 1,416</u>
Total public safety	<u>\$ 881,782</u>	<u>\$ 904,051</u>	<u>\$ 902,028</u>	<u>\$ 2,023</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	<u>\$ 39,329</u>	<u>\$ 39,329</u>	<u>\$ 39,245</u>	<u>\$ 84</u>
Total maintenance of general buildings and grounds	<u>\$ 39,329</u>	<u>\$ 39,329</u>	<u>\$ 39,245</u>	<u>\$ 84</u>
Total public works	<u>\$ 39,329</u>	<u>\$ 39,329</u>	<u>\$ 39,245</u>	<u>\$ 84</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 64,736</u>	<u>\$ 62,336</u>	<u>\$ 62,310</u>	<u>\$ 26</u>
Total health	<u>\$ 64,736</u>	<u>\$ 62,336</u>	<u>\$ 62,310</u>	<u>\$ 26</u>
Mental health and mental retardation:				
Community services board	<u>\$ 10,771</u>	<u>\$ 10,771</u>	<u>\$ 10,771</u>	<u>\$ -</u>
Total mental health and mental retardation	<u>\$ 10,771</u>	<u>\$ 10,771</u>	<u>\$ 10,771</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ -</u>
Total welfare	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 113,007</u>	<u>\$ 110,607</u>	<u>\$ 110,581</u>	<u>\$ 26</u>
Education:				
Other instructional costs:				
Contribution to County School Board	<u>\$ 2,285,888</u>	<u>\$ 2,285,888</u>	<u>\$ 2,323,813</u>	<u>\$ (37,925)</u>
Total education	<u>\$ 2,285,888</u>	<u>\$ 2,285,888</u>	<u>\$ 2,323,813</u>	<u>\$ (37,925)</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	<u>\$ 62,840</u>	<u>\$ 62,940</u>	<u>\$ 62,940</u>	<u>\$ -</u>
Total library	<u>\$ 62,840</u>	<u>\$ 62,940</u>	<u>\$ 62,940</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 62,840</u>	<u>\$ 62,940</u>	<u>\$ 62,940</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning	<u>\$ 16,392</u>	<u>\$ 16,392</u>	<u>\$ 12,842</u>	<u>\$ 3,550</u>
Community development	46,197	41,697	41,497	200
Swimming pool	76,242	72,542	70,593	1,949
Economic Development	23,000	31,200	31,052	148
Total planning and community development	<u>\$ 161,831</u>	<u>\$ 161,831</u>	<u>\$ 155,984</u>	<u>\$ 5,847</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2018 (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	\$ 63,934	\$ 41,134	\$ 33,945	\$ 7,189
Total cooperative extension program	\$ 63,934	\$ 41,134	\$ 33,945	\$ 7,189
Total community development	\$ 225,765	\$ 202,965	\$ 189,929	\$ 13,036
Nondepartmental:				
Miscellaneous	\$ 12,549	\$ 33,878	\$ 8,180	\$ 25,698
Total nondepartmental	\$ 12,549	\$ 33,878	\$ 8,180	\$ 25,698
Capital projects:				
Capital outlay	\$ -	\$ 58,037	\$ 55,460	\$ 2,577
Total capital projects	\$ -	\$ 58,037	\$ 55,460	\$ 2,577
Total General Fund	\$ 4,916,309	\$ 5,066,873	\$ 5,011,519	\$ 55,354
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 458,088	\$ 458,089	\$ 440,006	\$ 18,083
Comprehensive services	214,877	96,000	95,210	790
Total welfare and social services	\$ 672,965	\$ 554,089	\$ 535,216	\$ 18,873
Total health and welfare	\$ 672,965	\$ 554,089	\$ 535,216	\$ 18,873
Total Virginia Public Assistance Fund	\$ 672,965	\$ 554,089	\$ 535,216	\$ 18,873
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 55,412	\$ 51,910	\$ 3,502
Total public safety	\$ -	\$ 55,412	\$ 51,910	\$ 3,502
Total E-911 Fund	\$ -	\$ 55,412	\$ 51,910	\$ 3,502
Sheriff's Grants Fund:				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 7,061	\$ 7,060	\$ 1
Total Sheriff's Grants Fund	\$ -	\$ 7,061	\$ 7,060	\$ 1
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County courthouse and other capital outlay	\$ 136,000	\$ 260,000	\$ 231,467	\$ 28,533
E-911 center and jail renovation	-	-	6,816	(6,816)
Total capital projects	\$ 136,000	\$ 260,000	\$ 238,283	\$ 21,717
Debt service:				
Principal retirement	\$ -	\$ -	\$ 16,370	\$ (16,370)
Interest and other fiscal charges	-	-	1,703	(1,703)
Total debt service	\$ -	\$ -	\$ 18,073	\$ (18,073)
Total County Capital Improvements Fund	\$ 136,000	\$ 260,000	\$ 256,356	\$ 3,644

