# FINANCIAL STATEMENTS

# COUNTY OF ALLEGHANY, VIRGINIA

FISCAL YEAR ENDED
JUNE 30, 2023

# County of Alleghany, Virginia

# Financial Statements

# For the Fiscal Year Ended June 30, 2023

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# INTRODUCTORY SECTION

## BOARD OF SUPERVISORS

G. Matt Garten, Chairman

| | |
|---|---|
| James M. Griffith, Vice Chairman | Stephen A. Bennett |
| Shannon P. Cox | Gregory A. Dodd |
| Ronald S. Goings | Cletus W. Nicely |

## COUNTY SCHOOL BOARD

Jacob L. Wright, Chairman

| | |
|---|---|
| Jonathan m. Arritt, Vice-Chairwoman | Marie W. Fitzpatrick |
| Gerald E. Franson | John B. Littleton |
| Danielle I. Morgan | Tammy Scruggs-Duncan |

## SOCIAL SERVICES BOARD

David Crosier, Chair

| | |
|---|---|
| Matt Garten, Vice-Chairman | Kathy Carson |
| Eston Burge | Lisa Persinger |

## OTHER OFFICIALS

| | |
|---|---|
| Clerk of the Circuit Court | Debbie Byer |
| Commissioner of the Revenue | Valerie Bruffey |
| Treasurer | Teresa Brown |
| Sheriff | Kevin Hall |
| Director of Social Services | Tammy Wilson |
| County Administrator | Reid Walters |
| County Attorney | Jim Guynn |
| Commonwealth's Attorney | Ann Gardner |
| Finance Director | Suzanne Adcock |

# FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

CPAs | CONSULTANTS

## Independent Auditors' Report

**To The Board of Supervisors**
**County of Alleghany, Virginia**
**Covington, Virginia**

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

***Opinions***

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

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

***Basis for Opinions***

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

***Change in Accounting Principle***

As described in Note 25 to the financial statements, in 2023, the County adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County of Alleghany, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County of Alleghany, Virginia's ability to continue as a going concern for a reasonable period of time.

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

### *Emphasis-of-Matter – Alleghany County School Board, Covington City School Board, and Jackson River Technical School Merger*

As described in Note 26, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools (AHPS). During the fiscal year, AHPS had special items of contributions related to the school merger.

### *Required Supplementary Information*

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

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

### *Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024, on our consideration of the County of Alleghany, 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 the County of Alleghany, 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 the County of Alleghany, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 8, 2024

# Basic Financial Statements

Exhibit 1

**County of Alleghany, Virginia**
**Statement of Net Position**
**June 30, 2023**

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | School Board |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 16,321,040 | $ 1,271,587 | $ 17,592,627 | $ 9,717,938 |
| Investments | 3,270,354 | - | 3,270,354 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 580,377 | - | 580,377 | - |
| Accounts receivable | 464,372 | 532,875 | 997,247 | 100,700 |
| Leases receivable | 629,949 | - | 629,949 | 6,263 |
| Due from other governmental units | 1,878,132 | - | 1,878,132 | 944,643 |
| Inventories | 7,317 | - | 7,317 | - |
| Prepaid items | 171,098 | - | 171,098 | 498,786 |
| Net pension asset | - | - | - | 367,945 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 2,122,213 | 2,122,213 | - |
| Capital assets: | | | | |
| Capital assets, not being depreciated/amortized | 3,739,371 | 88,980 | 3,828,351 | 3,523,433 |
| Capital assets, net of accumulated depreciation/amortization | 17,147,230 | 38,345,619 | 55,492,849 | 20,016,755 |
| Total assets | $ 44,209,240 | $ 42,361,274 | $ 86,570,514 | $ 35,176,463 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Pension related items | $ 1,801,072 | $ 120,943 | $ 1,922,015 | $ 11,058,382 |
| OPEB related items | 103,159 | 6,914 | 110,073 | 2,050,614 |
| Total deferred outflows of resources | $ 1,904,231 | $ 127,857 | $ 2,032,088 | $ 13,108,996 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 1,064,385 | $ 251,859 | $ 1,316,244 | $ 209,587 |
| Construction and retainage payable | - | - | - | 124,197 |
| Accrued liabilities | 121,474 | 27,272 | 148,746 | 1,518,541 |
| Customers' deposits | - | 123,438 | 123,438 | - |
| Accrued interest payable | 65,728 | 26,297 | 92,025 | 401 |
| Unearned revenue | 340,326 | - | 340,326 | 1,576 |
| Long-term liabilities: | | | | |
| Due within one year | 1,420,680 | 751,871 | 2,172,551 | 288,877 |
| Due in more than one year | 12,017,353 | 8,526,853 | 20,544,206 | 24,169,200 |
| Total liabilities | $ 15,029,946 | $ 9,707,590 | $ 24,737,536 | $ 26,312,379 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred revenue - property taxes | $ 27,965 | $ - | $ 27,965 | $ - |
| Lease related items | 555,081 | - | 555,081 | 6,022 |
| Pension related items | 1,878,948 | 196,260 | 2,075,208 | 12,246,313 |
| OPEB related items | 106,370 | 7,645 | 114,015 | 1,918,512 |
| Total deferred inflows of resources | $ 2,568,364 | $ 203,905 | $ 2,772,269 | $ 14,170,847 |
| **NET POSITION** | | | | |
| Net investment in capital assets | $ 11,467,556 | $ 29,481,301 | $ 40,948,857 | $ 23,364,551 |
| Restricted: | | | | |
| Jail operations | 336,980 | - | 336,980 | - |
| CDBG housing | 21,539 | - | 21,539 | - |
| Law library | 28,745 | - | 28,745 | - |
| Asset forfeiture funds/policing funds | 80,242 | - | 80,242 | - |
| Emergency repair fund | 55,884 | - | 55,884 | - |
| Opioid abatement fund | 260,405 | - | 260,405 | - |
| Net pension asset | - | - | - | 367,945 |
| Bond covenants | - | 1,998,775 | 1,998,775 | - |
| School cafeterias | - | - | - | 465,598 |
| School construction | - | - | - | 1,751,126 |
| School activity fund | - | - | - | 1,375,361 |
| Governor's school fund | - | - | - | 252,579 |
| Unrestricted | 16,263,810 | 1,097,560 | 17,361,370 | (19,774,927) |
| Total net position | $ 28,515,161 | $ 32,577,636 | $ 61,092,797 | $ 7,802,233 |

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

Exhibit 2

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

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Primary Government | | | Component Unit |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | School Board |
| **PRIMARY GOVERNMENT:** | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | $ 1,501,246 | $ 70,013 | $ 344,208 | $ - | $ (1,087,025) | $ - | $ (1,087,025) | $ - |
| Judicial administration | 1,946,131 | 8,691 | 834,920 | - | (1,102,520) | - | (1,102,520) | - |
| Public safety | 10,429,971 | 96,333 | 3,387,262 | - | (6,946,376) | - | (6,946,376) | - |
| Public works | 4,941,871 | 1,265,908 | 883,475 | - | (2,792,488) | - | (2,792,488) | - |
| Health and welfare | 4,858,708 | - | 3,879,703 | - | (979,005) | - | (979,005) | - |
| Education | 9,325,738 | - | - | - | (9,325,738) | - | (9,325,738) | - |
| Parks, recreation, and cultural | 1,399,972 | 27,154 | 4,500 | 17,232 | (1,351,086) | - | (1,351,086) | - |
| Community development | 1,896,192 | - | 20,000 | - | (1,876,192) | - | (1,876,192) | - |
| Interest on long-term debt | 276,192 | - | - | - | (276,192) | - | (276,192) | - |
| Total governmental activities | $ 36,576,021 | $ 1,468,099 | $ 9,354,068 | $ 17,232 | $ (25,736,622) | $ - | $ (25,736,622) | $ - |
| Business-type activities: | | | | | | | | |
| Water and Sewer Fund | $ 5,342,479 | $ 5,334,347 | $ - | $ - | $ - | $ (8,132) | $ (8,132) | $ - |
| Total business-type activities | $ 5,342,479 | $ 5,334,347 | $ - | $ - | $ - | $ (8,132) | $ (8,132) | $ - |
| Total primary government | $ 41,918,500 | $ 6,802,446 | $ 9,354,068 | $ 17,232 | $ (25,736,622) | $ (8,132) | $ (25,744,754) | $ - |
| **COMPONENT UNIT:** | | | | | | | | |
| School Board | $ 40,077,572 | $ 847,176 | $ 35,483,501 | $ 1,821,514 | $ - | $ - | $ - | $ (1,925,381) |
| Total component unit | $ 40,077,572 | $ 847,176 | $ 35,483,501 | $ 1,821,514 | $ - | $ - | $ - | $ (1,925,381) |
| General revenues: | | | | | | | | |
| General property taxes | | | | | $ 18,360,654 | $ - | $ 18,360,654 | $ - |
| Other local taxes | | | | | | | | |
| Local sales and use taxes | | | | | 1,196,132 | - | 1,196,132 | - |
| Consumers' utility taxes | | | | | 266,600 | - | 266,600 | - |
| Business license taxes | | | | | 494,809 | - | 494,809 | - |
| Utility consumption taxes | | | | | 183,581 | - | 183,581 | - |
| Motor vehicle licenses | | | | | 411,705 | - | 411,705 | - |
| Restaurant food taxes | | | | | 881,950 | - | 881,950 | - |
| Transient lodging taxes | | | | | 249,910 | - | 249,910 | - |
| Other local taxes | | | | | 116,836 | - | 116,836 | - |
| Unrestricted revenues from use of money and property | | | | | 390,853 | 125,295 | 516,148 | 40,432 |
| Miscellaneous | | | | | 183,693 | 25,068 | 208,761 | 100,163 |
| Payments from the County of Alleghany | | | | | - | - | - | 12,310,610 |
| Grants and contributions not restricted to specific programs | | | | | 2,517,773 | - | 2,517,773 | - |
| Special item - transfer from Alleghany County School Board | | | | | - | - | - | 4,891,901 |
| Special item - transfer to Covington City School Board | | | | | - | - | - | (7,515,807) |
| Special item - transfer to Jackson River Technical School | | | | | - | - | - | (99,685) |
| Total general revenues and special items | | | | | $ 25,254,496 | $ 150,363 | $ 25,404,859 | $ 9,727,614 |
| Change in net position | | | | | $ (482,126) | $ 142,231 | $ (339,895) | $ 7,802,233 |
| Net position - beginning | | | | | 28,997,287 | 32,435,405 | 61,432,692 | - |
| Net position - ending | | | | | $ 28,515,161 | $ 32,577,636 | $ 61,092,797 | $ 7,802,233 |

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

Exhibit 3

**County of Alleghany, Virginia**
**Balance Sheet**
**Governmental Funds**
**June 30, 2023**

| | General Fund | Special Law Fund | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 15,983,617 | $ 337,423 | $ 16,321,040 |
| Investments | 3,270,354 | - | 3,270,354 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 580,377 | - | 580,377 |
| Accounts receivable | 464,372 | - | 464,372 |
| Leases receivable | 629,949 | - | 629,949 |
| Due from other governmental units | 1,878,132 | - | 1,878,132 |
| Inventories | 7,317 | - | 7,317 |
| Prepaid items | 171,098 | - | 171,098 |
| Total assets | $ 22,985,216 | $ 337,423 | $ 23,322,639 |
| **LIABILITIES** | | | |
| Accounts payable | $ 1,063,942 | $ 443 | $ 1,064,385 |
| Accrued liabilities | 121,474 | - | 121,474 |
| Unearned revenue | 340,326 | - | 340,326 |
| Total liabilities | $ 1,525,742 | $ 443 | $ 1,526,185 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue - property taxes | $ 434,777 | $ - | $ 434,777 |
| Property taxes paid in advance | 27,965 | - | 27,965 |
| Lease related items | 629,949 | - | 629,949 |
| Unavailable revenue - opioid settlement receivable | 196,913 | - | 196,913 |
| Total deferred inflows of resources | $ 1,289,604 | $ - | $ 1,289,604 |
| **FUND BALANCES** | | | |
| Nonspendable | | | |
| Inventories | $ 7,317 | $ - | 7,317 |
| Prepaids | 171,098 | - | 171,098 |
| Restricted | | | |
| Jail operations | - | 336,980 | 336,980 |
| CDBG housing | 21,539 | - | 21,539 |
| Law library | 28,745 | - | 28,745 |
| Asset forfeiture funds/policing funds | 80,242 | - | 80,242 |
| Emergency repair fund | 55,884 | - | 55,884 |
| Opioid settlement receivable | 63,492 | - | 63,492 |
| Committed | | | |
| Capital projects | 5,152,364 | - | 5,152,364 |
| Unassigned | 14,589,189 | - | 14,589,189 |
| Total fund balances | $ 20,169,870 | $ 336,980 | $ 20,506,850 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 22,985,216 | $ 337,423 | $ 23,322,639 |

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

**County of Alleghany, Virginia**
**Reconciliation of the Balance Sheet of Governmental Funds**
**To the Statement of Net Position**
**June 30, 2023**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | | $ 20,506,850 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets | | |
| Capital assets not being depreciated/amortized | $ 3,739,371 | |
| Capital assets being depreciated/amortized | 40,608,379 | |
| Accumulated depreciation/amortization | (23,461,149) | 20,886,601 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. | | |
| Unavailable revenue - property taxes | $ 434,777 | |
| Lease receivable related items | 74,868 | |
| Unavailable revenue - opioid settlement receivable | 196,913 | 706,558 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | $ 1,801,072 | |
| OPEB related items | 103,159 | 1,904,231 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| General obligation bond | $ (761,355) | |
| Notes payable | (277,769) | |
| Premium on issuance | (3,860) | |
| Lease liabilities | (769,711) | |
| Financed purchases | (7,606,350) | |
| Accrued interest payable | (65,728) | |
| Compensated absences | (334,660) | |
| Net pension liability | (3,255,536) | |
| Net OPEB liability | (428,792) | (13,503,761) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | $ (1,878,948) | |
| OPEB related items | (106,370) | (1,985,318) |
| Net position of governmental activities | | $ 28,515,161 |

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

Exhibit 5

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

| | General Fund | Special Law Fund | Total |
|---|---|---|---|
| **REVENUES** | | | |
| General property taxes | $ 18,564,424 | $ - | $ 18,564,424 |
| Other local taxes | 3,801,523 | - | 3,801,523 |
| Permits, privilege fees, and regulatory licenses | 54,243 | - | 54,243 |
| Fines and forfeitures | 30,915 | - | 30,915 |
| Revenue from the use of money and property | 497,023 | 10,401 | 507,424 |
| Charges for services | 1,219,434 | - | 1,219,434 |
| Miscellaneous | 181,035 | 46,436 | 227,471 |
| Recovered costs | 2,086,891 | - | 2,086,891 |
| Intergovernmental | 11,889,073 | - | 11,889,073 |
| Total revenues | $ 38,324,561 | $ 56,837 | $ 38,381,398 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government administration | $ 2,778,698 | $ - | $ 2,778,698 |
| Judicial administration | 1,979,583 | - | 1,979,583 |
| Public safety | 9,423,163 | 47,542 | 9,470,705 |
| Public works | 5,134,338 | - | 5,134,338 |
| Health and welfare | 5,136,476 | - | 5,136,476 |
| Education | 9,251,060 | - | 9,251,060 |
| Parks, recreation, and cultural | 2,042,395 | - | 2,042,395 |
| Community development | 1,070,028 | - | 1,070,028 |
| Nondepartmental | 383,812 | - | 383,812 |
| Capital projects | 893,546 | - | 893,546 |
| Debt service: | | | |
| Principal retirement | 1,285,490 | - | 1,285,490 |
| Interest and other fiscal charges | 282,702 | - | 282,702 |
| Total expenditures | $ 39,661,291 | $ 47,542 | $ 39,708,833 |
| Excess (deficiency) of revenues over (under) expenditures | $ (1,336,730) | $ 9,295 | $ (1,327,435) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Issuance of notes payable | $ 116,518 | $ - | $ 116,518 |
| Issuance of leases | 31,849 | - | 31,849 |
| Sale of capital assets | 45,391 | - | 45,391 |
| Total other financing sources (uses) | $ 193,758 | $ - | $ 193,758 |
| Net change in fund balances | $ (1,142,972) | $ 9,295 | $ (1,133,677) |
| Fund balances - beginning | 21,312,842 | 327,685 | 21,640,527 |
| Fund balances - ending | $ 20,169,870 | $ 336,980 | $ 20,506,850 |

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

Exhibit 6

**County of Alleghany, Virginia**
**Reconciliation of the Statement of Revenues,**
**Expenditures, and Changes in Fund Balances of Governmental Funds**
**To the Statement of Activities**
**For the Year Ended June 30, 2023**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balances - total governmental funds | | $ (1,133,677) |
| 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/amortization expense. This is details of items supporting this adjustment: | | |
| Capital outlay | $ 2,601,473 | |
| Depreciation/amortization expense | (3,245,558) | (644,085) |
| The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net position. This is the carrying amount of disposed of assets during the year. | | |
| Disposal of assets (net) | | (271,597) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | $ (203,770) | |
| Opioid settlement receivable | (43,778) | |
| Lease related items | 46,936 | (200,612) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Debt issued or incurred: | | |
| Issuance of notes payable | $ (116,518) | |
| Issuance of lease liabilities | (31,849) | |
| Principal repayments: | | |
| General obligation bond | 179,493 | |
| Financed purchase | 732,012 | |
| Lease liabilities | 252,222 | |
| Subscription liability | 121,763 | 1,137,123 |
| 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 | $ (25,100) | |
| Change in accrued interest payable | 4,406 | |
| Change in pension related items | 612,495 | |
| Change in OPEB related items | 36,817 | |
| Amortization of bond premium | 2,104 | 630,722 |
| Change in net position of governmental activities | | $ (482,126) |

