

COUNTY OF HIGHLAND, VIRGINIA



FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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County of Highland, Virginia

Board of Supervisors

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

County School Board

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

Welfare Board Members

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

Other Officials

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

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INDEPENDENT AUDITORS' REPORT

**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF HIGHLAND, 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 units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2022, 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 units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2022, 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 Highland, 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 Principles

As described in Note 2 to the financial statements, in 2022, the County adopted new accounting guidance, GASB Statement Nos. 87, *Leases* and 92, *Omnibus*. 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 these 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 Highland, 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 judgement 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 judgement 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 Highland, 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 judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the County of Highland, 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Highland, Virginia's basic financial statements. The 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. This 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 statistical information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements does 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 December 31, 2022, on our consideration of the County of Highland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Highland, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Highland, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 31, 2022

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Highland, Virginia for the fiscal year ended June 30, 2022.

Financial Highlights

Government-wide Financial Statements

The assets of the County of Highland, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$9,039,587 (net position). Of this amount, \$5,551,970 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$(375,791) of which \$(3,321,590) is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$922,824, while the School Board's net position increased by \$276,110. (See Exhibit 2.)

Fund Financial Statements

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,966,785, or 77 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2022 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2022.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$6,200,244, an increase of \$572,508 in comparison with the prior year. (See Exhibit 3.)

Overview of the Financial Statements

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

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

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

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

Internal service funds

The County of Highland has no internal service funds.

Fiduciary funds

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

Notes to the financial statements

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

Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government’s financial position. For the County of Highland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,039,587 at the end of the fiscal year.

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

County of Highland’s Net Position

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 9,059,654	\$ 7,806,602	\$ 924,448	\$ 912,481	\$ 9,984,102	\$ 8,719,083
Capital assets	1,940,225	1,996,600	641,520	674,053	2,581,745	2,670,653
Total	\$ 10,999,879	\$ 9,803,202	\$ 1,565,968	\$ 1,586,534	\$ 12,565,847	\$ 11,389,736
Deferred Outflows of Resources	\$ 327,517	\$ 433,774	\$ 15,736	\$ 26,609	\$ 343,253	\$ 460,383
Long-term liabilities	\$ 379,257	\$ 141,090	\$ 126,188	\$ 18,475	\$ 505,445	\$ 159,565
Other liabilities	291,351	1,176,734	21,946	172,709	313,297	1,349,443
Total	\$ 670,608	\$ 1,317,824	\$ 148,134	\$ 191,184	\$ 818,742	\$ 1,509,008
Deferred Inflows of Resources	\$ 3,001,618	\$ 2,208,864	\$ 49,153	\$ 15,484	\$ 3,050,771	\$ 2,224,348
Net investment in capital assets	\$ 1,940,225	\$ 1,996,600	\$ 529,991	\$ 555,811	\$ 2,470,216	\$ 2,552,411
Restricted	977,321	515,689	18,846	18,846	996,167	534,535
Unrestricted	4,737,624	4,197,999	835,580	831,818	5,573,204	5,029,817
Total net position	\$ 7,655,170	\$ 6,710,288	\$ 1,384,417	\$ 1,406,475	\$ 9,039,587	\$ 8,116,763

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 27.33 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position, which is \$5,573,204 or 61.66 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

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

During the current fiscal year, the government's net position increased by \$922,824.

Governmental Activities

Governmental activities increased the County's net position by \$944,882.