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2018 (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	\$ -	\$ 5,467	\$ 84,275	\$ (78,808)
Total capital projects	\$ -	\$ 5,467	\$ 84,275	\$ (78,808)
Debt service:				
Principal retirement	\$ -	\$ 33,533	\$ 79,304	\$ (45,771)
Interest and other fiscal charges	-	-	2,645	(2,645)
Total debt service	\$ -	\$ 33,533	\$ 81,949	\$ (48,416)
Total School Capital Projects Fund	\$ -	\$ 39,000	\$ 166,224	\$ (127,224)
Total Primary Government	\$ 5,725,274	\$ 5,982,435	\$ 6,028,285	\$ (45,850)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 8,107	\$ 8,107	\$ 9,929	\$ (1,822)
Executive administration services	242,902	242,902	279,441	(36,539)
Total administration of schools	\$ 251,009	\$ 251,009	\$ 289,370	\$ (38,361)
Instruction costs:				
Elementary and secondary schools	\$ 2,627,652	\$ 2,627,652	\$ 2,461,051	\$ 166,601
Guidance services	140,977	140,977	81,348	59,629
Media services	298,432	298,432	308,777	(10,345)
Office of the principal	290,995	290,995	283,750	7,245
Total instruction costs	\$ 3,358,056	\$ 3,358,056	\$ 3,134,926	\$ 223,130
Operating costs:				
Pupil transportation	\$ 262,149	\$ 262,149	\$ 233,083	\$ 29,066
Operation and maintenance of school plant	377,024	377,024	333,074	43,950
Contribution to County of Highland, Virginia for facilities	-	-	48,491	(48,491)
Total operating costs	\$ 639,173	\$ 639,173	\$ 614,648	\$ 24,525
Total education	\$ 4,248,238	\$ 4,248,238	\$ 4,038,944	\$ 209,294
Total School Operating Fund	\$ 4,248,238	\$ 4,248,238	\$ 4,038,944	\$ 209,294
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 221,004	\$ 221,004	\$ 221,150	\$ (146)
Total school food services	\$ 221,004	\$ 221,004	\$ 221,150	\$ (146)
Total education	\$ 221,004	\$ 221,004	\$ 221,150	\$ (146)
Total School Cafeteria Fund	\$ 221,004	\$ 221,004	\$ 221,150	\$ (146)
Total Discretely Presented Component Unit - School Board	\$ 4,469,242	\$ 4,469,242	\$ 4,260,094	\$ 209,148

STATISTICAL INFORMATION

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County of Highland, Virginia