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

Exhibit 7

**County of Alleghany, Virginia**
**Statement of Net Position**
**Proprietary Funds**
**June 30, 2023**

| | Enterprise Fund |
|---|---|
| | Water and Sewer Fund |
| **ASSETS** | |
| Current assets: | |
| Cash and cash equivalents | $ 1,271,587 |
| Accounts receivable, net of allowance for uncollectibles | 532,875 |
| Total current assets | $ 1,804,462 |
| Noncurrent assets: | |
| Restricted cash and cash equivalents: | |
| Customers' deposits | $ 123,438 |
| Debt reserves (bond covenants) | 1,998,775 |
| Total restricted assets | $ 2,122,213 |
| Capital assets: | |
| Capital assets, not being depreciated | $ 88,980 |
| Capital assets, net of accumulated depreciation | 38,345,619 |
| Total capital assets | $ 38,434,599 |
| Total noncurrent assets | $ 40,556,812 |
| Total assets | $ 42,361,274 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension related items | $ 120,943 |
| OPEB related items | 6,914 |
| Total deferred outflows of resources | $ 127,857 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | $ 251,859 |
| Payroll liabilities | 27,272 |
| Customers' deposits | 123,438 |
| Accrued interest payable | 26,297 |
| Compensated absences - current portion | 45,467 |
| Bonds payable - current portion | 706,404 |
| Total current liabilities | $ 1,180,737 |
| Noncurrent liabilities: | |
| Compensated absences - net of current portion | $ 15,155 |
| Bonds payable - net of current portion | 8,246,894 |
| Net pension liability | 233,985 |
| Net OPEB liability | 30,819 |
| Total noncurrent liabilities | $ 8,526,853 |
| Total liabilities | $ 9,707,590 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension related items | $ 196,260 |
| OPEB related items | 7,645 |
| Total deferred inflows of resources | $ 203,905 |
| **NET POSITION** | |
| Net Investment in capital assets | $ 29,481,301 |
| Restricted: | |
| Bond covenants | 1,998,775 |
| Unrestricted | 1,097,560 |
| Total net position | $ 32,577,636 |

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

Exhibit 8

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

| | Enterprise Fund |
|---|---|
| | Water and Sewer Fund |
| **OPERATING REVENUES** | |
| Charges for services: | |
| Water revenues (serves as security for revenue bonds) | $ 2,284,238 |
| Sewer revenues (serves as security for revenue bonds) | 2,973,819 |
| Penalty | 76,290 |
| Miscellaneous | 25,068 |
| Total operating revenues | $ 5,359,415 |
| **OPERATING EXPENSES** | |
| Salaries and wages | $ 664,994 |
| Fringe benefits | 197,026 |
| Professional services | 1,029,695 |
| Utilities | 356,097 |
| Materials and supplies | 336,044 |
| Insurance | 44,579 |
| Travel | 10,868 |
| Dues and memberships | 2,615 |
| Permits | 22,217 |
| Rentals and leases | 4,821 |
| Repairs and maintenance | 225,443 |
| Purchased services | 1,170,811 |
| Depreciation | 1,165,445 |
| Total operating expenses | $ 5,230,655 |
| Operating income (loss) | $ 128,760 |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Interest income | $ 125,295 |
| Interest expense | (111,824) |
| Total nonoperating revenues (expenses) | $ 13,471 |
| Change in net position | $ 142,231 |
| Net position - beginning | 32,435,405 |
| Net position - ending | $ 32,577,636 |

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

Exhibit 9

**County of Alleghany, Virginia**
**Statement of Cash Flows**
**Proprietary Funds**
**For the Year Ended June 30, 2023**

| | Enterprise Fund |
|---|---|
| | Water and Sewer Fund |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Receipts from customers and users | $ 5,482,794 |
| Payments to suppliers | (3,308,703) |
| Payments to and for employees | (914,142) |
| Net cash provided by (used for) operating activities | $ 1,259,949 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Additions to utility plant | $ (214,711) |
| Principal payments on bonds | (837,947) |
| Interest expense | (113,255) |
| Net cash provided by (used for) capital and related financing activities | $ (1,165,913) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest income | $ 125,295 |
| Net cash provided by (used for) investing activities | $ 125,295 |
| Net increase (decrease) in cash and cash equivalents | $ 219,331 |
| Cash and cash equivalents - beginning - including restricted of $1,948,420 | 3,174,469 |
| Cash and cash equivalents - ending - including restricted of $2,122,213 | $ 3,393,800 |
| **Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:** | |
| Operating income (loss) | $ 128,760 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | |
| Depreciation expense | $ 1,165,445 |
| (Increase) decrease in accounts receivable | (12,889) |
| (Increase) decrease in due from other governments | 111,008 |
| (Increase) decrease in deferred outflows of resources | 74,462 |
| Increase (decrease) in customer deposits | 25,260 |
| Increase (decrease) in operating accounts payable | (105,513) |
| Increase (decrease) in compensated absences | (8,488) |
| Increase (decrease) in payroll liabilities | 1,391 |
| Increase (decrease) in deferred inflows of resources | (197,609) |
| Increase (decrease) in net pension liability | 82,748 |
| Increase (decrease) in net OPEB liability | (4,626) |
| Total adjustments | $ 1,131,189 |
| Net cash provided by (used for) operating activities | $ 1,259,949 |

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

Exhibit 10

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

| | | Custodial Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 977,258 |
| Total assets | $ | 977,258 |
| **LIABILITIES** | | |
| Accounts payable | $ | 9,764 |
| Total liabilities | $ | 9,764 |
| **NET POSITION** | | |
| Restricted | | |
| AHEDC | $ | 289,596 |
| Social services clients | | 11,166 |
| United Fire and Rescue Association | | 655,246 |
| Held for inmates | | 11,486 |
| Total net position | $ | 967,494 |

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

Exhibit 11

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

| | | Custodial Funds |
|---|---|---|
| **ADDITIONS** | | |
| Contributions and grants | $ | 362,985 |
| Deposits from inmates | | 178,837 |
| Revenue from the use of money | | 20,893 |
| Miscellaneous | | 5,481 |
| Total additions | $ | 568,196 |
| **DEDUCTIONS** | | |
| Special welfare payments | $ | 57,036 |
| United Fire expenses | | 23,102 |
| Alleghany Highlands Economic Development payments | | 215,447 |
| Inmate refunds | | 194,114 |
| Total deductions | $ | 489,699 |
| Net increase (decrease) in fiduciary net position | $ | 78,497 |
| Net position, beginning of year | | 888,997 |
| Net position, end of year | $ | 967,494 |

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

**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 Alleghany, Virginia is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component unit, 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. The 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 – None

Discretely Presented Component Unit – The component unit column in the financial statements include the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Alleghany Highlands Public Schools operates the elementary and secondary public schools in the County of Alleghany, Virginia and the City of Covington, Virginia. School Board members are appointed by the County of Alleghany, Virginia and the City of Covington, Virginia. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type. The School Board does not issue separate financial statements.

Related Organizations – The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations – None

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, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

The 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*.

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

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

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

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

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

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

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

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

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 un-collectible 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 the government receives cash.

The County 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 other funds. The general fund includes the activities of the Law Library, Employee Function, Indoor Plumbing Rehab, Emergency Repair, Drug Asset Forfeiture, Courthouse Security, Children Coping with Divorce, Community Development Block Grant Funds, Asset Forfeiture, and Capital Improvements. Such funds have been merged for financial reporting purposes.

The *special law fund* is a major special revenue fund. It accounts for and reports revenues generated by the Jail that are restricted as to use.

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

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

The County reports the following major proprietary funds:

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

Additionally, the County reports the following fund types:

*Fiduciary funds* (Custodial Funds) account for assets held by the government in a trustee capacity or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds include the Special Welfare, United Fire and Rescue Association, Alleghany Highlands Economic Development Corporation, and Inmate Funds.

The School Board reports the following major fund types:

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

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

The School Board reports the following nonmajor special revenue fund types:

The *Governor's School Fund* accounts for and reports all revenues and expenditures applicable to the general operations of the governor school, including state aid and charges for services.

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 functions. 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Investments totaling $16,233,038 are reported as cash and cash equivalents in the accompanying financial statements.

2. Investments

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

3. Receivables and Payables

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

4. Property Taxes

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

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $370,628 at June 30, 2023 and is comprised of $157,530 in property taxes, $72,598 in refuse fees, and $140,500 in water and sewer billings.

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

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

6. Use of Estimates

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

7. Inventories

All inventories are valued at cost using the weighted average method. Inventories of proprietary funds are recorded as expenses when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

8. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County and Component Unit School Board as assets with an initial, individual cost of more than $20,000 and $5,000, respectively, and an estimated useful life in excess of two years.

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

*Remainder of this page left blank intentionally.*

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

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

8. Capital Assets (Continued)

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

| Assets | Years |
|---|---|
| Buildings | 40 |
| Building improvements | 20 - 40 |
| Structures, lines, and accessories | 20 - 65 |
| Machinery and equipment | 5 - 12 |
| Lease machinery and equipment | 2 - 3 |
| Subscription asset | 3 |

9. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. No liability is recorded for non-vesting accumulating rights to receive benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

10. Pensions

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

*Remainder of this page left blank intentionally.*

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

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

11. Other Postemployment Benefits (OPEB)

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

12. Long-term Obligations

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

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

13. Fund Balance

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

Nonspendable - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund);

Restricted - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;

Committed - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;

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

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

13. Fund Balance (Continued)

Assigned - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;

Unassigned - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

The Board of Supervisors 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, which does not lapse at year end, 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 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).

14. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

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

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

14. Net Position (Continued)

- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

15. Net Position Flow Assumption

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

16. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable, lease related items, opioid settlement receivables are reported in the governmental funds balance sheet. The property tax amount is comprised of uncollected property taxes due prior to June 30$^{th}$ and amounts prepaid on taxes due December 5$^{th}$ and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on taxes due on December 5$^{th}$ are reported as deferred inflows of resources. In addition, certain items related pension, OPEB, leases, and opioid settlement receivable are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

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

17. Leases

The County and School Board has various lease assets and subscription-based IT arrangements (SBITAs) requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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

*Lessee*
The County and School Board recognize lease liabilities and intangible right-to-use lease assets (lease assets) with initial values of $20,000 and $5,000, respectively, individually or in the aggregate in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the leas term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

*Subscriptions*
The County recognizes intangible right-to-use subscription assets (subscription assets) and corresponding subscription liabilities with an initial value of $20,000, in individually or in the aggregate, in the government-wide financial statements. At the commencement of the subscription, the subscription liability is measured at the present value of payments expected to be made during the subscription liability term (less any contract incentives). The subscription liability is reduced by the principal portion of payments made. The subscription asset is measured at the initial amount of the subscription liability payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

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

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

17. Leases (Continued)

*Key Estimates and Judgements*
Lease and subscription-based IT arrangement accounting includes estimates and judgements for determining the (1) rate use to discount the expected lease and subscription payments to present value, (2) lease and subscription term, and (3) lease and subscription payments.

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

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

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

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.

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. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. The School Operating Fund is integrated only at the level of legal adoption.

**Note 2-Stewardship, Compliance, and Accountability: (Continued)**

A. Budgetary information

5. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Board of Supervisors can revise the appropriation for each fund. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

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. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is part of the County's accounting system.

B. Excess of expenditures over appropriations

At June 30, 2023, courthouse security expenditures exceeded appropriations.

C. Deficit fund balance

At June 30, 2023, there were no funds with deficit fund balance.

**Note 3-Deposits and Investments:**

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

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## Note 3-Deposits and Investments: (Continued)

Investments:
Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). In addition, local governments can investment funds in corporate notes that have received at least two of the following ratings: (i) at least Aa by Moody's Investors Service, Inc.; (ii) at least AA by Standard and Poor's; or (iii) at least AA by Fitch Ratings, Inc. At year end, the locality was in compliance with the aforementioned requirements.

The investments, as reported in the financial statements as of June 30, 2023, include negotiable certificate of deposits with an original maturity date over three months and have a balance of $335,226. LGIP and money market funds are reported in the accompanying financial statements as cash and cash equivalents.

Credit Risk of Debt Securities
The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2023 were rated by Standard & Poor's (S&P) or Moody's and the ratings are presented below using the Standard & Poor's rating scale.

**County's Rated Debt Investments' Values**

| Rated Debt Investments | Fair Quality Ratings | | | | |
|---|---|---|---|---|---|
| | S&P | | | Moody's | |
| | AAAm | A-1+ | AA+ | Aa1 | Aaa |
| Fidelity money market | $ 863,113 | $ - | $ - | $ - | $ - |
| LGIP | 1,522 | - | - | - | - |
| Corporate bonds | - | - | - | - | 91,397 |
| Municipal bonds | - | - | 197,796 | 381,197 | 47,052 |
| Government agency bonds | - | 147,116 | 74,563 | - | 1,996,007 |
| VML/VACO Virginia Investment Pool (VIP) | 15,368,403 | - | - | - | - |

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

**Note 3-Deposits and Investments: (Continued)**

External Investment Pools (Continued)
The primary government is a participant in the Virginia Investment Pool (VIP). VIP is a Section 115 governmental fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. The VIP Trust is governed by a Board of Trustees. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above VACO/VML Investment Pool investment at the net asset value (NAV). VACO/VML VIP allows the County to have the option to have access to withdrawal funds twice a month, with a five-day period notice. Additionally, funds are available to meet unexpected needs such as fluctuations in revenue sources, one-time outlays (disasters, immediate capital needs, state budget cuts, and etc.).

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

**Investment Maturities (in years)**

| Investment Type | Fair Value | 1 Year | 1-5 Years |
|---|---|---|---|
| LGIP | $ 1,522 | $ 1,522 | $ - |
| Government agency bonds | 2,217,686 | 546,158 | 1,671,528 |
| Corporate bonds | 91,397 | - | 91,397 |
| Municipal bonds | 626,045 | 342,348 | 283,697 |
| VML/VACO Virginia Investment Pool (VIP) | 15,368,403 | 15,368,403 | - |
| Certificates of deposit | 335,226 | 149,661 | 185,565 |
| Totals | $ 18,640,279 | $ 16,408,092 | $ 2,232,187 |

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

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## Note 4-Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2023:

| | | Fair Value Measurement Using |
|---|---|---|
| Investment | 6/30/2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) |
| Corporate Bonds | $ 91,397 | $ 91,397 |
| Municipal Bonds | 626,045 | 626,045 |
| Certificates of Deposit | 335,226 | 335,226 |
| Government Agency Bonds | 2,217,686 | 2,217,686 |
| Money Market Funds | 863,113 | 863,113 |

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## Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

| | Governmental Activities | Component Unit School Board |
|---|---|---|
| **Local:** | | |
| City of Covington | $ 67,639 | $ - |
| County of Bath | 176,204 | - |
| **Commonwealth of Virginia:** | | |
| Local sales tax | 205,749 | - |
| State sales tax | - | 603,327 |
| Categorical aid, shared expenses | 321,135 | - |
| Other categorical aid | 29,329 | 14,272 |
| Non-categorical aid | 47,216 | - |
| Virginia public assistance funds | 48,961 | - |
| Community Services Authority | 514,669 | - |
| **Federal government:** | | |
| Virginia public assistance funds | 107,346 | - |
| Categorical aid | 359,884 | 327,044 |
| | $ 1,878,132 | $ 944,643 |

## Note 6-Transfers and Interfund Obligations:

Interfund transfers for the year ended June 30, 2023, consisted of the following:

| | Transfers In | Transfers Out |
|---|---|---|
| Component Unit-School Board: | | |
| School Operating Fund | $ 37,980 | $ 373,714 |
| School Activity Fund | 373,714 | 37,980 |
| Total | $ 411,694 | $ 411,694 |

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

Interfund balances at year end represent amounts that have been transferred between funds in a lending or borrowing capacity and are expected to be repaid by current administration. At June 30, 2023, there were no interfund balances.

## Note 7-Component-Unit Obligations and Contributions:

Primary government contributions to the component unit for the year ended June 30, 2023, consisted of the following:

| | |
|---|---|
| Component Unit: | |
| School Board | $ 9,241,060 |

At June 30, 2023, there were no component unit obligation.