County of Highland's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 35,890	\$ 35,637	\$ 428,321	\$ 405,613	\$ 441,250	\$ 441,250
Operating grants and contributions	1,802,311	1,868,825	9,310	6,640	1,875,465	1,875,465
Capital grants and contributions	62,103	141,963	-	-	141,963	141,963
General revenues:						
General property taxes	4,297,382	4,243,105	-	-	4,243,105	4,243,105
Other local taxes	428,201	417,746	-	-	417,746	417,746
Use of money and property	31,500	30,678	88	247	30,925	30,925
Other	96,695	56,388	-	-	56,388	56,388
Grants and contributions not restricted to specific programs	375,383	364,221	-	-	364,221	364,221
Total Revenues	\$ 7,129,465	\$ 7,158,563	\$ 437,719	\$ 412,500	\$ 7,571,063	\$ 7,571,063
Expenses:						
General government	\$ 1,170,607	\$ 1,249,230	\$ -	\$ -	\$ 1,249,230	\$ 1,249,230
Judicial administration	292,632	317,999	-	-	292,632	317,999
Public safety	1,330,044	1,429,970	-	-	1,330,044	1,429,970
Public works	46,230	37,072	-	-	46,230	37,072
Health and welfare	853,586	681,598	-	-	853,586	681,598
Education	2,146,334	2,058,982	-	-	2,146,334	2,058,982
Parks, recreational, and cultural	103,702	117,826	-	-	103,702	117,826
Community development	223,948	428,287	-	-	223,948	428,287
Interest on long-term debt	-	-	-	-	-	-
Recreation Commission	-	-	61,556	68,045	61,556	68,045
Refuse Disposal	-	-	361,623	356,663	361,623	356,663
McDowell Water System	-	-	54,098	50,854	54,098	50,854
Total	\$ 6,167,083	\$ 6,320,964	\$ 477,277	\$ 475,562	\$ 6,722,983	\$ 6,796,526
Increase in net position before transfers	\$ 962,382	\$ 837,599	\$ (39,558)	\$ (63,062)	\$ 774,537	\$ 774,537
Transfers	\$ (17,500)	\$ (26,525)	\$ 17,500	\$ 26,525	\$ -	\$ -
Increase/decrease in net position	\$ 944,882	\$ 811,074	\$ (22,058)	\$ (36,537)	\$ 922,824	\$ 774,537
Net position, beginning	6,710,288	5,899,214	1,406,475	1,443,012	8,116,763	7,342,226
Net position, ending	<u>\$ 7,655,170</u>	<u>\$ 6,710,288</u>	<u>\$ 1,384,417</u>	<u>\$ 1,406,475</u>	<u>\$ 9,039,587</u>	<u>\$ 8,116,763</u>

Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$6,200,244.

The general fund is the chief operating fund of the County. As of June 30, 2022, total fund balance of the general fund was \$4,932,749, of which \$3,966,785 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 77 percent and total fund balance represents 96 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$2,108,260.

The fund balance of the County's general fund increased by \$149,408 during the current fiscal year.

Proprietary funds

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

Unrestricted net position of the McDowell Water System, Highland County Refuse Disposal and Highland County Recreation Commission at the end of the year were \$814,346. Other factors concerning the finances of these funds were discussed in the County's business-type activities section of this letter.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were a \$137,240 increase, which is 2.51 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$146,088, which is 2.10 percent of the total original budget.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets as of June 30, 2022 is \$2,581,745 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 247,365	\$ 247,365	\$ 3,816	\$ 3,816	\$ 251,181	\$ 251,181
Construction in progress	-	30,937	-	-	-	30,937
Buildings and improvements	1,013,058	1,091,662	-	-	1,013,058	1,091,662
Machinery and equipment	679,802	626,636	-	-	679,802	626,636
Utility plant and equipment	-	-	632,589	670,237	632,589	670,237
Furniture and equipment	-	-	5,115	-	5,115	-
Total	\$ <u>1,940,225</u>	\$ <u>1,996,600</u>	\$ <u>641,520</u>	\$ <u>674,053</u>	\$ <u>2,581,745</u>	\$ <u>2,670,653</u>

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

Long-term debt

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

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Landfill closure/ post-closure liability	\$ 61,813	\$ 59,095	\$ -	\$ -	\$ 61,813	\$ 59,095
Revenue Bonds	-	-	111,529	118,242	111,529	118,242
Net Pension Liability	-	752,418	-	33,785	-	786,203
Net OPEB Liability	87,531	123,457	3,865	5,544	91,396	129,001
Compensated absences	229,913	241,764	10,794	15,138	240,707	256,902
Total	\$ <u>379,257</u>	\$ <u>1,176,734</u>	\$ <u>126,188</u>	\$ <u>172,709</u>	\$ <u>505,445</u>	\$ <u>1,349,443</u>