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

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 1,079,506	\$ 1,039,441	\$ 1,043,630	\$ 1,667,119
Restricted	-	-	-	-
Unrestricted	4,595,275	5,130,351	5,235,055	5,134,132
Total governmental activities net position	<u>\$ 5,674,781</u>	<u>\$ 6,169,792</u>	<u>\$ 6,278,685</u>	<u>\$ 6,801,251</u>
Business-type Activities				
Net investment in capital assets	\$ 504,096	\$ 541,856	\$ 620,438	\$ 624,487
Restricted	-	-	-	-
Unrestricted	382,659	414,814	658,121	705,106
Total business-type activities net position	<u>\$ 886,755</u>	<u>\$ 956,670</u>	<u>\$ 1,278,559</u>	<u>\$ 1,329,593</u>
Primary government				
Net investment in capital assets	\$ 1,583,602	\$ 1,581,297	\$ 1,664,068	\$ 2,291,606
Restricted	-	-	-	-
Unrestricted	4,977,934	5,545,165	5,893,176	5,839,238
Total primary government net position	<u>\$ 6,561,536</u>	<u>\$ 7,126,462</u>	<u>\$ 7,557,244</u>	<u>\$ 8,130,844</u>

Table 1

Fiscal Year						
2013	2014	2015	2016	2017	2018	
\$ 1,674,606	\$ 1,873,361	\$ 1,624,207	\$ 1,638,325	\$ 1,656,165	\$ 1,719,475	
-	-	-	-	219,853	208,914	
4,930,651	4,768,406	3,487,996	3,800,788	3,767,367	3,559,979	
<u>\$ 6,605,257</u>	<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>	
\$ 744,401	\$ 731,731	\$ 690,502	\$ 663,491	\$ 636,872	\$ 609,846	
-	17,629	18,244	18,846	18,846	18,846	
740,052	757,689	729,148	778,715	799,895	816,614	
<u>\$ 1,484,453</u>	<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>	
\$ 2,419,007	\$ 2,605,092	\$ 2,314,709	\$ 2,301,816	\$ 2,293,037	\$ 2,329,321	
-	17,629	18,244	18,846	238,699	227,760	
5,670,703	5,526,095	4,217,144	4,579,503	4,567,262	4,376,593	
<u>\$ 8,089,710</u>	<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>	

County of Highland, Virginia

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental Activities:					
General government administration	\$ 791,245	\$ 719,027	\$ 965,091	\$ 1,059,513	\$ 897,659
Judicial administration	200,400	239,727	242,692	246,808	247,397
Public safety	992,983	861,875	765,268	789,037	912,046
Public works	92,289	93,272	53,114	137,181	128,759
Health and welfare	313,429	354,901	372,672	413,864	384,612
Education	1,502,149	1,659,005	1,845,772	1,823,472	2,095,450
Parks, recreation, and cultural	64,508	66,781	73,426	75,516	87,396
Community development	106,318	123,846	137,377	134,348	143,030
Interest on long-term debt	57,454	45,770	44,587	32,464	23,583
Total governmental activities expenses	\$ 4,120,775	\$ 4,164,204	\$ 4,499,999	\$ 4,712,203	\$ 4,919,932
Business-type Activities:					
Refuse Disposal	\$ 257,635	\$ 256,381	\$ 257,445	\$ 267,858	\$ 278,003
McDowell Water System	46,351	46,748	50,216	60,185	69,172
Recreation Commission	-	-	49,255	58,943	50,491
Total business-type activities expenses	\$ 303,986	\$ 303,129	\$ 356,916	\$ 386,986	\$ 397,666
Total primary government expenses	\$ 4,424,761	\$ 4,467,333	\$ 4,856,915	\$ 5,099,189	\$ 5,317,598
Program Revenues					
Governmental Activities:					
Charges for services:					
General government administration	\$ 226	\$ 110,401	\$ 260	\$ 408	\$ 466
Judicial administration	5,057	3,713	2,705	2,802	3,092
Public safety	25,895	31,959	25,758	22,835	23,591
Operating grants and contributions	1,067,711	1,101,652	1,108,132	1,235,107	1,151,731
Capital grants and contributions	-	1,000	-	440,362	118,208
Total governmental activities program revenues	\$ 1,098,889	\$ 1,248,725	\$ 1,136,855	\$ 1,701,514	\$ 1,297,088
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 315,278	\$ 318,311	\$ 324,182	\$ 313,663	\$ 309,354
McDowell Water System	34,992	34,771	35,833	33,181	34,711
Recreation commission	-	-	41,727	40,331	34,172
Operating grants and contributions	7,393	6,125	31,910	47,916	51,694
Capital grants and contributions	-	-	99,100	25,082	35,408
Total business-type activities program revenues	\$ 357,663	\$ 359,207	\$ 532,752	\$ 460,173	\$ 465,339
Total primary government program revenues	\$ 1,456,552	\$ 1,607,932	\$ 1,669,607	\$ 2,161,687	\$ 1,762,427
Net (expense) / revenue					
Governmental Activities	\$ (3,021,886)	\$ (2,915,479)	\$ (3,363,144)	\$ (3,010,689)	\$ (3,622,844)
Business-type Activities	53,677	56,078	175,836	73,187	67,673
Total primary government net expense	\$ (2,968,209)	\$ (2,859,401)	\$ (3,187,308)	\$ (2,937,502)	\$ (3,555,171)