## Note 8-Long-Term Obligations:

### Primary Government – Governmental Activities Obligations:

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

| | Balance July 1, 2022 | GASBs No. 96 Adjustment | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Direct borrowings and placements: | | | | | |
| General obligation bonds | $ 940,848 | $ - | $ - | $ (179,493) | $ 761,355 |
| Notes payable | 161,251 | - | 116,518 | - | 277,769 |
| Premium on issuance | 5,964 | - | | (2,104) | 3,860 |
| Financed purchases | 8,338,362 | - | - | (732,012) | 7,606,350 |
| Lease liabilities | 990,084 | - | 31,849 | (252,222) | 769,711 |
| SBITA liability | - | 121,763 | - | (121,763) | - |
| Compensated absences | 309,560 | - | 257,270 | (232,170) | 334,660 |
| Net pension liability | 1,773,325 | - | 3,755,255 | (2,273,044) | 3,255,536 |
| Net OPEB liability | 415,608 | - | 256,230 | (243,046) | 428,792 |
| Total | $ 12,935,002 | $ 121,763 | $ 4,417,122 | $ (4,035,854) | $ 13,438,033 |

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**Note 8-Long-Term Obligations: (Continued)**

Primary Government – Governmental Activities Obligations: (Continued)

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

| Year Ending | Direct Borrowings and Placements | | Lease Liabilities | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2024 | $ 918,733 | $ 228,025 | $ 249,288 | $ 21,524 |
| 2025 | 926,348 | 200,754 | 145,550 | 14,134 |
| 2026 | 934,404 | 173,034 | 107,787 | 8,709 |
| 2027 | 937,934 | 144,904 | 100,701 | 5,848 |
| 2028 | 744,173 | 121,123 | 101,312 | 2,978 |
| 2028-2032 | 4,059,310 | 305,153 | 65,073 | 721 |
| 2033-2034 | 124,572 | 3,584 | - | - |
| Totals | $ 8,645,474 | $ 1,176,577 | $ 769,711 | $ 53,914 |

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## Note 8-Long-Term Obligations: (Continued)

### Primary Government – Governmental Activities Obligations: (Continued)

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Direct Borrowings and Placements: | | | | | | |
| VPSA GO Bond - Series 2006 | 4.225% to 5.100% | 11/1/06 | 2027 | $ 3,205,141 | $ 761,355 | $ 183,548 |
| Note payable - 2022A | 5.60% | 3/3/22 | 2032 | 3,175,000 | 277,769 | - |
| Premium on Issuance | n/a | n/a | n/a | n/a | 3,860 | 1,664 |
| Financed purchase | 2.4095% | 10/5/17 | 2033 | 7,640,000 | 6,465,000 | 650,000 |
| Financed purchase | 3.8359% | 3/21/19 | 2034 | 1,450,000 | 1,141,350 | 85,185 |
| Total Direct Borrowings and Placements | | | | | $ 8,649,334 | $ 920,397 |
| Lease Liabilities: | | | | | | |
| Cell Tower Lease(1) | 2.00% | 6/1/19 | 2024 | $ 176,039 | $ 34,918 | $ 34,918 |
| Cell Tower Lease(1) | 2.00% | 7/1/19 | 2024 | 176,039 | 38,060 | 38,060 |
| Cell Tower Lease(1) | 2.00% | 7/1/19 | 2024 | 176,039 | 38,060 | 38,060 |
| Cell Tower Lease(1) | 3.50% | 10/1/18 | 2029 | 296,621 | 182,962 | 29,646 |
| Cell Tower Lease(1) | 3.00% | 12/1/18 | 2029 | 278,283 | 175,066 | 28,030 |
| Cell Tower Lease(1) | 1.50% | 7/1/20 | 2030 | 194,861 | 140,704 | 19,037 |
| Vehicle(1) | 7.02% | 10/1/20 | 2026 | 35,214 | 17,275 | 7,343 |
| Vehicle(1) | 7.02% | 10/1/20 | 2026 | 35,214 | 17,275 | 7,343 |
| Vehicle(1) | 7.02% | 10/1/20 | 2026 | 35,214 | 17,275 | 7,343 |
| Vehicle(1) | 7.02% | 10/1/20 | 2026 | 35,214 | 17,275 | 7,343 |
| Vehicle(1) | 7.02% | 10/1/20 | 2026 | 35,214 | 17,275 | 7,343 |
| Vehicle(1) | 9.89% | 8/1/20 | 2026 | 24,800 | 11,733 | 5,332 |
| Vehicle(1) | 9.47% | 8/1/20 | 2026 | 25,997 | 12,238 | 5,575 |
| Copiers(1) | 0.73% | 3/1/20 | 2025 | 21,500 | 7,250 | 4,339 |
| Postage Machine | 0.73% | 3/1/22 | 2028 | 17,522 | 12,904 | 3,485 |
| Copier | 3.38% | 12/15/22 | 2028 | 7,461 | 6,635 | 1,417 |
| Copier | 2.41% | 3/2/23 | 2028 | 24,388 | 22,806 | 4,674 |
| Total Lease Liabilities | | | | | $ 769,711 | $ 249,288 |
| Other Obligations: | | | | | | |
| Compensated Absences | n/a | n/a | n/a | n/a | $ 334,660 | $ 250,995 |
| Net Pension Liability | n/a | n/a | n/a | n/a | 3,255,536 | - |
| Net OPEB Liability | n/a | n/a | n/a | n/a | 428,792 | - |
| Total Other Obligations | | | | | $ 4,018,988 | $ 250,995 |
| Total Long-term obligations | | | | | $ 13,438,033 | $ 1,420,680 |

(1) The lease issue date and amount of original issue are from the onset of the lease agreement. The amounts included in the GASB Statement No. 87 implementation are as of July 1, 2021, the date of implementation. Original information is included for informational purposes only.

For the governmental activities, compensated absences, net OPEB liability, and net pension liability are generally liquidated by the General Fund.

**Note 8-Long-Term Obligations: (Continued)**

Primary Government – Governmental Activities Obligations: (Continued)

The County's VPSA Bonds is subject to the state aid intercept program. Under terms of the program, the County's State aid is redirected to bond holders to cure any event(s) of default.

In an event of default occurs with VPSA bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the County.

In an event of default occurs with the 2022A note payable, the bank is entitled to take possession of the real estate located at 100 Falling Spring Circle, and any/all improvements related to same. The bank is also entitled to any leases the government has entered into relating to the aforementioned real estate. This meaning, that the bank will takeover any existing leases in the event of default and be entitled to the associated lease revenues. Additionally, in an event of default, the bank is entitled to future lease revenue.

Primary Government – Business-type Activities:

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

| | Balance July 1, 2022 | Increases/ Issuances | Decreases/ Retirements | Balance June 30, 2023 |
|---|---|---|---|---|
| Direct borrowings and placements: | | | | |
| Revenue bonds | $ 9,791,245 | $ - | $ (837,947) | $ 8,953,298 |
| Compensated absences | 69,110 | 43,345 | (51,833) | 60,622 |
| Net pension liability | 151,237 | 268,220 | (185,472) | 233,985 |
| Net OPEB liability | 35,445 | 18,022 | (22,648) | 30,819 |
| Total | $ 10,047,037 | $ 329,587 | $ (1,097,900) | $ 9,278,724 |

*Remainder of this page left blank intentionally.*

**Note 8-Long-Term Obligations: (Continued)**

Primary Government – Business-type Activities: (Continued)

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

| Year Ending June 30, | Direct Borrowings and Placements Principal | Interest |
|---|---|---|
| 2024 | $ 706,404 | $ 109,423 |
| 2025 | 711,781 | 104,046 |
| 2026 | 700,224 | 98,675 |
| 2027 | 705,332 | 93,567 |
| 2028 | 710,552 | 88,347 |
| 2029-2033 | 2,649,106 | 359,271 |
| 2034-2038 | 1,611,691 | 211,198 |
| 2039-2043 | 516,283 | 106,228 |
| 2044-2048 | 427,535 | 49,045 |
| 2049-2051 | 214,390 | 5,835 |
| Totals | $ 8,953,298 | $ 1,225,635 |

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## Note 8-Long-Term Obligations: (Continued)

Primary Government – Business-type Activities: (Continued)

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Balance Business-type Activities | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Direct Borrowings and Placements: | | | | | | |
| Revenue Bonds | | | | | | |
| Rural Development Bond | 4.50% | 2/13/01 | 2039 | $ 463,000 | $ 272,203 | $ 12,653 |
| Rural Development Bond | 2.25% | 11/9/10 | 2051 | 2,429,000 | 1,943,363 | 52,120 |
| VRA Bond | 0.00% | 12/8/10 | 2020 | 4,385,649 | 1,973,542 | 219,282 |
| VRA Bond | 3.00% | 10/18/12 | 2044 | 563,500 | 411,714 | 16,062 |
| VRA Bond | 1.45% | 10/22/15 | 2038 | 3,733,313 | 2,783,555 | 180,829 |
| VRA Bond | 3.00% | 2/1/05 | 2032 | 248,548 | 32,624 | 16,069 |
| VRA Bond | 0.00% | 2/28/07 | 2029 | 3,408,175 | 937,249 | 170,409 |
| VRA Bond* | 0.00% | 2/11/20 | 2041 | 779,606 | 599,048 | 38,980 |
| Total Revenue Bonds | | | | | $ 8,953,298 | $ 706,404 |
| Other Obligations: | | | | | | |
| Compensated Absences | n/a | n/a | n/a | n/a | $ 60,622 | $ 45,467 |
| Net Pension Liability | n/a | n/a | n/a | n/a | 233,985 | - |
| Net OPEB Liability | n/a | n/a | n/a | n/a | 30,819 | - |
| Total Other Obligations | | | | | $ 325,426 | $ 45,467 |
| Total Long-term obligations | | | | | $ 9,278,724 | $ 751,871 |

*As of June 30, 2023, only $696,498 has been drawn down.

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

VRA bonds require that the County maintain a debt service coverage ratio of at least 1.15. For the year ending June 30, 2023, the County was in compliance with this requirement.

In an event of default occurs with VRA and Rural Development bonds, the principal of the bond(s) may be declared immediately due and payable to the register owner of the bond(s) by written notice to the County.

*Remainder of this page left blank intentionally.*

## Note 9-Long-term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Obligations:

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

| | Balance July 1, 2022 | Special Item- School Merger | Increases | Decreases | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Direct borrowings and placements: | | | | | |
| Financed purchases | $ - | $ 60,050 | $ - | $ (38,398) | $ 21,652 |
| Lease liabilities | - | 58,399 | - | (28,611) | 29,788 |
| Compensated absences | - | 551,506 | 194,825 | (413,630) | 332,701 |
| Net OPEB liabilities | - | 5,915,492 | 2,611,184 | (2,684,686) | 5,841,990 |
| Net pension liabilities | - | 15,117,080 | 21,090,633 | (17,975,767) | 18,231,946 |
| Total | $ - | $ 21,702,527 | $ 23,896,642 | $ (21,141,092) | $ 24,458,077 |

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

| Year Ending | Direct borrowings and placements | | Lease Liabilities | |
|---|---|---|---|---|
| June 30, | Principal | Interest | Principal | Interest |
| 2024 | $ 10,650 | $ 715 | $ 28,701 | $ 13 |
| 2025 | 11,002 | 363 | 1,087 | 3 |
| Totals | $ 21,652 | $ 1,078 | $ 29,788 | $ 16 |

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## Note 9-Long-term Obligations-Component Unit School Board: (Continued)

Discretely Presented Component Unit-School Board-Obligations: (Continued)

Details of long-term obligations:

| | Interest Rates | Issue Date | Final Maturity Date | Amount of Original Issue | Total Amount | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Direct Borrowings and Placements: | | | | | | |
| Financed purchase | 330.00% | 10/23/19 | 2025 | $ 62,500 | $ 21,652 | $ 10,650 |
| Lease liabilities: | | | | | | |
| Copier Lease | 0.30% | 8/1/21 | 2024 | $ 78,772 | $ 27,078 | $ 27,078 |
| Postage Lease | 0.61% | 3/5/20 | 2025 | 8,065 | 2,710 | 1,623 |
| Total lease liabilities | | | | | $ 29,788 | $ 28,701 |
| Other Obligations: | | | | | | |
| Compensated Absences | n/a | n/a | n/a | n/a | $ 332,701 | $ 249,526 |
| Net Pension Liability | n/a | n/a | n/a | n/a | 18,231,946 | - |
| Net OPEB Liabilities | n/a | n/a | n/a | n/a | 5,841,990 | - |
| Total Other Obligations | | | | | $ 24,406,637 | $ 249,526 |
| Total Long-term obligations | | | | | $ 24,458,077 | $ 288,877 |

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## Note 10-Pension Plans:

### Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of the 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. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through the County of Alleghany and the participating entities report their proportionate information on the basis of a cost-sharing plan.

Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

*Benefit Structures*

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

a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

**Note 10-Pension Plans: (Continued)**

***Benefit Structures (Continued)***

c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

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

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

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

***Contributions***

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

The County's contractually required employer contribution rate for the year ended June 30, 2023 was 12.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

**Note 10-Pension Plans: (Continued)**

*Contributions (Continued)*

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 $1,179,952 and $1,003,702 for the years ended June 30, 2023 and June 30, 2022, respectively.

**Net Pension Liability**

At June 30, 2023, the County reported a liability of $3,489,521 for its proportionate share of the net pension liability. The County's net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. In order to allocate the net pension liability to all employers included in the plan, the County is required to determine its proportionate share of the net pension liability. Contributions as of June 30, 2022 and 2021 was used as a basis for allocation to determine the County's proportionate share of the net pension liability. At June 30, 2022 and 2021, the County's proportion was 99.4544% and 98.3873%, respectively.

***Actuarial Assumptions – General Employees***

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

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

Mortality rates:

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

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

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

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

**Note 10-Pension Plans: (Continued)**

***Actuarial Assumptions – General Employees (Continued)***

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

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

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

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

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

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

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

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

**Note 10-Pension Plans: (Continued)**

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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**Note 10-Pension Plans: (Continued)**

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

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

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

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

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**Note 10-Pension Plans: (Continued)**

***Long-Term Expected Rate of Return***

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

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

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

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

**Note 10-Pension Plans: (Continued)**

***Discount Rate***

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

***Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's proportionate share of the County Retirement Plan Net Pension Liability (Asset) | $ 9,286,412 | $ 3,489,521 | $ (1,262,616) |

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

For the year ended June 30, 2023, the County recognized pension expense of $531,247. 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.

**Note 10-Pension Plans: (Continued)**

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

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

| | Primary Government | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 75,710 | $ 823,661 |
| Changes in assumptions | 599,562 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 66,791 | 15,021 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,236,526 |
| Employer contributions subsequent to the measurement date | 1,179,952 | - |
| Total | $ 1,922,015 | $ 2,075,208 |

$1,179,952 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | Primary Government |
|---|---|
| 2024 | $ (343,240) |
| 2025 | (602,627) |
| 2026 | (972,458) |
| 2027 | 585,180 |

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**Note 10-Pension Plans: (Continued)**

***Pension Plan Data***

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

**Component Unit School Board (Nonprofessional)**

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

***Employees Covered by Benefit Terms***

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

| | Component Unit School Board Nonprofessional |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 116 |
| Inactive members: | |
| Vested inactive members | 14 |
| Non-vested inactive members | 25 |
| Inactive members active elsewhere in VRS | 24 |
| Total inactive members | 63 |
| Active members | 95 |
| Total covered employees | 274 |

***Contributions***

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2023 was 5.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

**Note 10-Pension Plans: (Continued)**

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

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 $122,200 for the year ended June 30, 2023.

***Net Pension Asset***

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

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

| | Component Unit-School Board (nonprofessional) | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2021 | $ - | $ - | $ - |
| Changes for the year: | | | |
| Service cost | $ 203,219 | $ - | $ 203,219 |
| Interest | 1,007,312 | - | 1,007,312 |
| Differences between expected and actual experience | (278,449) | - | (278,449) |
| Contributions - employer | - | 146,972 | (146,972) |
| Contributions - employee | - | 111,768 | (111,768) |
| Net investment income | - | (5,630) | 5,630 |
| Benefit payments | (1,012,004) | (1,012,004) | - |
| Administrative expenses | - | (10,328) | 10,328 |
| Other changes | - | 364 | (364) |
| Special item - school merger | 15,225,916 | 16,282,797 | (1,056,881) |
| Net changes | $ 15,145,994 | $ 15,513,939 | $ (367,945) |
| Balances at June 30, 2022 | $ 15,145,994 | $ 15,513,939 | $ (367,945) |

**Note 10-Pension Plans: (Continued)**

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

***Sensitivity of the Net Pension Asset to Changes in the Discount Rate***

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Component Unit School Board (nonprofessional) Net Pension Asset | $ 1,251,269 | $ (367,945) | $ (1,722,598) |

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

For the year ended June 30, 2023, the Component Unit School Board (nonprofessional) recognized pension expense of $(173,723). At June 30, 2023, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Component Unit School Board (nonprofessional) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 61,833 | $ 189,135 |
| Changes of assumptions | 87,402 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 491,491 |
| Employer contributions subsequent to the measurement date | 122,200 | - |
| Total | $ 271,435 | $ 680,626 |

**Note 10-Pension Plans: (Continued)**

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

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

$122,200 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | | Component Unit School Board (nonprofessional) |
|---|---|---|
| 2024 | $ | (244,675) |
| 2025 | | (177,505) |
| 2026 | | (325,000) |
| 2027 | | 215,789 |

**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 is included in the first section of this note.

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were $2,893,321 for the year ended June 30, 2023.

In June 2022, the Commonwealth made a special contribution of approximately $442.4 million to the VRS Teacher Retirement Plan. This special payments was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

**Note 10-Pension Plans: (Continued)**

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

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

At June 30, 2023, the school division reported a liability of $18,231,946 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022 the school division's proportion was 0.19150%.

For the year ended June 30, 2023, the school division recognized pension expense of $(48,256). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

| | Component Unit School Board (professional) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ - | $ 1,257,165 |
| Net difference between projected and actual earnings on pension plan investments | - | 2,377,064 |
| Changes of assumptions | 1,718,905 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 6,174,721 | 7,931,458 |
| Employer contributions subsequent to the measurement date | 2,893,321 | - |
| Total | $ 10,786,947 | $ 11,565,687 |

**Note 10-Pension Plans: (Continued)**

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

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

$2,893,321 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | Component Unit School Board (professional) |
|---|---|
| 2024 | $ (1,379,151) |
| 2025 | (1,358,135) |
| 2026 | (1,937,169) |
| 2027 | 1,002,394 |

***Actuarial Assumptions***

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

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

Mortality rates:

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

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

**Note 10-Pension Plans: (Continued)**

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

***Actuarial Assumptions (Continued)***

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

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

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

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

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

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**Note 10-Pension Plans: (Continued)**

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

***Net Pension Liability***

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

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

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

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

***Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) | $ 32,563,652 | $ 18,231,946 | $ 6,562,786 |

**Note 10-Pension Plans: (Continued)**

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

***Pension Plan Fiduciary Net Position***

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

**Primary Government and Component Unit School Board**

***Aggregate Pension Information***

The following is a summary of deferred outflows, deferred inflows, net pension liabilities (asset), and pension expense for the year ended June 30, 2023.

| | Primary Government | | | | Component Unit School Board | | | |
|---|---|---|---|---|---|---|---|---|
| | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| VRS Pension Plans: | | | | | | | | |
| Primary Government | $ 1,922,015 | $ 2,075,208 | $ 3,489,521 | $ 531,247 | $ - | $ - | $ - | $ - |
| School Board Nonprofessional | - | - | - | - | 271,435 | 680,626 | (367,945) | (173,723) |
| School Board Professional | - | - | - | - | 10,786,947 | 11,565,687 | 18,231,946 | (48,256) |
| Totals | $ 1,922,015 | $ 2,075,208 | $ 3,489,521 | $ 531,247 | $ 11,058,382 | $ 12,246,313 | $ 17,864,001 | $ (221,979) |

**Note 11-Other Postemployment Benefits – Health Insurance:**

**Component Unit School Board – *Former Alleghany County School Board Employees*:**

***Plan Description***

In addition to the pension benefits described in Note 10, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Alleghany County Public Schools Plan for former Alleghany County School Board employees. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Component Unit School Board's pension plans. The plan does not issue a publicly available financial report.