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

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.0 percent, which is a decrease from the rate of 3.1 percent a year ago. This compares favorably to the state's average unemployment rate of 2.8 percent and the national average rate of 3.6 percent.
- Earnings on investments, in general, continue to remain low.
- It is expected that funding from the Commonwealth of Virginia will be further decreased for constitutional officers, ABC profits, and wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County's budget for the 2023 fiscal year.

During fiscal year 2022, unassigned fund balance in the general fund increased \$306,995. Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents	\$ 6,070,838	\$ 872,259	\$ 6,943,097	\$ 396,352	\$ 95,291
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,007,210	-	2,007,210	-	-
Accounts receivable	45,423	30,955	76,378	-	-
Interest receivable	100	-	100	-	-
Lease receivable	13,233	-	13,233	-	-
Notes receivable	35,000	-	35,000	-	-
Due from component unit	179,452	-	179,452	-	-
Due from other governmental units	221,359	-	221,359	159,504	-
Inventories	-	-	-	15,341	-
Prepaid items	6,076	-	6,076	38,965	-
Net pension asset	480,963	21,234	502,197	-	-
Capital assets (net of accumulated depreciation):					
Land	247,365	3,816	251,181	13,035	-
Buildings and improvements	1,013,058	-	1,013,058	2,336,111	-
Machinery and equipment	679,802	-	679,802	476,715	-
Utility plant and equipment	-	637,704	637,704	-	-
Total assets	\$ 10,999,879	\$ 1,565,968	\$ 12,565,847	\$ 3,436,023	\$ 95,291
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 296,451	\$ 14,430	\$ 310,881	\$ 691,917	\$ -
OPEB related items	31,066	1,306	32,372	71,701	-
Total Deferred Outflows of Resources	\$ 327,517	\$ 15,736	\$ 343,253	\$ 763,618	\$ -
LIABILITIES					
Accounts payable	\$ 65,822	\$ 21,779	\$ 87,601	\$ 7,712	\$ 6,275
Accrued liabilities	-	-	-	276,414	-
Accrued interest payable	-	167	167	-	-
Due to primary government	-	-	-	179,452	-
Unearned revenue	225,529	-	225,529	-	29,498
Long-term liabilities:					
Due within one year	-	7,047	7,047	-	-
Due in more than one year	379,257	119,141	498,398	2,494,755	-
Total liabilities	\$ 670,608	\$ 148,134	\$ 818,742	\$ 2,958,333	\$ 35,773
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 1,871,000	\$ -	\$ 1,871,000	\$ -	\$ -
Lease related	12,382	-	12,382	-	-
Pension related items	1,083,742	47,631	1,131,373	1,526,547	-
OPEB related items	34,494	1,522	36,016	90,552	-
Total deferred inflows of resources	\$ 3,001,618	\$ 49,153	\$ 3,050,771	\$ 1,617,099	\$ -
NET POSITION					
Net investment in capital assets	\$ 1,940,225	\$ 529,991	\$ 2,470,216	\$ 2,825,861	\$ -
Restricted:					
Employee pensions	480,963	21,234	502,197	-	-
Debt service and bond covenants	-	18,846	18,846	-	-
Recording equipment	768	-	768	-	-
Law library	7,973	-	7,973	-	-
Courthouse maintenance	2,816	-	2,816	-	-
E911	18,490	-	18,490	-	-
\$4 for life program	27,876	-	27,876	-	-
Forfeited assets	4,271	-	4,271	-	-
Emergency medical services	407,239	-	407,239	-	-
Opioid abatement	26,925	-	26,925	-	-
School activity funds	-	-	-	119,938	-
Unrestricted	4,737,624	814,346	5,551,970	(3,321,590)	59,518
Total net position	\$ 7,655,170	\$ 1,384,417	\$ 9,039,587	\$ (375,791)	\$ 59,518