Table 2
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Fiscal Year					
2014	2015	2016	2017	2018	
\$ 991,119	\$ 1,041,826	\$ 969,269	\$ 1,044,258	\$ 1,093,250	
259,111	243,105	261,868	276,845	284,983	
942,248	970,089	970,542	1,081,259	1,050,709	
118,027	67,985	34,565	52,679	52,921	
373,259	370,547	454,484	602,845	645,087	
2,183,982	2,316,485	2,060,324	2,106,438	2,408,542	
90,387	90,404	84,826	95,302	100,272	
155,553	288,549	756,201	169,001	216,422	
14,445	5,038	2,586	4,822	4,348	
<u>\$ 5,128,131</u>	<u>\$ 5,394,028</u>	<u>\$ 5,594,665</u>	<u>\$ 5,433,449</u>	<u>\$ 5,856,534</u>	
\$ 293,029	\$ 291,471	\$ 276,589	\$ 302,433	\$ 325,013	
65,271	66,707	58,758	55,425	59,418	
43,559	42,973	52,814	55,257	50,145	
<u>\$ 401,859</u>	<u>\$ 401,151</u>	<u>\$ 388,161</u>	<u>\$ 413,115</u>	<u>\$ 434,576</u>	
<u>\$ 5,529,990</u>	<u>\$ 5,795,179</u>	<u>\$ 5,982,826</u>	<u>\$ 5,846,564</u>	<u>\$ 6,291,110</u>	
\$ 669	\$ 669	\$ 720	\$ 392	\$ 366	
2,018	9,681	6,101	5,025	3,014	
28,773	24,857	22,626	20,019	20,880	
1,154,398	1,202,330	1,361,469	1,362,068	1,414,588	
189,865	167,874	503,865	54,690	75,753	
<u>\$ 1,375,723</u>	<u>\$ 1,405,429</u>	<u>\$ 1,894,781</u>	<u>\$ 1,442,194</u>	<u>\$ 1,514,601</u>	
\$ 329,774	\$ 327,873	\$ 320,544	\$ 322,668	\$ 329,308	
40,604	28,950	34,371	34,734	35,549	
39,310	40,817	44,739	45,023	42,838	
31,931	20,566	24,998	14,740	24,577	
13,900	-	-	-	-	
<u>\$ 455,519</u>	<u>\$ 424,206</u>	<u>\$ 424,652</u>	<u>\$ 417,165</u>	<u>\$ 432,272</u>	
<u>\$ 1,831,242</u>	<u>\$ 1,829,635</u>	<u>\$ 2,319,433</u>	<u>\$ 1,859,359</u>	<u>\$ 1,946,873</u>	
\$ (3,752,408)	\$ (3,988,599)	\$ (3,699,884)	\$ (3,991,255)	\$ (4,341,933)	
53,660	23,055	36,491	4,050	(2,304)	
<u>\$ (3,698,748)</u>	<u>\$ (3,965,544)</u>	<u>\$ (3,663,393)</u>	<u>\$ (3,987,205)</u>	<u>\$ (4,344,237)</u>	