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Alleghany County School Board Employees*: (Continued)**

***Benefits Provided***

The Component Unit School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have a minimum of 15 years of service with the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action.

***Plan Membership***

At June 30, 2023 (measurement date), the following employees were covered by the benefit terms:

| | |
|---|---|
| Total active employees | 316 |
| Total retirees | 15 |
| Total spouses of retirees | 5 |
| Total | 336 |

***Contributions***

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the Component Unit School Board. The amount paid by the Component Unit School Board for OPEB as the benefits came due during the year ended June 30, 2023 was $104,659.

***Total OPEB Liability***

The Component Unit School Board's total OPEB liability was measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation performed as of July 1, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Alleghany County School Board Employees*: (Continued)**

### *Actuarial Assumptions*

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% per year as of June 30, 2022 |
| | 2.50% per year as of June 30, 2023 |
| Salary Increases | The salary increase rate consist of an inflation of 2.50%, a productivity component of 1.00%, and a variable merit component that is dependent on years of services. |
| Discount Rate | 3.54% as of June 30, 2022 |
| | 3.65% as of June 30, 2023 |

The mortality rates for pre-retirement was calculated using RP-2014 Employee to age 80, Health Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed by service-related. The mortality rates for post-retirement was calculated using 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 setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for post-disablement was calculated using RP-2014 Disabled Life Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

### *Discount Rate*

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Alleghany County School Board Employees*: (Continued)**

***Changes in Total OPEB Liability***

| | | Component Unit School Board Total OPEB Liability |
|---|---|---|
| Balances at June 30, 2022 | $ | - |
| Changes for the year: | | |
| Service cost | | 75,460 |
| Interest | | 57,222 |
| Effect of assumptions changes or inputs | | 65,647 |
| Benefit payments | | (104,659) |
| Special item - school merger | | 1,592,832 |
| Net changes | | 1,686,502 |
| Balances at June 30, 2023 | $ | 1,686,502 |

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

The following amounts present the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current discount rate:

| | Rate | |
|---|---|---|
| 1% Decrease (2.65%) | Current Discount Rate (3.65%) | 1% Increase (4.65%) |
| $ 1,795,394 | $ 1,686,502 | $ 1,582,368 |

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Alleghany County School Board Employees*: (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.50% decreasing to an ultimate rate of 2.90%) or one percentage point higher (6.50% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

| | Rates | |
|---|---|---|
| 1% Decrease (4.50% decreasing to 2.90%) | Healthcare Cost Trend (5.50% decreasing to 3.90%) | 1% Increase (6.50% decreasing to 4.90%) |
| $ 1,508,842 | $ 1,686,502 | $ 1,892,228 |

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

For the year ended June 30, 2023, the Component Unit School Board recognized OPEB expense in the amount of $170,502. At June 30, 2023, the Component Unit School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 55,389 |
| Changes in assumptions | 279,034 | - |
| Total | $ 279,034 | $ 55,389 |

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2024 | $ 37,815 |
| 2025 | 53,094 |
| 2026 | 53,094 |
| 2027 | 53,094 |
| 2028 | 26,548 |

**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Alleghany County School Board Employees*: (Continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

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

**Component Unit School Board – *Former Covington City School Board Employees*:**

***Plan Description***

The Component Unit School Board administers a single-employer defined benefit healthcare plan, The Covington City Schools Plan for former Covington City School Board employees. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

***Benefits Provided***

Postemployment benefits are provided to eligible retirees include Medical and Dental. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. In addition, the School Board provides a fixed basic death benefit for all retirees.

***Plan Membership***

At June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

| | |
|---|---|
| Total active employees | 137 |
| Total retirees | 10 |
| Total | 147 |

***Contributions***

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2023 was $48,137.

**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Covington City School Board Employees*: (Continued)**

***Total OPEB Liability***

The School Board's total OPEB liability was measured as of June 30, 2021. The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% per year as of June 30, 2021 |
| | 2.50% per year as of June 30, 2023 |
| Salary Increases | The salary increase rate is 4.00%. |
| Discount Rate | 1.92% as of June 30, 2021 |
| | 3.86% as of June 30, 2023 |

The mortality rates are based on the Pub-2010 Healthy Lives (separate tables for pre- and post-retirement and for males and females), projected to change from 2010 by the MP-2021 Scale.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

***Discount Rate***

The discount rate is based on the 20 year, high quality muni bond index published by Fidelity Investments.

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Covington City School Board Employees*: (Continued)**

***Changes in Total OPEB Liability***

| | | Component Unit School Board Total OPEB Liability |
|---|---|---|
| Balances at June 30, 2022 | $ | - |
| Changes for the year: | | |
| Service cost | | 28,324 |
| Interest | | 11,602 |
| Effect of assumptions changes or inputs | | (53,848) |
| Benefit payments | | (48,137) |
| Special item - school merger | | 600,019 |
| Net changes | | 537,960 |
| Balances at June 30, 2023 | $ | 537,960 |

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

The following amounts present the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

| | Rate | |
|---|---|---|
| 1% Decrease (2.69%) | Current Discount Rate (3.69%) | 1% Increase (4.69%) |
| $ 579,709 | $ 537,960 | $ 511,475 |

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Covington City School Board Employees*: (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Component Unit School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to 3.00%) or one percentage point higher (7.00% decreasing to 5.00%) than the current healthcare cost trend rates:

| | Rates | |
|---|---|---|
| 1% Decrease (5.00% decreasing to 3.00%) | Healthcare Cost Trend (6.00% decreasing to 4.00%) | 1% Increase (7.00% decreasing to 5.00%) |
| $ 510,276 | $ 537,960 | $ 562,613 |

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

For the year ended June 30, 2023, the Component Unit School Board recognized OPEB expense in the amount of $53,949. At June 30, 2023, the Component Unit School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 103,962 | $ - |
| Changes in assumptions | 26,094 | 61,335 |
| Employer contributions subsequent to the measurement date | - | - |
| Total | $ 130,056 | $ 61,335 |

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**Note 11-Other Postemployment Benefits – Health Insurance: (Continued)**

**Component Unit School Board – *Former Covington City School Board Employees*: (Continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

$48,137 reported as deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2024 | $ | 14,023 |
| 2025 | | 14,023 |
| 2026 | | 14,027 |
| 2027 | | 16,235 |
| 2028 | | 14,778 |
| Thereafter | | (4,365) |

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

**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan):**

***Plan Description***

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

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

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

**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***Eligible Employees***

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

***Benefit Amounts***

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

***Contributions***

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

Contributions to the GLI Plan from the County were $49,561 and $44,835 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the GLI Plan from the Component Unit School Board (nonprofessional) were $13,230 for the year ended June 30, 2023.

Contributions to the GLI Plan from the Component Unit School Board (professional) were $97,726 for the year ended June 30, 2023.

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

**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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

***County of Alleghany, Virginia GLI Plan***

At June 30, 2023, the entity reported a liability of $459,611 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.0382% as compared to 0.0388% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of $14,993. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

***Component Unit School Board (nonprofessional) GLI Plan***

At June 30, 2023, the entity reported a liability of $135,701 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.0113%.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of $1,815. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

***Component Unit School Board (professional) GLI Plan***

At June 30, 2023, the entity reported a liability of $982,543 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.0816%.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of $(13,574). 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.

## Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

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

| | Primary Government | | Component Unit School Board (nonprofessional) | | Component Unit School Board (professional) | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 36,395 | $ 18,438 | $ 10,745 | $ 5,445 | $ 77,805 | $ 39,417 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 28,719 | - | 8,480 | - | 61,394 |
| Change in assumptions | 17,143 | 44,769 | 5,062 | 13,218 | 36,647 | 95,704 |
| Changes in proportionate share | 6,974 | 22,089 | 3,137 | 10,020 | 325,229 | 435,640 |
| Employer contributions subsequent to the measurement date | 49,561 | - | 13,230 | - | 97,726 | - |
| Total | $ 110,073 | $ 114,015 | $ 32,174 | $ 37,163 | $ 537,407 | $ 632,155 |

$49,561, $13,230, and $97,726 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, 2024. 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:

| Year Ended June 30 | Primary Government | Component Unit School Board (nonprofessional) | Component Unit School Board (professional) |
|---|---|---|---|
| 2024 | $ (9,093) | $ (4,897) | $ (58,464) |
| 2025 | (12,615) | (4,143) | (46,201) |
| 2026 | (28,065) | (8,142) | (70,189) |
| 2027 | 1,089 | (24) | (6,459) |
| 2028 | (4,819) | (1,013) | (11,161) |

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**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

### *Actuarial Assumptions*

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

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

**Mortality Rates – Teachers**

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

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

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disables Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

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

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**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates – Teachers (Continued)**

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

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

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

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

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

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

Beneficiaries and Survivors:
Pub-2010 Amount Weighed Safety Contingent Annuitant Rates projected generationally

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

## Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

### *Actuarial Assumptions: (Continued)*

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

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

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

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

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

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

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

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

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

**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

### *Actuarial Assumptions: (Continued)*

**Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)**

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

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

### *NET GLI OPEB Liability*

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

| | | GLI OPEB Plan |
|---|---|---|
| Total GLI OPEB Liability | $ | 3,672,085 |
| Plan Fiduciary Net Position | | 2,467,989 |
| GLI Net OPEB Liability (Asset) | $ | 1,204,096 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 67.21% |

**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

***NET GLI OPEB Liability (Continued)***

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

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

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

## Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

### *Discount Rate*

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

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

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's proportionate share of the GLI Plan Net OPEB Liability | $ 668,787 | $ 459,611 | $ 290,567 |
| Component Unit School Board's (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability | $ 197,462 | $ 135,701 | $ 85,791 |
| Component Unit School Board's (professional) proportionate share of the GLI Plan Net OPEB Liability | $ 1,429,715 | $ 982,543 | $ 621,167 |

**Note 12-Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

### *GLI Plan Fiduciary Net Position*

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

## Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

### *Plan Description*

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

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

### *Eligible Employees*

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

### *Benefit Amounts*

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

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

***HIC Plan Notes***

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

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher HIC Plan were $218,865 for the year ended June 30, 2023.

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

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

At June 30, 2023, the school division reported a liability of $2,375,187 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee Health Insurance Credit was 0.1902%.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC OPEB expense of $112,957. Since there was a change in proportionate share measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

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

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 96,816 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | - | 2,384 |
| Change in assumptions | 69,391 | 6,065 |
| Change in proportionate share and differences between actual and expected contributions | 721,617 | 1,000,909 |
| Employer contributions subsequent to the measurement date | 218,865 | - |
| Total | $ 1,009,873 | $ 1,106,174 |

$218,865 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|---|---|
| 2024 | $ (84,112) |
| 2025 | (78,331) |
| 2026 | (61,612) |
| 2027 | (37,837) |
| 2028 | (34,232) |
| Thereafter | (19,042) |

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

### *Actuarial Assumptions*

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

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

**Mortality Rates – Teachers**

Pre-Retirement:
Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males

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

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

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

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

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## Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

### *Actuarial Assumptions:(Continued)*

**Mortality Rates – Teachers: (Continued)**

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

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

### *Net Teacher Employee HIC OPEB Liability*

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

| | | Teacher Employee HIC OPEB Plan |
|---|---|---|
| Total Teacher Employee HIC OPEB Liability | $ | 1,470,891 |
| Plan Fiduciary Net Position | | 221,845 |
| Teacher Employee Net HIC OPEB Liability (Asset) | $ | 1,249,046 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability | | 15.08% |

## Note 13-Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

### *Net Teacher Employee HIC OPEB Liability (Continued)*

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

### *Long-Term Expected Rate of Return*

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

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

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

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

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

***Discount Rate***

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

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

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

| | | Rate | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability | $ 2,676,863 | $ 2,375,187 | $ 2,119,464 |

***Teacher Employee HIC OPEB Fiduciary Net Position***

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

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**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan):**

***Plan Description***

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. Effective July 1, 2017, all full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Plan Notes***

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

**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)**

***Employees Covered by Benefit Terms***

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

| | Number |
|---|---|
| Inactive members or their beneficiaries currently receiving benefits | 10 |
| Inactive members: | |
| Vested inactive members | 8 |
| Active members | 95 |
| Total covered employees | 113 |

***Contributions***

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The Component Unit School Board's (nonprofessional) contractually required employer contribution rate for the year ended June 30, 2023 was 0.83% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Component Unit School Board (nonprofessional) to the HIC Plan was $20,335 for the year ended June 30, 2023.

***Net HIC OPEB Liability***

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

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**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)**

### *Actuarial Assumptions*

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

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

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

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

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

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

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

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

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**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)**

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

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

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

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**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)**

***Long-Term Expected Rate of Return***

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

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

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

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

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**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)**

***Discount Rate***

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

***Changes in Net HIC OPEB Liability***

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2021 | $ - | $ - | $ - |
| Changes for the year: | | | |
| Service cost | $ 4,733 | $ - | $ 4,733 |
| Interest | 12,846 | - | 12,846 |
| Differences between expected and actual experience | (21,261) | - | (21,261) |
| Assumption changes | 22,426 | - | 22,426 |
| Contributions - employer | - | 20,279 | (20,279) |
| Net investment income | - | (87) | 87 |
| Benefit payments | (13,187) | (13,187) | - |
| Administrative expenses | - | (133) | 133 |
| Other changes | - | 8,432 | (8,432) |
| Special item - school merger | 192,171 | 58,327 | 133,844 |
| Net changes | $ 197,728 | $ 73,631 | $ 124,097 |
| Balances at June 30, 2022 | $ 197,728 | $ 73,631 | $ 124,097 |

**Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)**

***Sensitivity of the Component Unit School Board's (nonprofessional) HIC Net OPEB Liability to Changes in the Discount Rate***

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

| | Rate | | |
|---|---|---|---|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| Component Unit School Board's (nonprofessional) Net HIC OPEB Liability | $ 145,041 | $ 124,097 | $ 106,100 |

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

For the year ended June 30, 2023, the Component Unit School Board (nonprofessional) recognized HIC Plan OPEB expense of $19,694. At June 30, 2022, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the Component Unit School Board's (nonprofessional) HIC Plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 19,933 | $ 25,395 |
| Net difference between projected and actual earnings on HIC OPEB plan investments | 60 | 901 |
| Change in assumptions | 21,742 | - |
| Employer contributions subsequent to the measurement date | 20,335 | - |
| Total | $ 62,070 | $ 26,296 |

## Note 14-Health Insurance Credit (HIC) Plan-Component Unit School Board (nonprofessional) (OPEB Plan): (Continued)

### *HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB (Continued)*

$20,335 reported as deferred outflows of resources related to the HIC OPEB resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | | |
|---|---|---|
| 2024 | $ | 13,461 |
| 2025 | | (2,488) |
| 2026 | | (665) |
| 2027 | | 3,541 |
| 2028 | | 1,590 |

### *HIC Plan Data*

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

## Note 15-Aggregate Other Postemployment Benefits Information:

The following is a summary of deferred outflows, deferred inflows, net other postemployment benefits liabilities, and other postemployment benefits expense for the year ended June 30, 2023.

| | Primary Government | | | | Component Unit School Board | | | |
|---|---|---|---|---|---|---|---|---|
| | Deferred Outflows | Deferred Inflows | Net OPEB Liability (Asset) | OPEB Expense | Deferred Outflows | Deferred Inflows | Net OPEB Liability (Asset) | OPEB Expense |
| VRS OPEB Plans: | | | | | | | | |
| Group Life Insurance Plan | | | | | | | | |
| County | $ 110,073 | $ 114,015 | $ 459,611 | $ 14,993 | $ - | $ - | $ - | $ - |
| School Board Nonprofessional | - | - | - | - | 32,174 | 37,163 | 135,701 | 1,815 |
| School Board Professional | - | - | - | - | 537,407 | 632,155 | 982,543 | (13,574) |
| Health Insurance Credit Plan | - | - | - | - | 62,070 | 26,296 | 124,097 | 19,694 |
| Teacher Health Insurance Credit Plan | - | - | - | - | 1,009,873 | 1,106,174 | 2,375,187 | 112,957 |
| School Stand-Alone Plan | | | | | | | | |
| Former Alleghany County School Board Employees | - | - | - | - | 279,034 | 55,389 | 1,686,502 | 170,502 |
| Former Covington City School Board Employees | - | - | - | - | 130,056 | 61,335 | 537,960 | 54,056 |
| Totals | $ 110,073 | $ 114,015 | $ 459,611 | $ 14,993 | $2,050,614 | $1,918,512 | $ 5,841,990 | $ 345,450 |

## Note 16-Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2023 was $44,663.

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## Note 17-Capital Assets:

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

Primary Government:

| | Beginning Balance | GASBs No. 96 Adjustment | Increases | Decreases | Ending Balance |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Capital assets, not being depreciated/amortized: | | | | | |
| Land | $ 2,154,628 | $ - | $ 204,950 | $ - | $ 2,359,578 |
| Construction in progress | 577,727 | - | 1,073,663 | (271,597) | 1,379,793 |
| Total capital assets not being depreciated/amortized | $ 2,732,355 | $ - | $ 1,278,613 | $ (271,597) | $ 3,739,371 |
| Capital assets, being depreciated/amortized: | | | | | |
| Buildings and improvements | $ 17,998,131 | $ - | $ 509,633 | $ - | $ 18,507,764 |
| Land improvements | 2,932,411 | - | - | - | 2,932,411 |
| Machinery and equipment | 17,053,649 | - | 781,378 | (14,160) | 17,820,867 |
| Leased machinery and equipment | 1,224,684 | - | 31,849 | (30,959) | 1,225,574 |
| Subscription asset | - | 121,763 | - | - | 121,763 |
| Total capital assets being depreciated/amortized | $ 39,208,875 | $ 121,763 | $ 1,322,860 | $ (45,119) | $ 40,608,379 |
| Accumulated depreciation/amortization: | | | | | |
| Buildings and improvements | $ (11,969,910) | $ - | $ (576,761) | $ - | $ (12,546,671) |
| Land improvements | (296,238) | - | (81,741) | - | (377,979) |
| Machinery and equipment | (7,734,476) | - | (2,292,196) | 14,160 | (10,012,512) |
| Leased machinery and equipment | (260,086) | - | (264,836) | 30,959 | (493,963) |
| Subscription asset | - | - | (30,024) | - | (30,024) |
| Total accumulated depreciation/amortization | $ (20,260,710) | $ - | $ (3,245,558) | $ 45,119 | $ (23,461,149) |
| Total capital assets being depreciated/amortized, net | $ 18,948,165 | $ 121,763 | $ (1,922,698) | $ - | $ 17,147,230 |
| Governmental activities capital assets, net | $ 21,680,520 | $ 121,763 | $ (644,085) | $ (271,597) | $ 20,886,601 |

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## Note 17-Capital Assets: (Continued)

Primary Government: (Continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 88,980 | $ - | $ - | $ 88,980 |
| Total capital assets not being depreciated | $ 88,980 | $ - | $ - | $ 88,980 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | $ 57,343,296 | $ 214,711 | $ - | $ 57,558,007 |
| Machinery and equipment | 802,882 | - | - | 802,882 |
| Total capital assets being depreciated | $ 58,146,178 | $ 214,711 | $ - | $ 58,360,889 |
| Accumulated depreciation: | | | | |
| Infrastructure | $ (18,256,876) | $ (1,136,140) | $ - | $ (19,393,016) |
| Machinery and equipment | (592,949) | (29,305) | - | (622,254) |
| Total accumulated depreciation | $ (18,849,825) | $ (1,165,445) | $ - | $ (20,015,270) |
| Total capital assets being depreciated, net | $ 39,296,353 | $ (950,734) | $ - | $ 38,345,619 |
| Business-type activities capital assets, net | $ 39,385,333 | $ (950,734) | $ - | $ 38,434,599 |

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

| | |
|---|---|
| **Governmental activities:** | |
| General government administration | $ 607,183 |
| Judicial administration | 13,477 |
| Public safety | 2,286,199 |
| Public works | 100,403 |
| Health and welfare | 71,234 |
| Education | 74,678 |
| Parks, recreation, and cultural | 82,716 |
| Community development | 9,668 |
| Total depreciation/amortization expense-governmental activities | $ 3,245,558 |
| **Business-type activities:** | |
| Water and sewer fund | $ 1,165,445 |
| Total depreciation expense-primary government | $ 4,411,003 |

## Note 17-Capital Assets: (Continued)

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

Discretely Presented Component Unit:

| | Beginning Balance | Special Item-School Merger | Increases | Decreases | Ending Balance |
|---|---|---|---|---|---|
| Capital assets, not being depreciated/amortized: | | | | | |
| Land | $ - | $ 1,736,902 | $ - | $ - | $ 1,736,902 |
| Construction in progress | - | - | 1,786,531 | - | 1,786,531 |
| Total capital assets not being depreciated/amortized | $ - | $ 1,736,902 | $ 1,786,531 | $ - | $ 3,523,433 |
| Capital assets, being depreciated/amortized: | | | | | |
| Buildings and improvements | $ - | $ 40,690,867 | $ - | $ - | $ 40,690,867 |
| Machinery and equipment | - | 11,180,692 | 1,128,421 | - | 12,309,113 |
| Leased machinery and equipment | - | 84,698 | - | - | 84,698 |
| Total capital assets being depreciated/amortized | $ - | $ 51,956,257 | $ 1,128,421 | $ - | $ 53,084,678 |
| Accumulated depreciation/amortization: | | | | | |
| Buildings and improvements | $ - | $ (24,161,143) | $ (1,074,577) | $ - | $ (25,235,720) |
| Machinery and equipment | - | (6,927,331) | (849,975) | - | (7,777,306) |
| Leased machinery and equipment | - | (26,264) | (28,633) | - | (54,897) |
| Total accumulated depreciation/amortization | $ - | $ (31,114,738) | $ (1,953,185) | $ - | $ (33,067,923) |
| Total capital assets being depreciated/amortized, net | $ - | $ 20,841,519 | $ (824,764) | $ - | $ 20,016,755 |
| School Board capital assets, net | $ - | $ 22,578,421 | $ 961,767 | $ - | $ 23,540,188 |

## Note 18-Leases Receivable:

General Fund:

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

| | Beginning Balance | Increases/ Issuances | Decreases/ Retirements | Ending Balance | Interest Revenue |
|---|---|---|---|---|---|
| Leases receivable | $ 500,415 | $ 246,105 | $ (116,571) | $ 629,949 | $ 13,302 |

Lease revenue recognized during the fiscal year was $125,440.

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## Note 18-Leases Receivable: (Continued)

Details of leases receivable:

| Lease Description | Lease Origination Date* | End Date | Payment Frequency | Discount Rate | Ending Balance | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Building | 9/1/2021 | 6/30/2027 | Monthly | 2.00% | $ 547,108 | $ 128,532 |
| Building | 10/1/2004 | 9/30/1934 | Annually | 1.17% | 82,841 | 7,101 |
| Total | | | | | $ 629,949 | $ 135,633 |

*There are no variable payments for any of the lease receivables above*

*Date shown is the original lease commencement date. GASB Statement No. 87 was implemented as of July 1, 2021.

School Operating Fund:

The following is a summary of leases receivable transactions of the School Board for the year ended June 30, 2023:

| | Beginning Balance | Special Item-School Merger | Increases/ Issuances | Decreases/ Retirements | Ending Balance | Interest Revenue |
|---|---|---|---|---|---|---|
| Leases receivable | $ - | $ 24,501 | $ - | $ (18,238) | $ 6,263 | $ 487 |

Lease revenue recognized during the fiscal year was $17,873.

Details of leases receivable:

| Lease Description | Lease Origination Date* | End Date | Payment Frequency | Discount Rate | Ending Balance | Amount Due Within One Year |
|---|---|---|---|---|---|---|
| Cell Tower | 11/1/2018 | 10/31/2023 | Monthly | 3.00% | $ 6,263 | $ 6,263 |
| Total | | | | | $ 6,263 | $ 6,263 |

*There are no variable payments for any of the lease receivables above*

*Date shown is the original lease commencement date. GASB Statement No. 87 was implemented as of July 1, 2021.

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## Note 19-Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessment for future periods are deferred.

| | Government-wide Statements | Balance Sheet |
|---|---|---|
| | Governmental Activities | Governmental Funds |
| Deferred/Unavailable revenue: | | |
| Unavailable property tax revenue representing uncollected property tax billings are not available for the funding of current expenditures | $ - | $ 434,777 |
| Prepaid property taxes due after June 30 but paid in advance by taxpayers | 27,965 | 27,965 |
| Unavailable opioid settlement proceeds representing uncollected opioid settlement proceeds not available for the funding of current expenditures | - | 196,913 |
| Lease related items | 555,081 | 629,949 |
| Unearned revenue: | | |
| Unspent LATCF grant funding received during the current fiscal year. | 340,326 | 340,326 |
| | $ 923,372 | $ 1,629,930 |

*Remainder of this page left blank intentionally.*

## Note 20-Risk Management:

The County and its component unit – School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability and public officials liability with the Virginia Association of Counties group self insurance risk pool and VaCoRP. Each member of each of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay VACO and VaCoRP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pools, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pools may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## Note 21-Commitments and Contingencies:

Federal programs in which the County and its component unit participate were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this regulation all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The County was involved in major construction projects during the fiscal year as presented below, along with the anticipated funding source.

| Project | Contract Amount | Contract Amount Outstanding at June 30, 2023 | Funding Source |
|---|---|---|---|
| Primary Government | | | |
| Jackson River Trail - Phase 5 | $ 1,758,888 | $ 541,385 | Local Funds |
| Component Unit School Board | | | |
| Alleghany County Public Schools HVAC Upgrades & Replacement | 1,482,700 | 98,209 | Federal Funds |
| Alleghany High School Gym Renovation | 54,000 | 11,160 | Local Funds |
| Alleghany High School Roof Replacement | 137,500 | 105,538 | Local Funds |

*Remainder of this page left blank intentionally.*

## Note 22-Surety Bonds:

Primary Government:

| Fidelity & Deposit Company of Maryland - Surety: | |
|---|---|
| Debbie Byer, Clerk of the Circuit Court | $ 103,000 |
| Teresa Brown, Treasurer | 400,000 |
| Valerie Bruffey, Commissioner of the Revenue | 3,000 |
| Kevin Hall, Sheriff | 30,000 |
| All Constitutional Office employees: blanket bond | 50,000 |
| Additional Treasurer's Office bond | 100,000 |
| All Social Services employees: blanket bond | 100,000 |

| Virginia Association of Counties Group Self Insurance Risk Pool: | |
|---|---|
| County Administrator's Employees | $ 250,000 |

Component Unit School Board:

| VACoRP: | |
|---|---|
| All School Board employees: blanket bond | $ 250,000 |

## Note 23-Litigation:

At June 30, 2023, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions on pending matters not be favorable.

## Note 24-Tax Abatements:

The County entered into an economic incentive tax abatement agreement with Love's Travel Stops & Country Stores (Love's) in June of 2015 in accordance with the *Code of Virginia, 1950 as amended*. Terms of the agreement require the County to remit the aggregate sum of all real estate, personal property, sales and meals taxes collected from Love's to the Industrial Development Authority of Alleghany County (IDA) within three months of the end of each calendar year for a period of ten years or until the taxes remitted reach $907,488. The IDA will subsequently transfer funds received from the County to Love's. Terms of the agreement require Love's to invest $8,500,000 in site improvements and employ 31 individuals (working at least 30 hours per week) with a cumulative hourly wage of not less than $9.00 per hour plus benefits. Taxes remitted under the agreement are prorated if the aforementioned targets are not achieved by Love's. A complete copy of the tax abatement agreement is maintained at the County Offices. For the year ending, June 30, 2023, no amounts were due under the agreement as capital investment thresholds in the agreement have not been achieved.

**Note 24-Tax Abatements: (Continued)**

The County entered into an economic incentive tax abatement agreement with Westrock Virginia, LLC (Westrock) in January of 2021 in accordance with the *Code of Virginia, 1950 as amended*. Terms of the agreement require the County to remit certain machinery and tools taxes collected from Westrock to the Industrial Development Authority of Alleghany County (IDA) no later than November 1 of the year following the due date of the tax payments. The IDA will subsequently transfer funds received from the County to Westrock. Terms of the agreement required Westrock to invest $119,000,000 of gross new capital investment as of the performance date of January 1, 2021, which Westrock has met. For the year ending June 30, 2023, funds totaling $312,752 were remitted under the agreement. It is anticipated that funds of approximately $165,000 will be remitted in the fiscal year ending June 30, 2024. A complete copy of the tax abatement agreement is maintained at the County Offices.

**Note 25-Adoption of Accounting Principle:**

The County implemented provisions of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)* during the fiscal year ended June 30, 2023. Statement No. 96, *SBITAs* requires recognition of certain subscription assets and liabilities for certain contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. No restatement of beginning net position was required as a result of this implementation. Using the facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2022 related to the subscription:

| | Governmental Activities |
|---|---|
| Primary Government | |
| Subscription asset | $ 121,763 |
| Subscription liability | $ 121,763 |

## Note 26-Special Items:

On June 30, 2022, Alleghany County School Board (ACSB) ceased formal operations. On July 1, 2022, Alleghany Highlands Public Schools (AHPS) was created by the merger of the ACSB, Covington City School Board (CCSB), and Jackson River Technical School (JRTS). The AHPS is a joint School Board that will serve the citizens of the City of Covington, Virginia and the County of Alleghany, Virginia going forward. On July 1, 2022, the ACSB, CCSB, and JRTS transferred fund balance and net position to AHPS, as listed below. These items are presented in the accompanying financial statements as special items.

| | Alleghany County School Board | Covington City School Board | Jackson River Technical School | Total |
|---|---|---|---|---|
| Fund Financials Statements | | | | |
| School operating fund balance | $ 553,471 | $ - | $ - | $ 553,471 |
| School activity fund balance | 737,174 | 112,026 | 166,578 | 1,015,778 |
| JRTC custodial funds | - | - | 317,415 | 317,415 |
| School operating shown as transfer in fiscal year 2022 | 2,223,295 | - | - | 2,223,295 |
| Governor's school shown as transfer in fiscal year 2022 | 265,597 | - | - | 265,597 |
| Fund Financial Statements Total | $ 3,779,537 | $ 112,026 | $ 483,993 | $ 4,375,556 |
| Government-Wide Financial Statements | | | | |
| Capital assets, net of accumulated depreciation/amortization | $ 20,035,676 | $ 2,176,815 | $ 365,930 | $22,578,421 |
| Net pension asset - nonprofessional | 1,449,109 | (411,075) | 18,847 | 1,056,881 |
| Deferred outflows - pension related items | 3,919,290 | 1,876,695 | 222,812 | 6,018,797 |
| Deferred outflows - OPEB related items | 730,211 | 404,323 | 28,657 | 1,163,191 |
| Interest payable | - | (1,179) | - | (1,179) |
| Financed purchases | - | (60,050) | - | (60,050) |
| Lease liabilities | (58,399) | - | - | (58,399) |
| Compensated absences | (227,593) | (323,913) | - | (551,506) |
| Net OPEB liabilities | (4,028,032) | (1,756,664) | (130,796) | (5,915,492) |
| Net pension liability - professional | (9,834,292) | (4,768,094) | (514,694) | (15,117,080) |
| Deferred inflows - lease related items | 606 | - | - | 606 |
| Deferred inflows - pension related items | (10,108,901) | (4,462,582) | (523,684) | (15,095,167) |
| Deferred inflows - OPEB related items | (765,311) | (302,109) | (50,750) | (1,118,170) |
| Government-Wide Financial Statements Total | $ 1,112,364 | $ (7,627,833) | $ (583,678) | $ (7,099,147) |
| Total | $ 4,891,901 | $ (7,515,807) | $ (99,685) | $ (2,723,591) |

## Note 27-Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

**Note 27-Upcoming Pronouncements: (Continued)**

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

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

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

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

# Required Supplementary Information

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

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| General property taxes | $ 18,869,297 | $ 18,869,297 | $ 18,564,424 | $ (304,873) |
| Other local taxes | 3,202,500 | 3,202,500 | 3,801,523 | 599,023 |
| Permits, privilege fees, and regulatory licenses | 56,850 | 56,850 | 54,243 | (2,607) |
| Fines and forfeitures | 47,749 | 47,749 | 30,915 | (16,834) |
| Revenue from the use of money and property | 204,202 | 204,203 | 497,023 | 292,820 |
| Charges for services | 1,258,711 | 1,261,211 | 1,219,434 | (41,777) |
| Miscellaneous | 178,462 | 178,462 | 181,035 | 2,573 |
| Recovered costs | 2,521,359 | 2,543,007 | 2,086,891 | (456,116) |
| Intergovernmental | 14,040,654 | 19,708,458 | 11,889,073 | (7,819,385) |
| Total revenues | $ 40,379,784 | $ 46,071,737 | $ 38,324,561 | $ (7,747,176) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 2,896,575 | $ 4,376,124 | $ 2,778,698 | $ 1,597,426 |
| Judicial administration | 2,160,264 | 2,152,233 | 1,979,583 | 172,650 |
| Public safety | 9,227,099 | 10,092,200 | 9,423,163 | 669,037 |
| Public works | 4,136,789 | 5,977,574 | 5,134,338 | 843,236 |
| Health and welfare | 5,616,262 | 5,557,317 | 5,136,476 | 420,841 |
| Education | 12,722,117 | 12,722,117 | 9,251,060 | 3,471,057 |
| Parks, recreation, and cultural | 971,095 | 2,867,458 | 2,042,395 | 825,063 |
| Community development | 2,414,696 | 1,573,587 | 1,070,028 | 503,559 |
| Nondepartmental | 238,134 | 816,882 | 383,812 | 433,070 |
| Capital projects | - | 1,274,990 | 893,546 | 381,444 |
| Debt service: | | | | |
| Principal retirement | 1,221,738 | 1,343,501 | 1,285,490 | 58,011 |
| Interest and other fiscal charges | 282,702 | 282,702 | 282,702 | - |
| Total expenditures | $ 41,887,471 | $ 49,036,685 | $ 39,661,291 | $ 9,375,394 |
| Excess (deficiency) of revenues over (under) expenditures | $ (1,507,687) | $ (2,964,948) | $ (1,336,730) | $ 1,628,218 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 95,629 | $ 95,629 | $ - | $ (95,629) |
| Transfers out | (92,429) | (92,429) | - | 92,429 |
| Issuance of notes payable | 1,500,000 | 1,500,000 | 116,518 | (1,383,482) |
| Issuances of leases | - | - | 31,849 | 31,849 |
| Sale of capital assets | 1,500 | 32,405 | 45,391 | 12,986 |
| Total other financing sources (uses) | $ 1,504,700 | $ 1,535,605 | $ 193,758 | $ (1,341,847) |
| Net change in fund balances | $ (2,987) | $ (1,429,343) | $ (1,142,972) | $ 286,371 |
| Fund balances - beginning | 2,987 | 1,429,343 | 21,312,842 | 19,883,499 |
| Fund balances - ending | $ - | $ - | $ 20,169,870 | $ 20,169,870 |

**County of Alleghany, Virginia**
**Special Law Fund**
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**
**For the Year Ended June 30, 2023**

| | Special Law Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue (loss) from the use of money and property | $ - | $ - | $ 10,401 | $ 10,401 |
| Miscellaneous | 53,500 | 53,500 | 46,436 | (7,064) |
| Total revenues | $ 53,500 | $ 53,500 | $ 56,837 | $ 3,337 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public safety | $ 53,500 | $ 53,500 | $ 47,542 | $ 5,958 |
| Total expenditures | $ 53,500 | $ 53,500 | $ 47,542 | $ 5,958 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ - | $ 9,295 | $ 9,295 |
| Net change in fund balances | $ - | $ - | $ 9,295 | $ 9,295 |
| Fund balances - beginning | - | - | 327,685 | 327,685 |
| Fund balances - ending | $ - | $ - | $ 336,980 | $ 336,980 |

## County of Alleghany, Virginia
## Schedule of Employer's Proportionate Share of the Net Pension Liability
## Pension Plans
## For the Measurement Dates of June 30, 2014 through June 30, 2022

| Date (1) | Proportion of the Net Pension Liability (NPL) (2) | Proportionate Share of the NPL (3) | Covered Payroll (4) | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6) |
|---|---|---|---|---|---|
| **Primary Government - County Retirement Plan [a]** | | | | | |
| 2022 | 99.4544% | $ 3,489,521 | 8,302,794 | 42.03% | 92.37% |
| 2021 | 99.3873% | 1,924,562 | 7,997,699 | 24.06% | 95.73% |
| 2020 | 98.0809% | 7,650,571 | 7,893,134 | 96.93% | 81.69% |
| 2019 | 98.0921% | 5,473,387 | 7,694,730 | 71.13% | 86.20% |
| 2018 | 98.1550% | 4,726,291 | 7,680,737 | 61.53% | 87.40% |
| 2017 | 98.0210% | 4,742,655 | 7,149,766 | 66.33% | 86.70% |
| 2016 | 98.5707% | 6,624,002 | 6,810,317 | 97.26% | 80.95% |
| 2015 | 99.6400% | 6,769,225 | 6,838,216 | 98.99% | 80.70% |
| 2014 | 99.6400% | 6,554,832 | 6,909,250 | 94.87% | 80.72% |
| **Component Unit School Board (professional) [b]** | | | | | |
| 2022 | 0.19150% | $ 18,231,946 | $ 17,722,794 | 102.87% | 82.61% |

[a] 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.