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

County of Highland, Virginia

Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government administration	\$ 1,170,607	\$ 11,283	\$ 238,957	\$ -
Judicial administration	292,632	1,651	256,600	-
Public safety	1,330,044	34,193	655,382	62,103
Public works	46,230	-	-	-
Health and welfare	853,586	-	648,872	-
Education	2,146,334	-	-	-
Parks, recreation, and cultural	103,702	-	-	-
Community development	223,948	-	2,500	-
Total governmental activities	<u>\$ 6,167,083</u>	<u>\$ 47,127</u>	<u>\$ 1,802,311</u>	<u>\$ 62,103</u>
Business-type Activities:				
Refuse Disposal	\$ 361,623	\$ 347,721	\$ 9,310	\$ -
McDowell Water System	54,098	32,475	-	-
Recreation Commission	61,556	48,125	-	-
Total business-type activities	<u>\$ 477,277</u>	<u>\$ 428,321</u>	<u>\$ 9,310</u>	<u>\$ -</u>
Total primary government	<u>\$ 6,644,360</u>	<u>\$ 475,448</u>	<u>\$ 1,811,621</u>	<u>\$ 62,103</u>
COMPONENT UNITS:				
School Board	\$ 4,558,288	\$ 28,809	\$ 2,485,422	\$ -
Economic Development Authority	20,343	-	29,308	-
Total component units	<u>\$ 4,578,631</u>	<u>\$ 28,809</u>	<u>\$ 2,514,730</u>	<u>\$ -</u>

General revenues:

- General property taxes
- Other local taxes:
 - Local sales and use taxes
 - Consumers' utility taxes
 - Motor vehicle licenses
 - Taxes on recordation and wills
 - Hotel and motel room taxes
 - Bank stock taxes
 - Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs
- Transfers
- Total general revenues and transfers
- Change in net position
- Net position - beginning
- Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority	
\$ (920,367)	\$ -	\$ (920,367)	\$ -	\$ -	
(34,381)	-	(34,381)	-	-	
(578,366)	-	(578,366)	-	-	
(46,230)	-	(46,230)	-	-	
(204,714)	-	(204,714)	-	-	
(2,146,334)	-	(2,146,334)	-	-	
(103,702)	-	(103,702)	-	-	
(221,448)	-	(221,448)	-	-	
<u>\$ (4,255,542)</u>	<u>\$ -</u>	<u>\$ (4,255,542)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (4,592)	\$ (4,592)	\$ -	\$ -	
-	(21,623)	(21,623)	-	-	
-	(13,431)	(13,431)	-	-	
<u>\$ -</u>	<u>\$ (39,646)</u>	<u>\$ (39,646)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (4,255,542)</u>	<u>\$ (39,646)</u>	<u>\$ (4,295,188)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	(2,044,057)	\$ -	
-	-	-	-	8,965	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,044,057)</u>	<u>\$ 8,965</u>	
\$ 4,297,382	\$ -	\$ 4,297,382	\$ -	\$ -	
192,579	-	192,579	-	-	
119,615	-	119,615	-	-	
58,249	-	58,249	-	-	
10,869	-	10,869	-	-	
25,757	-	25,757	-	-	
14,096	-	14,096	-	-	
7,036	-	7,036	-	-	
20,263	88	20,351	-	42	
96,695	-	96,695	173,833	-	
375,383	-	375,383	2,146,334	-	
(17,500)	17,500	-	-	-	
<u>\$ 5,200,424</u>	<u>\$ 17,588</u>	<u>\$ 5,218,012</u>	<u>\$ 2,320,167</u>	<u>\$ 42</u>	
\$ 944,882	\$ (22,058)	\$ 922,824	\$ 276,110	\$ 9,007	
6,710,288	1,406,475	8,116,763	(651,901)	50,511	
<u>\$ 7,655,170</u>	<u>\$ 1,384,417</u>	<u>\$ 9,039,587</u>	<u>\$ (375,791)</u>	<u>\$ 59,518</u>	