County of Highland, Virginia

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

	Fiscal Year				
	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,823,719	\$ 2,694,439	\$ 2,777,551	\$ 2,731,729	\$ 2,771,902
Local sales and use taxes	93,017	95,657	97,125	107,600	111,989
Consumer utility taxes	141,631	141,131	140,241	138,686	138,706
Motor vehicle licenses	47,859	55,842	51,219	53,724	53,113
E-911 taxes	29,572	24,000	30,000	33,000	34,597
Bank stock taxes	12,487	12,481	12,656	13,806	14,371
Other local taxes	32,314	24,035	25,835	22,028	22,784
Unrestricted grants and contributions	100,362	73,747	217,784	234,776	246,160
Unrestricted revenues from use of money and property	116,701	89,922	58,543	54,728	43,762
Miscellaneous	324,768	213,004	83,641	118,328	74,892
Transfers	20,750	(13,768)	(71,075)	24,850	(85,426)
Total governmental activities	\$ 3,743,180	\$ 3,410,490	\$ 3,423,520	\$ 3,533,255	\$ 3,426,850
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 117	\$ 69	\$ 411	\$ 2,697	\$ 1,761
Miscellaneous	-	-	1,186	-	-
Transfers	(20,750)	13,768	71,075	(24,850)	85,426
Total business-type activities	\$ (20,633)	\$ 13,837	\$ 72,672	\$ (22,153)	\$ 87,187
Total primary government	\$ 3,722,547	\$ 3,424,327	\$ 3,496,192	\$ 3,511,102	\$ 3,514,037
Change in Net Position					
Governmental Activities	\$ 721,294	\$ 495,011	\$ 60,376	\$ 522,566	\$ (195,994)
Business-type Activities	33,044	69,915	248,508	51,034	154,860
Total primary government	\$ 754,338	\$ 564,926	\$ 308,884	\$ 573,600	\$ (41,134)

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Fiscal Year					
2014	2015	2016	2017	2018	
\$ 2,963,903	\$ 3,116,520	\$ 3,240,477	\$ 3,418,317	\$ 3,453,866	
113,641	119,295	138,331	130,764	122,452	
138,177	137,933	135,842	134,357	148,083	
54,283	54,461	55,960	58,419	58,162	
33,704	30,629	27,344	-	-	
19,231	23,141	18,425	23,386	22,335	
21,524	24,247	25,128	24,687	29,759	
269,364	260,911	283,538	292,994	336,864	
41,590	42,337	39,808	38,838	52,671	
100,203	31,459	48,241	63,791	75,055	
33,298	26,250	13,700	9,974	2,934	
<u>\$ 3,788,918</u>	<u>\$ 3,867,183</u>	<u>\$ 4,026,794</u>	<u>\$ 4,195,527</u>	<u>\$ 4,302,181</u>	
\$ 2,234	\$ 383	\$ 367	\$ 485	\$ 666	
-	-	-	-	-	
<u>(33,298)</u>	<u>(26,250)</u>	<u>(13,700)</u>	<u>(9,974)</u>	<u>(2,934)</u>	
<u>\$ (31,064)</u>	<u>\$ (25,867)</u>	<u>\$ (13,333)</u>	<u>\$ (9,489)</u>	<u>\$ (2,268)</u>	
<u>\$ 3,757,854</u>	<u>\$ 3,841,316</u>	<u>\$ 4,013,461</u>	<u>\$ 4,186,038</u>	<u>\$ 4,299,913</u>	
\$ 36,510	\$ (121,416)	\$ 326,910	\$ 204,272	\$ (39,752)	
<u>22,596</u>	<u>(2,812)</u>	<u>23,158</u>	<u>(5,439)</u>	<u>(4,572)</u>	
<u>\$ 59,106</u>	<u>\$ (124,228)</u>	<u>\$ 350,068</u>	<u>\$ 198,833</u>	<u>\$ (44,324)</u>	