[b] Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2022 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

Exhibit 15

**County of Alleghany, Virginia**
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**
**Component Unit School Board (nonprofessional)**
**Pension Plans**
**For the Measurement Dates of June 30, 2022**

| | | 2022 |
|---|---|---|
| **Total pension liability** | | |
| Service cost | $ | 203,219 |
| Interest | | 1,007,312 |
| Differences between expected and actual experience | | (278,449) |
| Benefit payments | | (1,012,004) |
| Special item-school merger | | 15,225,916 |
| **Net change in total pension liability** | $ | 15,145,994 |
| **Total pension liability - beginning** | | - |
| **Total pension liability - ending (a)** | $ | 15,145,994 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ | 146,972 |
| Contributions - employee | | 111,768 |
| Net investment income | | (5,630) |
| Benefit payments | | (1,012,004) |
| Administrative charges | | (10,328) |
| Other | | 364 |
| Special item-school merger | | 16,282,797 |
| **Net change in plan fiduciary net position** | $ | 15,513,939 |
| **Plan fiduciary net position - beginning** | | - |
| **Plan fiduciary net position - ending (b)** | $ | 15,513,939 |
| | | |
| **School division's net pension liability (asset) - ending (a) - (b)** | $ | (367,945) |
| | | |
| **Plan fiduciary net position as a percentage of the total pension liability** | | 102.43% |
| | | |
| **Covered payroll** | $ | 2,449,510 |
| | | |
| **School Division's net pension liability as a percentage of covered payroll** | | -15.02% |

Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2022 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

Exhibit 16

**County of Alleghany, Virginia**
**Schedule of Employer Contributions**
**Pension Plans**
**For the Years Ended June 30, 2015 through June 30, 2023**

| Date | Contractually Required Contribution (1)* | Contributions in Relation to Contractually Required Contribution (2)* | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government** [a] | | | | | |
| 2023 | $ 1,179,952 | $ 1,179,952 | $ - | $ 9,168,665 | 12.87% |
| 2022 | 1,003,702 | 1,003,702 | - | 8,302,794 | 12.09% |
| 2021 | 971,412 | 971,412 | - | 7,997,699 | 12.15% |
| 2020 | 869,995 | 869,995 | - | 7,893,134 | 11.02% |
| 2019 | 852,575 | 852,575 | - | 7,694,730 | 11.08% |
| 2018 | 844,368 | 844,368 | - | 7,680,737 | 10.99% |
| 2017 | 812,492 | 812,492 | - | 7,149,766 | 11.36% |
| 2016 | 1,002,243 | 1,002,243 | - | 6,810,317 | 14.72% |
| 2015 | 999,546 | 999,546 | - | 6,838,216 | 14.62% |
| **Component Unit School Board (nonprofessional)** [b] | | | | | |
| 2023 | $ 122,200 | $ 122,200 | $ - | $ 2,450,058 | 4.99% |
| **Component Unit School Board (professional)** [b] | | | | | |
| 2023 | $ 2,893,321 | $ 2,893,321 | $ - | $ 18,088,019 | 16.00% |

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

[a] Schedule is intended to show information for 10 years. Prior to 2015 the County information reported in the County's report included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County.

[b] Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2023 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

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

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

Exhibit 18

**County of Alleghany, Virginia**
**Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios**
**Component Unit School Board**
**For the Measurement Dates of June 30, 2023**

| | Former Alleghany County School Board Employees with measurement date of June 30, 2023 | Former Covington City School Board Employees with measurement date of June 30, 2023 | Total Reported for Fiscal Year 2023 |
|---|---|---|---|
| **Total OPEB liability** | | | |
| Service cost | $ 75,460 | $ 28,324 | $ 103,784 |
| Interest | 57,222 | 11,602 | 68,824 |
| Effect of assumptions changes or inputs | 65,647 | (53,848) | 11,799 |
| Benefit payments | (104,659) | (48,137) | (152,796) |
| Special item-school merger | 1,592,832 | 600,019 | 2,192,851 |
| **Net change in total OPEB liability** | $ 1,686,502 | $ 537,960 | $ 2,224,462 |
| **Total OPEB liability - beginning** | - | - | - |
| **Total OPEB liability - ending** | $ 1,686,502 | $ 537,960 | $ 2,224,462 |
| **Covered - employee payroll** | $ 13,264,252 | $ 6,006,000 | $ 19,270,252 |
| **Component Unit School Board's total OPEB liability (asset) as a percentage of covered - employee payroll** | 12.71% | 8.96% | 11.54% |

Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2022/2023 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

**County of Alleghany, Virginia**
**Notes to Required Supplementary Information - OPEB**
**For the Year Ended June 30, 2023**

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

*Methods and assumptions used to determine OPEB liability:*

| | *Former Alleghany County School Board Employees* | *Former Covington City School Board Employees* |
|---|---|---|
| Valuation Date: | 7/1/2021 | 6/30/2021 |
| Measurement Date: | 6/30/2023 | 6/30/2023 |
| Actuarial Cost Method | Entry age normal level % of salary | Entry age normal level % of salary |
| Discount Rate | 3.65% as of June 30, 2023; 3.54% as of June 30, 2022 | 3.86% as of June 30, 2023; 1.92% as of June 30, 2021 |
| Inflation | 2.50% per year as of June 30, 2023; 2.50% per year as of June 30, 2022 | 2.50% per year as of June 30, 2023; 2.50% per year as of June 30, 2021 |
| Healthcare Trend Rate | The healthcare trend rate assumption starts at 5.50% in 2021 and gradually declines to 3.90% by 2073 | The healthcare trend rate assumption starts at 6.00% in 2021-22, decreasing 0.25% per year to ultimate rate of 4.00% in 2029 or later. |
| Salary Increase Rates | The salary increase rate consist of an inflation of 2.50%, a productivity component of 1.00%, and a variable merit component that is dependent on years of services. | The salary increase rate is 4.00%. |
| Retirement Age | The average age at retirement is 62 | The average age at retirement is 62 |
| Mortality Rates | The mortality rates for pre-retirement was calculated using RP-2014 Employee to age 80, Health Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed by service-related. The mortality rates for post-retirement was calculated using 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 setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for post-disablement was calculated using RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates. | The mortality rates are based on the Pub-2010 Healthy Lives (separate tables for pre- and post- retirement and for males and females), projected to change from 2010 by the MP-2021 Scale. |

Exhibit 20

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

| Date (1) | Employer's Proportion of the Net GLI OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6) |
|---|---|---|---|---|---|
| **Primary Government** [a] | | | | | |
| 2022 | 0.0382% | $ 459,611 | $ 8,302,794 | 5.54% | 67.21% |
| 2021 | 0.0388% | 451,053 | 7,997,699 | 5.64% | 67.45% |
| 2020 | 0.0384% | 640,156 | 7,893,134 | 8.11% | 52.64% |
| 2019 | 0.0393% | 639,126 | 7,694,730 | 8.31% | 52.00% |
| 2018 | 0.0404% | 613,469 | 7,680,737 | 7.99% | 51.22% |
| 2017 | 0.0388% | 583,225 | 7,149,766 | 8.16% | 48.86% |
| **Component Unit School Board (nonprofessional)** [b] | | | | | |
| 2022 | 0.0113% | $ 135,701 | $ 2,451,601 | 5.54% | 67.21% |
| **Component Unit School Board (professional)** [b] | | | | | |
| 2022 | 0.0816% | $ 982,543 | $ 17,749,234 | 5.54% | 67.21% |

[a] 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.

[b] Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2022 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

Exhibit 21

**County of Alleghany, Virginia**
**Schedule of Employer Contributions**
**Group Life Insurance (GLI) Plan**
**For the Years Ended June 30, 2015 through June 30, 2023**

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Primary Government** [(a)] | | | | | |
| 2023 | $ 49,561 | $ 49,561 | $ - | $ 9,177,911 | $ 0.54% |
| 2022 | 44,835 | 44,835 | - | 8,302,794 | 0.54% |
| 2021 | 43,192 | 43,192 | - | 7,997,699 | 0.54% |
| 2020 | 41,043 | 41,043 | - | 7,893,134 | 0.52% |
| 2019 | 40,013 | 40,013 | - | 7,694,730 | 0.52% |
| 2018 | 39,940 | 39,940 | - | 7,680,737 | 0.52% |
| 2017 | 37,187 | 37,187 | - | 7,149,766 | 0.52% |
| 2016 | 32,803 | 32,803 | - | 6,810,317 | 0.48% |
| 2015 | 33,173 | 33,173 | - | 6,838,216 | 0.49% |
| **Component Unit School Board (nonprofessional)** [(b)] | | | | | |
| 2023 | $ 13,230 | $ 13,230 | $ - | $ 2,450,058 | $ 0.54% |
| **Component Unit School Board (professional)** [(b)] | | | | | |
| 2023 | $ 97,726 | $ 97,726 | $ - | $ 18,097,337 | $ 0.54% |

[(a)] Schedule is intended to show information for 10 years. Prior to 2015 the County information reported in the County's report included participants that are not reported in the County's report. Therefore, no additional data is currently available for the County.

[(b)] Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2023 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

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

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

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

**Teachers**

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

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

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

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

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

Exhibit 23

**County of Alleghany, Virginia**
**Schedule of Component Unit School Board's (professional) Share of Net OPEB Liability**
**Teacher Employee Health Insurance Credit (HIC) Plan**
**For the Measurement Dates of June 30, 2022**

| Date (1) | Employer's Proportion of the Net HIC OPEB Liability (Asset) (2) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3) | Employer's Covered Payroll (4) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6) |
|---|---|---|---|---|---|
| 2022 | 0.1902% | $ 2,375,187 | $ 17,722,794 | 13.40% | 15.08% |

Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2022 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

Exhibit 24

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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| 2023 | $ 218,865 | $ 218,865 | $ - | $ 18,088,019 | 1.21% |

Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2023 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

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

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

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

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

Exhibit 26

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

| | | 2022 |
|---|---|---|
| **Total HIC OPEB Liability** | | |
| Service cost | $ | 4,733 |
| Interest | | 12,846 |
| Differences between expected and actual experience | | (21,261) |
| Changes of assumptions | | 22,426 |
| Benefit payments | | (13,187) |
| Special item-school merger | | 192,171 |
| **Net change in total HIC OPEB liability** | $ | 197,728 |
| **Total HIC OPEB Liability - beginning** | | - |
| **Total HIC OPEB Liability - ending (a)** | $ | 197,728 |
| | | |
| **Plan fiduciary net position** | | |
| Contributions - employer | $ | 20,279 |
| Net investment income | | (87) |
| Benefit payments | | (13,187) |
| Administrative charges | | (133) |
| Other | | 8,432 |
| Special item-school merger | | 58,327 |
| **Net change in plan fiduciary net position** | $ | 73,631 |
| **Plan fiduciary net position - beginning** | | - |
| **Plan fiduciary net position - ending (b)** | $ | 73,631 |
| | | |
| **Component Unit School Board's (nonprofessional) net HIC OPEB liability - ending (a) - (b)** | $ | 124,097 |
| | | |
| **Plan fiduciary net position as a percentage of the total HIC OPEB liability** | | 37.24% |
| | | |
| **Covered payroll** | $ | 2,449,510 |
| | | |
| **Component Unit School Board's (nonprofessional) net HIC OPEB liability as a percentage of covered payroll** | | 5.07% |

Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2022 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

Exhibit 27

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

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|---|---|---|---|---|---|
| **Component Unit School Board (nonprofessional)** | | | | | |
| 2023 | $ 20,335 | $ 20,335 | $ - | $ 2,450,058 | 0.83% |

Schedule is intended to show information for 10 years. As of July 1, 2023, Alleghany County School Board, Covington City School Board, and Jackson River Technical School merged to form Alleghany Highlands Public Schools. As a result, information prior to 2023 is not available for Alleghany Highlands Public Schools; however, additional years will be included as they become available.

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

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

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

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

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

# Other Supplementary Information

## FIDUCIARY FUNDS

Special Welfare – The Special Welfare fund accounts for funds belonging to individuals entrusted to the local social services agency, such as foster care children.

United Fire and Rescue Association – The United Fire and Rescue fund accounts for funds held for local fire and rescue agencies.

Alleghany Highlands Economic Development Corporation – The Alleghany Highlands Economic Development Corporation fund accounts for funds held in a fiduciary capacity for the Alleghany Highlands Economic Development Corporation.

Inmate Funds – The Inmate Account fund accounts for the inmate activity.

Exhibit 29

**County of Alleghany, Virginia**
**Combining Statement of Fiduciary Net Position**
**Fiduciary Funds**
**June 30, 2023**

| | Custodial Funds | | | | |
|---|---|---|---|---|---|
| | Special Welfare | United Fire & Rescue Association | Alleghany Highlands Economic Development Corporation | Inmate Funds | Total |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 11,166 | $ 655,246 | $ 299,360 | $ 11,486 | $ 977,258 |
| Total assets | $ 11,166 | $ 655,246 | $ 299,360 | $ 11,486 | $ 977,258 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ - | $ - | $ 9,764 | $ - | $ 9,764 |
| Total liabilities | $ - | $ - | $ 9,764 | $ - | $ 9,764 |
| **NET POSITION** | | | | | |
| Restricted | | | | | |
| AHEDC | $ - | $ - | $ 289,596 | $ - | $ 289,596 |
| Social services clients | 11,166 | - | - | - | 11,166 |
| United Fire and Rescue Association | - | 655,246 | - | - | 655,246 |
| Held for inmates | - | - | - | 11,486 | 11,486 |
| Total net position | $ 11,166 | $ 655,246 | $ 289,596 | $ 11,486 | $ 967,494 |

Exhibit 30

**County of Alleghany, Virginia**
**Combining Statement of Changes in Fiduciary Net Position**
**Fiduciary Funds**
**For the Year Ended June 30, 2022**

| | Custodial Funds | | | | |
|---|---|---|---|---|---|
| | Special Welfare | United Fire & Rescue Association | Alleghany Highlands Economic Development Corporation | Inmate Funds | Total |
| **ADDITIONS** | | | | | |
| Contributions and grants | $ 57,988 | $ 71,847 | $ 233,150 | $ - | $ 362,985 |
| Deposits from inmates | - | - | - | 178,837 | 178,837 |
| Revenue from the use of money | 2 | 17,336 | 3,555 | - | 20,893 |
| Miscellaneous | - | - | 5,481 | - | 5,481 |
| Total additions | $ 57,990 | $ 89,183 | $ 242,186 | $ 178,837 | $ 568,196 |
| **DEDUCTIONS** | | | | | |
| Special welfare payments | $ 57,036 | $ - | $ - | $ - | $ 57,036 |
| United Fire expenses | - | 23,102 | - | - | 23,102 |
| Alleghany Highlands Economic Development payments | - | - | 215,447 | - | 215,447 |
| Inmate refunds | - | - | - | 194,114 | 194,114 |
| Total deductions | $ 57,036 | $ 23,102 | $ 215,447 | $ 194,114 | $ 489,699 |
| Net increase (decrease) in fiduciary net position | $ 954 | $ 66,081 | $ 26,739 | $ (15,277) | $ 78,497 |
| Net position, beginning of year | 10,212 | 589,165 | 262,857 | 26,763 | 888,997 |
| Net position, end of year | $ 11,166 | $ 655,246 | $ 289,596 | $ 11,486 | $ 967,494 |

## DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

### MAJOR GOVERNMENTAL FUNDS

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

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

Exhibit 31

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

| | School Operating Fund | School Activity Fund | Non-Major Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 8,089,998 | $ 1,375,361 | $ 252,579 | $ 9,717,938 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts receivable | 100,700 | - | - | 100,700 |
| Leases receivable | 6,263 | - | - | 6,263 |
| Due from other governmental units | 944,643 | - | - | 944,643 |
| Prepaid items | 497,513 | - | 1,273 | 498,786 |
| Total assets | $ 9,639,117 | $ 1,375,361 | $ 253,852 | $ 11,268,330 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 209,587 | $ - | $ - | $ 209,587 |
| Accrued liabilities | 1,518,541 | - | - | 1,518,541 |
| Construction payable | 124,197 | - | - | 124,197 |
| Unearned revenue | 1,576 | - | - | 1,576 |
| Total liabilities | $ 1,853,901 | $ - | $ - | $ 1,853,901 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Lease related items | $ 6,263 | $ - | $ - | $ 6,263 |
| Total deferred inflows of resources | $ 6,263 | $ - | $ - | $ 6,263 |
| **FUND BALANCES** | | | | |
| Nonspendable | | | | |
| Prepaid items | $ 497,513 | $ - | $ 1,273 | $ 498,786 |
| Restricted: | | | | |
| School food program | 465,598 | - | - | 465,598 |
| School construction | 1,751,126 | - | - | 1,751,126 |
| School activity fund | - | 1,375,361 | - | 1,375,361 |
| Governor's school fund | - | - | 252,579 | 252,579 |
| Unrestricted | 5,064,716 | - | - | 5,064,716 |
| Total fund balances | $ 7,778,953 | $ 1,375,361 | $ 253,852 | $ 9,408,166 |
| Total liabilities, deferred inflows of resources and fund balances | $ 9,639,117 | $ 1,375,361 | $ 253,852 | $ 11,268,330 |

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

| | | |
|---|---|---|
| Total fund balances per above | | $ 9,408,166 |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. | | |
| Capital assets | | |
| Capital assets not being depreciated/amortized | $ 3,523,433 | |
| Capital assets being depreciated/amortized | 53,084,678 | |
| Accumulated depreciation/amortization | (33,067,923) | 23,540,188 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Net pension asset | | 367,945 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | $ 11,058,382 | |
| OPEB related items | 2,050,614 | 13,108,996 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Financed purchases | $ (21,652) | |
| Lease liabilities | (29,788) | |
| Accrued interest payable | (401) | |
| Compensated absences | (332,701) | |
| Net OPEB liabilities | (5,841,990) | |
| Net pension liabilities | (18,231,946) | (24,458,478) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Leases receivable related items | $ 241 | |
| Pension related items | (12,246,313) | |
| OPEB related items | (1,918,512) | (14,164,584) |
| Net position of governmental activities | | $ 7,802,233 |

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

| | School Operating Fund | School Activity Fund* | Non-Major Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 58,670 | $ - | $ - | $ 58,670 |
| Charges for services | 158,495 | 596,872 | 73,936 | 829,303 |
| Miscellaneous | 100,163 | - | - | 100,163 |
| Recovered costs | 82,538 | - | - | 82,538 |
| Intergovernmental | 48,596,889 | - | 45,805 | 48,642,694 |
| Total revenues | $ 48,996,755 | $ 596,872 | $ 119,741 | $ 49,713,368 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 43,589,782 | $ 890,438 | $ 131,486 | $ 44,611,706 |
| Debt service: | | | | |
| Principal retirement | 67,009 | - | - | 67,009 |
| Interest and other fiscal charges | 2,043 | - | - | 2,043 |
| Total expenditures | $ 43,658,834 | $ 890,438 | $ 131,486 | $ 44,680,758 |
| Excess (deficiency) of revenues over (under) expenditures | $ 5,337,921 | $ (293,566) | $ (11,745) | $ 5,032,610 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ 37,980 | $ 373,714 | $ - | $ 411,694 |
| Transfers out | (373,714) | (37,980) | - | (411,694) |
| Total other financing sources (uses) | $ (335,734) | $ 335,734 | $ - | $ - |
| **SPECIAL ITEMS:** | | | | |
| Transfer from Alleghany County Public Schools | $ 2,776,766 | $ 737,174 | $ 265,597 | $ 3,779,537 |
| Transfer from Covington City Schools | - | 112,026 | - | 112,026 |
| Transfer from Jackson River Technical School | - | 166,578 | - | 166,578 |
| Transfer from Jackson River Technical School - custodial funds | - | 317,415 | - | 317,415 |
| Total special items | $ 2,776,766 | $ 1,333,193 | $ 265,597 | $ 4,375,556 |
| Net change in fund balances | $ 7,778,953 | $ 1,375,361 | $ 253,852 | $ 9,408,166 |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | $ 7,778,953 | $ 1,375,361 | $ 253,852 | $ 9,408,166 |

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 | | $ 9,408,166 |
| 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/amortization expense. This is details of items supporting this adjustment: | | |
| Capital outlay | $ 2,914,952 | |
| Depreciation/amortization expense | (1,953,185) | 961,767 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| State non-employe contributions to the pension plan | $ 847,141 | |
| State non-employe contributions to the OPEB plan | 51,112 | |
| Leases receivable | (365) | 897,888 |
| 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Principal repayments: | | |
| Financed purchases | $ 38,398 | |
| Lease liabilities | 28,611 | 67,009 |
| 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 | $ 218,805 | |
| Change in accrued interest payable | 778 | |
| Change in OPEB related items | 109,471 | |
| Change in pension related items | 3,237,496 | 3,566,550 |
| Special item - school consolidation | | |
| Special item - transfer from Alleghany County Public Schools | | 1,112,364 |
| Special item - transfer to Covington City Schools | | (7,627,833) |
| Special item - transfer to Jackson River Technical School | | (583,678) |
| Change in net position of governmental activities | | $ 7,802,233 |

*The School Activity Fund does not require a legally adopted budget.

Exhibit 33

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

| | School Operating Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Revenue from the use of money and property | $ 40,650 | $ 40,650 | $ 58,670 | $ 18,020 |
| Charges for services | 133,637 | 133,637 | 158,495 | 24,858 |
| Miscellaneous | 161,178 | 161,178 | 100,163 | (61,015) |
| Recovered costs | 67,056 | 67,056 | 82,538 | 15,482 |
| Intergovernmental | 47,414,835 | 47,414,835 | 48,596,889 | 1,182,054 |
| Total revenues | $ 47,817,356 | $ 47,817,356 | $ 48,996,755 | $ 1,179,399 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 47,381,906 | $ 47,381,906 | $ 43,589,782 | $ 3,792,124 |
| Debt service: | | | | |
| Principal retirement | 67,009 | 67,009 | 67,009 | - |
| Interest and other fiscal charges | 2,043 | 2,043 | 2,043 | - |
| Total expenditures | $ 47,450,958 | $ 47,450,958 | $ 43,658,834 | $ 3,792,124 |
| Excess (deficiency) of revenues over (under) expenditures | $ 366,398 | $ 366,398 | $ 5,337,921 | $ 4,971,523 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ 37,980 | $ 37,980 |
| Transfers out | (626,000) | (626,000) | (373,714) | 252,286 |
| Total other financing sources (uses) | $ (626,000) | $ (626,000) | $ (335,734) | $ 290,266 |
| **SPECIAL ITEM** | | | | |
| Transfer from Alleghany County School Board | $ 259,602 | $ 259,602 | $ 2,776,766 | $ 2,517,164 |
| Total special items | $ 259,602 | $ 259,602 | $ 2,776,766 | $ 2,517,164 |
| Net change in fund balances | $ - | $ - | $ 7,778,953 | $ 7,778,953 |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | $ - | $ - | $ 7,778,953 | $ 7,778,953 |

Exhibit 34

**County of Alleghany, Virginia**
**Combining Balance Sheet**
**Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board**
**June 30, 2023**

| | Governor's School Fund |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 252,579 |
| Prepaid items | 1,273 |
| Total assets | $ 253,852 |
| **FUND BALANCES** | |
| Nonspendable | $ 1,273 |
| Restricted: | |
| Governor's school fund | 252,579 |
| Total fund balances | $ 253,852 |
| Total liabilities and fund balances | $ 253,852 |

Exhibit 35

# County of Alleghany, Virginia
## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
## Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
## For the Year Ended June 30, 2023

| | Governor's School Fund |
|---|---|
| **REVENUES** | |
| Charges for services | $ 73,936 |
| Intergovernmental | 45,805 |
| Total revenues | $ 119,741 |
| **EXPENDITURES** | |
| Current: | |
| Education | $ 131,486 |
| Total expenditures | $ 131,486 |
| Excess (deficiency) of revenues over (under) expenditures | $ (11,745) |
| **SPECIAL ITEM** | |
| Transfer from Alleghany County School Board | $ 265,597 |
| Total special items | $ 265,597 |
| Net change in fund balances | $ 253,852 |
| Fund balances - beginning | - |
| Fund balances - ending | $ 253,852 |

# Other Statistical Information

Table 1

**County of Alleghany, Virginia**
**Government-Wide Expenses by Function**
**Last Ten Fiscal Years**

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Water and Sewer Fund | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2022-23 | $ 1,501,246 | $ 1,946,131 | $ 10,429,971 | $ 4,941,871 | $ 4,858,708 | $ 9,325,738 | $ 1,399,972 | $ 1,896,192 | $ 276,192 | $ 5,342,479 | $ 41,918,500 |
| 2021-22 | 1,975,187 | 1,660,718 | 10,509,624 | 3,719,878 | 4,956,690 | 22,551,054 | 616,441 | 3,107,967 | 341,371 | 4,982,842 | 54,421,772 |
| 2020-21 | 1,692,123 | 1,973,873 | 8,697,550 | 3,862,889 | 4,998,275 | 12,087,978 | 959,643 | 1,353,474 | 367,366 | 5,157,477 | 41,150,648 |
| 2019-20 | 1,962,153 | 1,951,077 | 7,534,991 | 2,709,932 | 4,317,407 | 11,925,940 | 911,422 | 448,368 | 361,568 | 4,986,888 | 37,109,746 |
| 2018-19 | 1,876,436 | 1,773,496 | 6,714,712 | 2,835,040 | 3,921,484 | 14,020,932 | 889,151 | 503,925 | 352,208 | 5,604,209 | 38,491,593 |
| 2017-18 | 2,202,672 | 1,712,583 | 6,486,342 | 2,925,303 | 4,063,044 | 11,964,651 | 925,770 | 498,773 | 301,115 | 5,097,889 | 36,178,142 |
| 2016-17 | 2,013,686 | 1,727,111 | 6,281,243 | 3,069,619 | 4,328,093 | 11,953,884 | 810,438 | 2,120,959 | 252,340 | 5,174,652 | 37,732,025 |
| 2015-16 | 2,265,730 | 1,578,405 | 5,669,932 | 3,082,441 | 4,203,749 | 11,703,747 | 861,841 | 444,866 | 295,265 | 4,379,654 | 34,485,630 |
| 2014-15 | 1,978,765 | 1,476,156 | 5,962,056 | 3,332,512 | 3,647,251 | 10,707,726 | 720,544 | 465,186 | 324,331 | 4,433,153 | 33,047,680 |
| 2013-14 | 2,218,596 | 1,559,654 | 5,548,155 | 2,939,564 | 3,683,445 | 12,558,547 | 812,380 | 505,841 | 394,899 | 4,837,124 | 35,058,205 |

Table 2

**County of Alleghany, Virginia**
**Government-Wide Revenues**
**Last Ten Fiscal Years**

| | PROGRAM REVENUES | | | GENERAL REVENUES | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Grants and Contributions Not Restricted to Specific Programs | Total |
| 2022-23 | $ 6,802,446 | $ 9,354,068 | $ 17,232 | $ 18,360,654 | $ 3,801,523 | $ 516,148 | $ 208,761 | $ 2,517,773 | $ 41,578,605 |
| 2021-22 | 6,060,858 | 15,221,134 | 26,563 | 18,357,354 | 3,476,422 | (105,915) | 436,153 | 2,466,724 | 45,939,293 |
| 2020-21 | 6,040,098 | 12,824,692 | 481,204 | 18,059,396 | 3,139,124 | 42,610 | 235,947 | 2,504,359 | 43,327,430 |
| 2019-20 | 5,858,014 | 10,425,472 | 169,385 | 17,189,549 | 2,983,930 | 272,749 | 273,627 | 2,513,883 | 39,686,609 |
| 2018-19 | 6,317,575 | 9,585,129 | 28,610 | 16,519,123 | 2,884,888 | 362,347 | 188,242 | 2,526,887 | 38,412,801 |
| 2017-18 | 5,139,759 | 9,238,584 | 323,639 | 16,431,926 | 2,666,441 | 104,191 | 202,316 | 2,430,722 | 36,537,578 |
| 2016-17 | 4,921,947 | 9,497,971 | 2,196,671 | 16,216,009 | 2,582,898 | 54,297 | 1,657,373 | 2,485,685 | 39,612,851 |
| 2015-16 | 5,767,026 | 9,248,437 | 350,815 | 16,438,002 | 2,693,879 | 78,919 | 214,733 | 2,392,061 | 37,183,872 |
| 2014-15 | 4,622,696 | 8,921,346 | 7,693 | 16,165,901 | 2,691,370 | 74,735 | 244,482 | 2,397,886 | 35,126,109 |
| 2013-14 | 4,827,467 | 8,458,807 | 23,280 | 15,186,511 | 2,554,418 | 82,668 | 244,619 | 2,407,155 | 33,784,925 |

Excludes special and extraordinary items.

Table 3

**County of Alleghany, Virginia**
**General Governmental Expenditures by Function (1)**
**Last Ten Fiscal Years**

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development | Nondepartmental | Debt Service | Capital Projects | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2022-23 | $ 2,778,698 | $ 1,979,583 | $ 9,470,705 | $ 5,134,338 | $ 5,136,476 | $ 44,621,706 | $ 2,042,395 | $ 1,070,028 | $ 383,812 | $ 1,637,244 | $ 893,546 | $ 75,148,531 |
| 2021-22 | 2,630,666 | 1,959,014 | 8,451,388 | 3,890,740 | 5,339,183 | 27,104,923 | 1,058,120 | 1,945,732 | 24,999 | 2,225,040 | 1,618,395 | 56,248,200 |
| 2020-21 | 2,620,641 | 1,934,303 | 8,537,845 | 3,763,624 | 5,547,527 | 26,627,987 | 936,236 | 1,119,314 | 230,454 | 1,875,472 | 2,513,860 | 55,707,263 |
| 2019-20 | 2,293,670 | 1,885,442 | 7,945,487 | 2,812,376 | 4,498,575 | 27,279,073 | 847,868 | 411,713 | - | 1,878,480 | 1,246,493 | 51,099,177 |
| 2018-19 | 2,410,812 | 1,915,434 | 9,547,323 | 3,030,465 | 4,248,728 | 26,238,382 | 895,773 | 484,727 | - | 2,032,742 | 4,839,557 | 55,643,943 |
| 2017-18 | 2,433,382 | 1,861,223 | 7,200,210 | 2,952,696 | 4,314,905 | 26,166,569 | 1,114,578 | 507,543 | - | 1,955,449 | 1,610,406 | 50,116,961 |
| 2016-17 | 2,358,500 | 1,766,569 | 6,765,064 | 3,021,282 | 4,518,362 | 26,708,173 | 2,940,320 | 2,124,181 | - | 1,890,373 | 458,621 | 52,551,445 |
| 2015-16 | 2,408,993 | 1,623,127 | 6,292,769 | 3,196,499 | 4,605,417 | 26,272,527 | 1,387,272 | 433,733 | - | 2,036,381 | 421,253 | 48,677,971 |
| 2014-15 | 2,332,462 | 1,529,864 | 6,287,387 | 3,235,630 | 4,332,044 | 26,668,845 | 743,712 | 467,061 | - | 1,934,068 | 338,676 | 47,869,749 |
| 2013-14 | 2,348,028 | 1,561,280 | 5,792,074 | 2,853,176 | 4,145,168 | 26,757,720 | 766,086 | 504,569 | 137,782 | 1,595,574 | 4,974,279 | 51,435,736 |

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government and its Discretely Presented Component Unit-School Board.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 4

**County of Alleghany, Virginia**
**General Governmental Revenues by Source (1)**
**Last Ten Fiscal Years**

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 2022-23 | $ 18,564,424 | $ 3,801,523 | $ 54,243 | $ 30,915 | $ 566,094 | $ 2,048,737 | $ 327,634 | $ 2,169,429 | $ 51,290,707 | $ 78,853,706 |
| 2021-22 | 18,276,916 | 3,476,422 | 75,607 | 42,697 | 15,672 | 1,784,975 | 439,369 | 2,033,656 | 34,395,109 | 60,540,423 |
| 2020-21 | 18,192,280 | 3,139,124 | 33,666 | 53,128 | 42,749 | 1,490,177 | 497,933 | 2,586,868 | 30,589,069 | 56,624,994 |
| 2019-20 | 17,185,474 | 2,983,930 | 33,859 | 36,059 | 268,425 | 1,314,951 | 436,683 | 1,763,843 | 27,584,846 | 51,608,070 |
| 2018-19 | 16,404,843 | 2,884,888 | 51,300 | 37,911 | 331,689 | 1,400,979 | 627,157 | 1,770,598 | 27,075,224 | 50,584,589 |
| 2017-18 | 16,460,574 | 2,666,441 | 38,140 | 74,780 | 110,639 | 977,849 | 753,140 | 1,706,379 | 28,559,523 | 51,347,465 |
| 2016-17 | 16,146,070 | 2,582,898 | 29,471 | 101,353 | 43,670 | 936,678 | 2,182,220 | 1,526,569 | 28,559,523 | 52,108,452 |
| 2015-16 | 16,432,520 | 2,693,879 | 34,172 | 37,102 | 72,950 | 872,014 | 793,960 | 1,674,885 | 26,368,912 | 48,980,394 |
| 2014-15 | 16,200,657 | 2,691,370 | 32,786 | 40,814 | 61,773 | 967,427 | 747,085 | 1,837,701 | 26,274,077 | 48,853,690 |
| 2013-14 | 15,148,553 | 2,554,418 | 28,178 | 59,214 | 72,952 | 1,040,908 | 708,314 | 1,800,693 | 25,373,168 | 46,786,398 |

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

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

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1) | Percent of Delinquent Taxes to Tax Levy |
|---|---|---|---|---|---|---|---|---|
| 2022-23 | $ 19,882,499 | $ 19,547,996 | 98.32% | $ 381,350 | $ 19,929,346 | 100.24% | $ 659,275 | 3.32% |
| 2021-22 | 19,823,368 | 19,441,928 | 98.08% | 258,003 | 19,699,931 | 99.38% | 728,925 | 3.68% |
| 2020-21 | 19,591,077 | 19,161,513 | 97.81% | 439,012 | 19,600,525 | 100.05% | 637,518 | 3.25% |
| 2019-20 | 18,568,687 | 18,334,126 | 98.74% | 303,005 | 18,637,131 | 100.37% | 761,404 | 4.10% |
| 2018-19 | 17,892,794 | 17,555,526 | 98.12% | 310,788 | 17,866,314 | 99.85% | 726,449 | 4.06% |
| 2017-18 | 17,785,917 | 17,493,648 | 98.36% | 398,881 | 17,892,529 | 100.60% | 683,135 | 3.84% |
| 2016-17 | 17,571,198 | 17,140,464 | 97.55% | 227,217 | 17,367,681 | 98.84% | 743,351 | 4.23% |
| 2015-16 | 17,749,218 | 17,241,475 | 97.14% | 320,486 | 17,561,961 | 98.94% | 699,953 | 3.94% |
| 2014-15 | 17,613,882 | 16,996,592 | 96.50% | 329,846 | 17,326,438 | 98.37% | 612,674 | 3.48% |
| 2013-14 | 17,568,748 | 17,276,587 | 98.34% | 287,649 | 17,564,236 | 99.97% | 637,328 | 3.63% |

(1) Exclusive of penalties and interest.  Includes PPTRA revenue from the Commonwealth.
Fiscal years 2012 through 2014 have been adjusted to account for refunds of approximately 1.4 million dollars.