FUND FINANCIAL STATEMENTS

Balance Sheet
 Governmental Funds
 June 30, 2022

	General	Virginia Public Assistance	EMS	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 4,797,615	\$ -	\$ 417,917	\$ 855,306	\$ 6,070,838
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,813,148	-	194,062	-	2,007,210
Accounts receivable	45,423	-	-	-	45,423
Interest receivable	100	-	-	-	100
Lease receivable	13,233	-	-	-	13,233
Notes receivable	35,000	-	-	-	35,000
Due from other funds	38,083	-	-	-	38,083
Due from component unit	179,452	-	-	-	179,452
Due from other governmental units	160,915	51,509	-	8,935	221,359
Prepaid items	-	-	-	6,076	6,076
Total assets	<u>\$ 7,082,969</u>	<u>\$ 51,509</u>	<u>\$ 611,979</u>	<u>\$ 870,317</u>	<u>\$ 8,616,774</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 36,215	\$ 13,426	\$ 6,120	\$ 10,061	\$ 65,822
Due to other funds	-	38,083	-	-	38,083
Unearned revenue	225,529	-	-	-	225,529
Total liabilities	<u>\$ 261,744</u>	<u>\$ 51,509</u>	<u>\$ 6,120</u>	<u>\$ 10,061</u>	<u>\$ 329,434</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 1,850,104	\$ -	\$ 198,620	\$ -	\$ 2,048,724
Unavailable revenue - opioid settlement	25,990	-	-	-	25,990
Lease related	12,382	-	-	-	12,382
Total deferred inflows of resources	<u>\$ 1,888,476</u>	<u>\$ -</u>	<u>\$ 198,620</u>	<u>\$ -</u>	<u>\$ 2,087,096</u>
FUND BALANCES:					
Nonspendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ 6,076	\$ 6,076
Notes receivable	35,000	-	-	-	35,000
Restricted:					
Recording equipment	768	-	-	-	768
Law library	7,973	-	-	-	7,973
Courthouse maintenance	2,816	-	-	-	2,816
E911	-	-	-	18,490	18,490
\$4 for life program	27,876	-	-	-	27,876
Forfeited assets	-	-	-	4,271	4,271
Emergency medical services	-	-	407,239	-	407,239
Opioid abatement	935	-	-	-	935
Committed:					
Assessor	75,120	-	-	-	75,120
Equipment replacement	85,005	-	-	-	85,005
Recreation commission	10,000	-	-	-	10,000
Auditor	4,333	-	-	-	4,333
Emergency food & shelter	4,529	-	-	-	4,529
Communications equipment	47,529	-	-	-	47,529
Regional jail	68,500	-	-	-	68,500
Comprehensive plan	15,000	-	-	-	15,000
Bus reserve	15,000	-	-	-	15,000
Transportation enhancement project	373,413	-	-	-	373,413
Veteran's memorial	9,019	-	-	-	9,019
Cupola timepiece project	853	-	-	-	853
School expenditures	92,912	-	-	-	92,912
Dangerous dog registry	660	-	-	-	660
EMS Stipends	22,232	-	-	-	22,232
Body armor	4,200	-	-	-	4,200
Assigned:					
Fire prevention programs	62,291	-	-	-	62,291
Special revenue funds	-	-	-	10,475	10,475
Capital projects funds	-	-	-	820,944	820,944
Unassigned	3,966,785	-	-	-	3,966,785
Total fund balances	<u>\$ 4,932,749</u>	<u>\$ -</u>	<u>\$ 407,239</u>	<u>\$ 860,256</u>	<u>\$ 6,200,244</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,082,969</u>	<u>\$ 51,509</u>	<u>\$ 611,979</u>	<u>\$ 870,317</u>	<u>\$ 8,616,774</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	6,200,244	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	247,365	
Buildings and improvements		1,013,058	
Machinery and equipment		679,802	
			1,940,225
The net pension asset is not an available resource and, therefore, is not reported in the funds			
			480,963
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the funds.			
Unavailable revenue - property taxes		177,724	
Unavailable revenue - opioid settlement		25,990	
		<u>203,714</u>	
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	296,451	
OPEB related items		31,066	
		<u>327,517</u>	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences	\$	(229,913)	
Landfill closure/post-closure costs		(61,813)	
Net OPEB liabilities		(87,531)	
		<u>(379,257)</u>	
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(1,083,742)	
OPEB related items		(34,494)	
		<u>(1,118,236)</u>	
Net position of governmental activities	\$		<u><u>7,655,170</u></u>