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
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
2009	2,812,841	93,017	141,631	47,859	25,772	19,029	3,140,149

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County of Highland, Virginia

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

	Fiscal Year				
	2009	2010	2011	2012	2013
General fund					
Unreserved	\$ 4,166,881	\$ 4,273,643	\$ -	\$ -	\$ -
Nonspendable	-	-	50,785	50,950	31,830
Restricted	-	-	31,317	33,518	35,854
Committed	-	-	510,933	557,696	582,456
Assigned	-	-	3,762	4,162	5,762
Unassigned	-	-	3,951,635	3,757,856	3,548,282
Total general fund	<u>\$ 4,166,881</u>	<u>\$ 4,273,643</u>	<u>\$ 4,548,432</u>	<u>\$ 4,404,182</u>	<u>\$ 4,204,184</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds	\$ 111,228	\$ 77,649	\$ -	\$ -	\$ -
Capital projects funds	422,554	889,686	-	-	-
Nonspendable, reported in:					
Special revenue funds	-	-	-	2,000	-
Capital projects funds	-	-	-	8,186	8,641
Restricted, reported in:					
Special revenue funds	-	-	100,425	165,791	198,245
Assigned, reported in:					
Special revenue funds	-	-	-	717	4,928
Capital projects funds	-	-	-	624,854	581,807
Unassigned, reported in:					
Special revenue funds	-	-	1,235	-	-
Capital projects funds	-	-	651,351	-	-
Total all other governmental funds	<u>\$ 533,782</u>	<u>\$ 967,335</u>	<u>\$ 753,011</u>	<u>\$ 801,548</u>	<u>\$ 793,621</u>

Table 4

Fiscal Year				
2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	-
20,875	25,966	20,188	7,085	21,010
53,279	35,367	37,127	63,599	65,025
522,010	629,306	572,077	793,954	705,643
2,291	4,291	4,291	4,291	2,291
3,611,770	3,064,653	3,316,899	3,506,585	3,406,112
<u>\$ 4,210,225</u>	<u>\$ 3,759,583</u>	<u>\$ 3,950,582</u>	<u>\$ 4,375,514</u>	<u>\$ 4,200,081</u>
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	2,000	-	-	4,325
9,073	-	2,000	11,004	11,554
198,993	212,760	200,558	156,254	143,889
386	891	6,095	4,081	4,106
456,997	573,270	569,167	366,561	394,393
-	-	-	-	-
-	-	-	-	-
<u>\$ 665,449</u>	<u>\$ 788,921</u>	<u>\$ 777,820</u>	<u>\$ 537,900</u>	<u>\$ 558,267</u>