Table 6

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

| Fiscal Year | Real Estate (1) | Personal Property and Mobile Homes | Machinery and Tools | Public Utility (2) | Total |
|---|---|---|---|---|---|
| 2022-23 | $ 1,236,672,127 | $ 168,193,065 | $ 212,818,436 | $ 161,804,348 | $ 1,779,487,976 |
| 2021-22 | 1,232,515,523 | 161,896,577 | 211,565,658 | 176,963,249 | 1,782,941,007 |
| 2020-21 | 1,225,302,182 | 148,834,949 | 211,215,719 | 179,426,407 | 1,764,779,257 |
| 2019-20 | 1,216,992,597 | 144,746,455 | 185,257,582 | 190,079,083 | 1,737,075,717 |
| 2018-19 | 1,213,322,557 | 142,500,508 | 180,847,337 | 173,277,086 | 1,709,947,488 |
| 2017-18 | 1,211,932,214 | 70,928,863 | 90,396,100 | 178,515,715 | 1,551,772,892 |
| 2016-17 | 1,205,493,480 | 69,838,584 | 87,848,224 | 170,703,976 | 1,533,884,264 |
| 2015-16 | 1,202,425,765 | 66,764,432 | 98,782,735 | 179,762,641 | 1,547,735,573 |
| 2014-15 | 1,198,562,696 | 66,625,672 | 96,917,748 | 176,440,723 | 1,538,546,839 |
| 2013-14 | 1,195,599,690 | 66,324,208 | 114,611,443 | 119,210,453 | 1,495,745,794 |

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

(2) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

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

| Fiscal Year | Real Estate | Personal Property | Mobile Home | Machinery and Tools |
|---|---|---|---|---|
| 2022-23 | $ 0.73 | $ 2.98 | $ 0.73 | $ 2.98 |
| 2021-22 | 0.73 | 2.98 | 0.73 | 2.98 |
| 2020-21 | 0.73 | 2.98 | 0.73 | 2.98 |
| 2019-20 | 0.73 | 2.98 | 0.73 | 2.98 |
| 2018-19 | 0.71 | 2.98 | 0.71 | 2.98 |
| 2017-18 | 0.71 | 5.95 | 0.71 | 5.95 |
| 2016-17 | 0.71 | 5.95 | 0.71 | 5.95 |
| 2015-16 | 0.69 | 5.95 | 0.69 | 5.95 |
| 2014-15 | 0.67 | 5.95 | 0.67 | 5.95 |
| 2013-14 | 0.67 | 5.95 | 0.67 | 5.95 |

(1) Per $100 of assessed value.

Table 8

**County of Alleghany, Virginia**
**Ratio of Net General Bonded Debt to**
**Assessed Value and Net Bonded Debt Per Capita**
**Last Ten Fiscal Years**

| Fiscal Year | Population (1) | Real Estate Assessed Value (in thousands) | Gross Bonded Debt (2) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|---|---|---|---|---|---|---|
| 2022-23 | 14,835 | $ 1,236,672 | $ 765,215 | $ 765,215 | 0.06% | $ 52 |
| 2021-22 | 14,986 | 1,232,516 | 946,812 | 946,812 | 0.08% | 63 |
| 2020-21 | 15,223 | 1,225,302 | 2,264,860 | 2,264,860 | 0.18% | 149 |
| 2019-20 | 14,910 | 1,216,993 | 3,559,561 | 3,559,561 | 0.29% | 239 |
| 2018-19 | 14,910 | 1,213,323 | 4,836,269 | 4,836,269 | 0.40% | 324 |
| 2017-18 | 15,820 | 1,211,932 | 6,491,474 | 6,491,474 | 0.54% | 410 |
| 2016-17 | 15,820 | 1,205,493 | 8,121,354 | 8,121,354 | 0.67% | 513 |
| 2015-16 | 15,820 | 1,202,426 | 9,652,194 | 9,652,194 | 0.80% | 610 |
| 2014-15 | 15,820 | 1,198,563 | 11,325,995 | 11,325,995 | 0.94% | 716 |
| 2013-14 | 16,250 | 1,195,600 | 12,848,989 | 12,848,989 | 1.07% | 791 |

(1) Population per the Bureau of the Census.
(2) Includes all long-term general obligations: bonded debt, bonded anticipation notes, and literary fund loans. Also includes lease revenue bonds which will be repaid using taxpayer dollars. Excludes revenue bonds, landfill closure/post-closure care liability, lease liabilities, and compensated absences.

# COMPLIANCE SECTION

**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 Board of Supervisors**
**County of Alleghany, Virginia**
**Covington, 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 unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated February 8, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Alleghany, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alleghany, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

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

**County of Alleghany, Virginia's Response to Findings**

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

**Purpose of This Report**

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 8, 2024

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants
CPAs | Consultants

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

**To The Board of Supervisors**
**County of Alleghany, Virginia**
**Covington, Virginia**

**Report on Compliance for Each Major Federal Program**

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

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

In our opinion, the County of Alleghany, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

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

***Responsibilities of Management for Compliance***

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County of Alleghany, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County of Alleghany, Virginia's compliance with the requirements of each major federal program as a whole.

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

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

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

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

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

## Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
February 8, 2024

**County of Alleghany, Virginia**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2023**

| Federal Grantor/Pass - Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | | Federal Expenditures | Expenditures to Subrecipients |
|---|---|---|---|---|---|
| **Department of Health and Human Services:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Social Services:* | | | | | |
| Temporary Assistance for Needy Families | 93.558 | 0400123/0400122 | | $ 240,179 | |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | 0950122/0950121 | | 11,226 | |
| Refugee and Entrant Assistance - State/Replacement Designee Administered Programs | 93.566 | 0500122/0500123 | | 1,100 | |
| Low-Income Home Energy Assistance | 93.568 | 0600423/0600422 | | 49,451 | |
| *CCDF Cluster:* | | | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760123/0760122 | | 56,443 | |
| *Total CCDF Cluster* | | | | | |
| Chafee Education and Training Vouchers Program | 93.599 | 9160121 | | 736 | |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900121/0900122 | | 380 | |
| Foster Care - Title IV-E | 93.658 | 1100121/1100122 | | 175,562 | |
| Title IV-E Prevention Program | 93.472 | 1100123/1100122 | | 3,784 | |
| Adoption Assistance | 93.659 | 1120123/1120122 | | 64,728 | |
| Social Services Block Grant | 93.667 | 1000123/1000122 | | 229,130 | |
| Children's Health Insurance Program | 93.767 | 0540123/0540122 | | 1,964 | |
| *Medicaid Cluster:* | | | | | |
| Medical Assistance Program | 93.778 | 1200123/1200122 | | 230,593 | |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | 9150122/9150121 | | 3,336 | |
| Guardianship Assistance | 93.090 | 1110123/1110122 | | 105 | |
| Total Department of Health and Human Services | | | | $ 1,068,717 | |
| **Department of Agriculture:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Education:* | | | | | |
| *Forest Service Schools and Roads Cluster:* | | | | | |
| Schools and Roads - Grants to States | 10.665 | APE438410000 | | $ 138,470 | |
| COVID-19 Pandemic EBT Administrative Costs | 10.649 | DOE865560000 | | 6,270 | |
| *Child Nutrition Cluster:* | | | | | |
| School Breakfast Program | 10.553 | APE402530000/APE411100000 | $ 334,168 | | |
| National School Lunch Program | 10.555 | APE402540000/APE411060000/ APE411080000 | 1,202,230 | | |
| Summer Food Service Program for Children | 10.559 | APE603020000/APE603030000 | 33,549 | | |
| *Total Child Nutrition Cluster* | | | | 1,569,947 | |
| *Virginia Department of Social Services:* | | | | | |
| *SNAP Cluster:* | | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010123/0010122/ 0040123/0040122 | | 447,555 | |
| Total Department of Agriculture | | | | $ 2,162,242 | |
| **National Endowment for the Arts:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Commission for the Arts* | | | | | |
| Promotion of the Arts Partnership Agreements | 45.025 | 143007 | | $ 675 | |
| Total National Endowment for the Arts | | | | $ 675 | |
| **Department of Transportation:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Transportation:* | | | | | |
| Alcohol Open Container Requirements | 20.607 | 154AL-2022-52002-22002/ ENF_AL-2023-53119-23119 | | $ 1,023 | |
| *Highway Safety Cluster:* | | | | | |
| State and Community Highway Safety | 20.600 | FOP-2022-52003-22003/ FSC-2022-52004-22004/ BPT-2023-53121-23121 | | 2,748 | |
| Total Department of Transportation | | | | $ 3,771 | |
| **Department of Justice:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Criminal Justice Services:* | | | | | |
| Crime Victim Assistance | 16.575 | 19V2GX0054/20V2GX0048 | | $ 204,266 | |
| Total Department of Justice | | | | $ 204,266 | |
| **Department of Labor:** | | | | | |
| Pass Through Payments: | | | | | |
| Virginia Department of Education | | | | | |
| *WIOA Cluster:* | | | | | |
| WIOA Dislocated Worker Formula Grants | 17.278 | APE402800000 | | $ 139,892 | |
| Total Department of Labor | | | | $ 139,892 | |

**County of Alleghany, Virginia**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2023**

| Federal Grantor/Pass - Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | | Federal Expenditures | Expenditures to Subrecipients |
|---|---|---|---|---|---|
| **Department of Treasury:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Criminal Justice Services* | | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 510174 | $ 321,354 | | |
| *Virginia Tourism Commission* | | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Not available | 20,000 | | |
| *Virginia Department of Education* | | | | | |
| COVID-19 - Coronavirus State and Local Fiscal Recovery Funds | 21.027 | APE600540000/APE452770000 | 340,918 | $ 682,272 | |
| Total Department of Treasury | | | | $ 682,272 | |
| **Department of Housing and Urban Development:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Housing and Community Development:* | | | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 117612 | $ 706,252 | | |
| COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 117613 | 150,668 | $ 856,920 | $ 150,668 |
| Total Department of Housing and Urban Development | | | | $ 856,920 | |
| **Department of Education:** | | | | | |
| Pass Through Payments: | | | | | |
| *Virginia Department of Education:* | | | | | |
| Title I: Grants to Local Educational Agencies | 84.010 | APE429010000 | | $ 913,828 | |
| Career and Technical Education: Basic Grants to States | 84.048 | APE600310000/APE600311005/ DOE866480000 | | 128,049 | |
| *Special Education Cluster:* | | | | | |
| Special Education - Grants to States | 84.027 | APE402870000/APE430710000 | $ 836,823 | | |
| Special Education - Preschool Grants | 84.173 | APE625210000 | 18,922 | | |
| *Total Special Education Cluster* | | | | 855,745 | |
| Supporting Effective Instruction State Grant | 84.367 | APE614800000 | | 101,990 | |
| Student Support and Academic Enrichment Program | 84.424 | APE602810000 | | 20,947 | |
| Rural Education | 84.358 | APE434810000 | | 28,128 | |
| *Education Stabilization Fund:* | | | | | |
| COVID-19 Governor's Emergency Education Relief Fund | 84.425C | APE700370000 | $ 19,651 | | |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | APE501950000/DOE865290000/ APE601730000/APE600410000/ APE600420000 | 1,827,104 | | |
| COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief | 84.425U | APE501930000 | 1,040,435 | | |
| *Total Education Stabilization Fund* | | | | 2,887,190 | |
| *City of Salem, Virginia School Board:* | | | | | |
| Adult Education - Basic Grants to States | 84.002 | Not available | | 23,216 | |
| Total Department of Education | | | | $ 4,959,093 | |
| Total Expenditures of Federal Awards | | | | $ 10,077,848 | $ 150,668 |

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

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Alleghany, Virginia under programs of the federal government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Alleghany, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Alleghany, Virginia.

Note B -- Summary of Significant Accounting Policies:

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

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

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

Note C -- Food Distribution

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

Note D -- Outstanding Balance of Federal Loans

The County has not received any federal funding through loans.

Note E -- Relationship to the Financial Statements

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

| | |
|---|---|
| Primary government: | |
| General Fund-Intergovernmental | $ 11,889,073 |
| Less: Revenue from the Commonwealth | (8,518,611) |
| Less: Payments in Lieu of Taxes | (447,204) |
| Component Unit School Board: | |
| School Operating Fund-Intergovernmental | 48,596,889 |
| Less: Revenue from Local Governments | (12,235,932) |
| Less: Revenue from the Commonwealth | (29,206,367) |
| Governor's School Fund-Intergovernmental | 45,805 |
| Less: Revenue from the Commonwealth | (45,805) |
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | $ 10,077,848 |

**County of Alleghany, Virginia**

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

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

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | Yes |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section, 200.516 (a)? | Yes |

Identification of major programs:

| Assistance Listing # | Name of Federal Program or Cluster |
|---|---|
| 10.553/10.555/10.559 | Child Nutrition Cluster |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.027/84.173 | Special Education Cluster |
| 84.425 | Education Stabilization Fund |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | No |

**Section II - Financial Statement Findings**

| **Finding 2023-001 (Significant Deficiency)** | |
|---|---|
| Criteria: | An organization should prepare reconciliations to ensure amounts reported in the financial statements are materially correct. |
| Condition: | The County's Department of Social Services failed to document reconciliations of the special welfare ledger to the County's books. |
| Cause: | The Department experienced turnover and new employees are still in the process of learning their roles and responsibilities. |
| Effect: | The subsidiary ledger does not agree with the bank statement or related reconciliation. |
| Recommendation: | The Social Services Department should begin reconciling the Special Welfare Ledger to the Treasurer's account for same. |
| Management's Response: | Management concurs with the finding and will begin reconciling activity and balances on a monthly basis. |

**County of Alleghany, Virginia**

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

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

**Finding 2023-002**

| | |
|---|---|
| Program Title: | Education Stabilization Fund |
| ALN: | 84.425 |
| Pass-through Entity: | Virginia Department of Education |
| Compliance Requirement: | Special Tests and Provisions |
| Finding Type: | Noncompliance |
| Criteria: | Construction contracts, in excess of $2,000 financed by federal assistance funds, shall include a provision that the contractor or subcontractor pay prevailing wage rates established by the Department of Labor (DOL). In addition, the contractor or subcontractor must submit to the nonfederal entity a copy of the payroll and a statement of compliance weekly. |
| Condition: | A federally funded construction contract did not include the provision that the contractor or subcontractor must pay prevailing wage rates established by the DOL nor did the School Board receive certified payrolls from the contractor. |
| Questioned Costs: | Unknown |
| Context: | The construction contract did not include the provision that the contractor or subcontractor must pay prevailing wage rates established by the DOL nor did the School Board receive certified payrolls from the contractor. |
| Effect: | Unable to determine if prevailing wage rates were paid on the construction contract. |
| Cause: | The federal program is fairly new and the compliance requirement was not known by School Board personnel. In addition, guidance from the federal government was not provided by the State Funding Agency. |
| Recommendation: | Management should implement a process to review compliance requirements for all federal assistance funds grants to ensure that all compliance requirements have been met. |
| View of Responsible Officials: | Management will review its process for reviewing compliance requirements for all federal assistance funds. |

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

**Finding 2022-001**

| | |
|---|---|
| Finding Type: | Significant Deficiency |
| Condition: | The County's Department of Social Services failed to document reconciliations of the special welfare ledger to the County's books reconcile the special welfare ledger to the County's books. |
| Recommendation: | The Social Services Department should begin reconciling the Special Welfare Ledger to the Treasurer's account for same. |
| Current Status: | Finding 2022-001 was recurring during the 2023 fiscal year as Finding 2023-001. |
| Corrective Action: | Management will begin reconciling balances on a monthly basis. |