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

County of Highland, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2022

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>EMS</u>
REVENUES			
General property taxes	\$ 3,931,133	\$ -	\$ 362,411
Other local taxes	428,201	-	-
Permits, privilege fees, and regulatory licenses	17,380	-	-
Fines and forfeitures	88	-	-
Revenue from the use of money and property	31,500	-	-
Charges for services	18,422	-	-
Miscellaneous	58,958	11,542	205
Intergovernmental:			
Commonwealth	1,295,316	234,299	-
Federal	236,068	414,573	-
Total revenues	<u>\$ 6,017,066</u>	<u>\$ 660,414</u>	<u>\$ 362,616</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,196,892	\$ -	\$ -
Judicial administration	319,322	-	-
Public safety	1,052,220	-	286,636
Public works	29,646	-	-
Health and welfare	111,427	792,475	-
Education	2,108,260	-	-
Parks, recreation, and cultural	72,982	-	-
Community development	226,758	-	-
Nondepartmental	10,627	-	-
Capital projects	48,923	-	-
Total expenditures	<u>\$ 5,177,057</u>	<u>\$ 792,475</u>	<u>\$ 286,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 840,009</u>	<u>\$ (132,061)</u>	<u>\$ 75,980</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 132,061	\$ -
Transfers out	(690,601)	-	-
Total other financing sources (uses)	<u>\$ (690,601)</u>	<u>\$ 132,061</u>	<u>\$ -</u>
Net change in fund balances	\$ 149,408	\$ -	\$ 75,980
Fund balances - beginning	4,783,341	-	331,259
Fund balances - ending	<u>\$ 4,932,749</u>	<u>\$ -</u>	<u>\$ 407,239</u>

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

Exhibit 5

		Other Governmental Funds	Total
\$	-	\$	4,293,544
	-		428,201
	-		17,380
	-		88
	-		31,500
	-		18,422
	-		70,705
	59,541		1,589,156
	-		650,641
\$	<u>59,541</u>	\$	<u>7,099,637</u>
\$	-	\$	1,196,892
	-		319,322
	173,757		1,512,613
	-		29,646
	-		903,902
	-		2,108,260
	-		72,982
	-		226,758
	-		10,627
	79,704		128,627
\$	<u>253,461</u>	\$	<u>6,509,629</u>
\$	<u>(193,920)</u>	\$	<u>590,008</u>
\$	541,040	\$	673,101
	-		(690,601)
\$	<u>541,040</u>	\$	<u>(17,500)</u>
\$	347,120	\$	572,508
	513,136		5,627,736
\$	<u>860,256</u>	\$	<u>6,200,244</u>

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds \$ 572,508

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

Capital outlays	\$ 146,987	
Depreciation expense	<u>(203,362)</u>	(56,375)

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

Property taxes	3,838	
Opioid settlement	<u>25,990</u>	29,828

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

Increase in accrued landfill closure and post-closure monitoring costs	\$ <u>(2,718)</u>	(2,718)
--	-------------------	---------

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	\$ 11,851	
Change in pension related items	385,260	
Change in OPEB related items	<u>4,528</u>	<u>401,639</u>