County of Highland, Virginia

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

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
General property taxes	\$ 2,812,841	\$ 2,700,353	\$ 2,720,255	\$ 2,726,798
Other local taxes	356,880	353,146	357,076	368,844
Permits, privilege fees, and regulatory licenses	12,504	18,593	13,069	11,660
Fines and forfeitures	2,386	1,006	148	271
Revenue from use of money and property	100,362	73,747	58,543	54,728
Charges for services	16,288	126,474	15,506	14,114
Miscellaneous	116,701	89,922	83,641	118,328
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,150,594	1,110,210	1,104,672	1,235,521
Federal	241,885	205,446	221,244	674,724
Total revenues	\$ 4,810,441	\$ 4,678,897	\$ 4,574,154	\$ 5,204,988
Expenditures				
General government administration	\$ 470,406	\$ 486,392	\$ 734,770	\$ 885,180
Judicial administration	263,146	237,262	240,966	241,077
Public safety	924,520	846,162	744,614	825,203
Public works	91,210	92,620	52,035	564,859
Health and welfare	313,429	354,901	372,672	400,767
Education	1,454,487	1,654,434	1,845,195	1,806,451
Parks, recreation, and cultural	39,220	38,305	39,621	39,236
Community development	106,318	123,846	137,377	134,348
Nondepartmental	37,874	37,379	40,442	41,052
Capital projects	648,833	66,863	53,372	193,907
Debt service:				
Principal	130,728	133,586	136,715	140,061
Interest and other fiscal charges	61,022	53,064	44,835	36,389
Total expenditures	\$ 4,541,193	\$ 4,124,814	\$ 4,442,614	\$ 5,308,530
Excess (deficiency) of revenues over (under) expenditures	\$ 269,248	\$ 554,083	\$ 131,540	\$ (103,542)
Other financing sources (uses)				
Transfers in	\$ 636,234	\$ 879,660	\$ 603,532	\$ 958,542
Transfers out	(615,484)	(893,428)	(674,607)	(950,713)
Capital leases	-	-	-	-
Total other financing sources (uses)	\$ 20,750	\$ (13,768)	\$ (71,075)	\$ 7,829
Net change in fund balances	\$ 289,998	\$ 540,315	\$ 60,465	\$ (95,713)
Debt service as a percentage of noncapital expenditures	4.926%	4.600%	4.136%	3.450%

Table 5

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 2,792,621	\$ 3,000,868	\$ 3,105,774	\$ 3,210,564	\$ 3,424,405	\$ 3,431,495
375,560	380,560	389,706	401,030	371,613	380,791
9,444	18,572	12,971	12,167	11,111	10,436
461	200	7,402	4,148	3,130	1,332
43,762	41,590	42,337	39,808	38,838	52,671
17,244	12,688	14,852	13,132	11,195	12,492
74,892	100,203	31,459	48,241	63,791	75,055
-	-	-	-	39690	48491
1,150,212	1,333,525	1,192,723	1,327,853	1,288,183	1,320,191
365,887	280,102	438,392	821,019	381,879	458,523
\$ 4,830,083	\$ 5,168,308	\$ 5,235,616	\$ 5,877,962	\$ 5,633,835	\$ 5,791,477
\$ 876,547	\$ 907,832	\$ 908,466	\$ 961,166	\$ 1,019,071	\$ 1,033,524
243,248	248,313	255,204	277,099	278,697	285,819
820,142	847,010	928,580	1,088,708	948,281	960,998
113,702	62,766	53,477	39,370	38,693	39,245
433,413	366,276	373,225	459,318	596,500	645,797
1,976,386	1,877,290	2,148,131	1,891,452	2,063,961	2,323,813
50,882	52,178	54,998	57,867	60,129	62,940
143,030	155,553	166,046	166,290	169,001	189,929
47,220	91,862	46,994	7,412	13,148	8,180
76,662	548,408	303,803	815,764	216,497	378,018
143,690	147,611	151,796	75,878	128,246	95,674
27,660	18,638	9,354	3,645	5,893	4,348
\$ 4,952,582	\$ 5,323,737	\$ 5,400,074	\$ 5,843,969	\$ 5,538,117	\$ 6,028,285
\$ (122,499)	\$ (155,429)	\$ (164,458)	\$ 33,993	\$ 95,718	\$ (236,808)
\$ 488,913	\$ 463,843	\$ 490,251	\$ 435,424	\$ 509,655	\$ 425,984
(574,339)	(430,545)	(464,001)	(421,724)	(499,681)	(423,050)
-	-	-	132,205	79,320	78,808
\$ (85,426)	\$ 33,298	\$ 26,250	\$ 145,905	\$ 89,294	\$ 81,742
\$ (207,925)	\$ (122,131)	\$ (138,208)	\$ 179,898	\$ 185,012	\$ (155,066)
3.514%	3.481%	3.162%	1.436%	2.501%	1.718%

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
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
2009	93,017	141,631	47,859	25,772	19,029	327,308

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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
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
2009		618,813,500		30,335,430		128,810		96,200		261,513

(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)
\$	22,552,747	\$ 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%
	15,941,274	665,576,727	634,670,491	97.50%

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
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
2009	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 2018		Fiscal Year 2008	
		2018 Assessed Valuation	% of Total Assessed Valuation	2008 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,756,400	1.155%	\$ 4,950,300	2.509%
Red Oak Ranch	Farm	2,710,800	0.404%	1,334,800	0.677%
The Conservation Fund *	Farm	3,220,900	0.479%	894,400	0.453%
Dividing Waters Farm	Farm	2,434,700	0.363%	948,800	0.481%
Bull Pasture Mtn Ranch	Farm	2,032,900	0.303%	310,200	0.157%
		<u>\$ 18,155,700</u>	<u>2.704%</u>	<u>\$ 8,438,500</u>	<u>4.277%</u>

Source: Commissioner of Revenue

* now owned by the Virginia Outdoors Foundation - tax exempt

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
2018	\$ 3,640,039	\$ 3,528,924	96.95%	\$ -	\$ 3,528,924	96.95%
2017	3,598,706	3,524,584	97.94%	40,908	3,565,492	99.08%
2016	3,431,640	3,293,710	95.98%	123,859	3,417,569	99.59%
2015	3,326,987	3,200,663	96.20%	119,464	3,320,127	99.79%
2014	3,205,509	3,076,483	95.97%	125,875	3,202,358	99.90%
2013	2,962,159	2,856,212	96.42%	104,901	2,961,113	99.96%
2012	2,940,562	2,800,386	95.23%	140,146	2,940,532	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%
2009	3,033,067	2,884,198	95.09%	148,851	3,033,049	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				
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
2009	942,396	-	178,310		1,120,706	1.70%	493

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)
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
2009	942,396	46,372	896,024	0.13%	394

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

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

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds						
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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%
2009	34,992	38,176	(3,184)	3,597	10,831	-22.07%

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	School Enrollment	Unemploy- ment Rate
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%
2009	2,273	65,998,828	29,036	49	243	9.60%

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				
	2014	2015	2016	2017	2018
General government	16	16	16	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	15	15	15	15	16
Fire and rescue		1	1	1	1
Building inspections	2	2	2	2	2
Animal control	1	1	1	1	0 *
Public works					
General maintenance	3	3	3	3	3
Landfill	7	7	6	6	6
Health and welfare					
Department of social services	4	4	5	5	6
Culture and recreation					
Library	2	2	2	2	2
Totals	55	56	56	56	57

Source: Individual County departments

* Animal Control Officer is now a member of the Sheriff's Department and is also a sworn deputy sheriff.

Capital Asset Statistics by Function
Last Five Fiscal Years

Function	Fiscal Year				
	2014	2015	2016	2017	2018
General government					
Administration buildings	4	4	4	4	4
Vehicles	2	2	2	2	2
Public safety					
Sheriffs department:					
Patrol units	9	9	10	11	11
Building inspections:					
Vehicles	1	1	1	1	1
Animal control: *					
Vehicles	1	1	1	1	0
Public works					
General maintenance:					
Trucks/vehicles	1	1	1	1	1
Landfill:					
Vehicles	1	1	1	1	1
Equipment	2	2	2	2	2
Sites	1	1	1	1	1
Component Unit - School Board					
Education:					
Schools	2	2	2	2	2
School buses	9	8	7	7	7
School admin vehicles		7	7	7	7

Source: Individual County departments

* Animal Control Vehicle is now part of the Sheriff's Department fleet.

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2018, 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 13, 2018.

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, Farmer, Cox Associates

Staunton, Virginia
November 13, 2018