Change in net position of governmental activities \$ 944,882

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

Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds			Total
	McDowell Water System	Refuse Disposal	Recreation Commission	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 95,053	\$ 658,626	\$ 118,580	\$ 872,259
Accounts receivable	4,928	26,027	-	30,955
Total current assets	\$ 99,981	\$ 684,653	\$ 118,580	\$ 903,214
Noncurrent assets:				
Net pension asset	\$ -	\$ 21,234	\$ -	21,234
Capital assets:				
Land	3,816	-	-	3,816
Utility plant and equipment	1,227,952	192,677	20,801	1,441,430
Accumulated depreciation	(648,544)	(139,496)	(15,686)	(803,726)
Net capital assets	\$ 583,224	\$ 53,181	\$ 5,115	\$ 641,520
Total assets	\$ 683,205	\$ 759,068	\$ 123,695	\$ 1,565,968
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 14,430	\$ -	\$ 14,430
OPEB related items	-	1,306	-	1,306
Total deferred outflows of resources	\$ -	\$ 15,736	\$ -	\$ 15,736
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 822	\$ 20,957	\$ -	\$ 21,779
Accrued interest payable	167	-	-	167
Revenue bonds - current portion	7,047	-	-	7,047
Total current liabilities	\$ 8,036	\$ 20,957	\$ -	\$ 28,993
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 104,482	\$ -	\$ -	\$ 104,482
Compensated absences	-	10,794	-	10,794
Net OBEB liability	-	3,865	-	3,865
Total noncurrent liabilities	\$ 104,482	\$ 14,659	\$ -	\$ 119,141
Total liabilities	\$ 112,518	\$ 35,616	\$ -	\$ 148,134
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ -	\$ 47,631	\$ -	\$ 47,631
OPEB related items	-	1,522	-	1,522
Total deferred inflows of resources	\$ -	\$ 49,153	\$ -	\$ 49,153
NET POSITION				
Net investment in capital assets	\$ 471,695	\$ 53,181	\$ 5,115	\$ 529,991
Restricted:				
Employee pensions	-	21,234	-	21,234
Debt service and bond covenants	18,846	-	-	18,846
Unrestricted	80,146	615,620	118,580	814,346
Total net position	\$ 570,687	\$ 690,035	\$ 123,695	\$ 1,384,417

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2022

	Enterprise Funds			Total
	McDowell Water System	Refuse Disposal	Recreation Commission	
OPERATING REVENUES				
Charges for services:				
Water revenues	\$ 32,475	\$ -	\$ -	\$ 32,475
Refuse disposal	-	307,465	-	307,465
Recycling revenues	-	17,972	-	17,972
Tire disposal	-	3,630	-	3,630
Program income	-	-	46,003	46,003
Other revenues	-	18,654	2,122	20,776
Total operating revenues	<u>\$ 32,475</u>	<u>\$ 347,721</u>	<u>\$ 48,125</u>	<u>\$ 428,321</u>
OPERATING EXPENSES				
Personnel services	\$ 9,497	\$ 127,478	\$ -	\$ 136,975
Contractual services	7,530	213,026	18,197	238,753
Depreciation	23,972	7,631	930	32,533
Supplies	-	-	35,255	35,255
Utilities	-	-	6,431	6,431
Other charges	7,984	13,488	743	22,215
Total operating expenses	<u>\$ 48,983</u>	<u>\$ 361,623</u>	<u>\$ 61,556</u>	<u>\$ 472,162</u>
Operating income (loss)	<u>\$ (16,508)</u>	<u>\$ (13,902)</u>	<u>\$ (13,431)</u>	<u>\$ (43,841)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue (expense)	\$ -	\$ 9,310	\$ -	\$ 9,310
Investment income	12	-	76	88
Interest expense	(5,115)	-	-	(5,115)
Total nonoperating revenues (expenses)	<u>\$ (5,103)</u>	<u>\$ 9,310</u>	<u>\$ 76</u>	<u>\$ 4,283</u>
Income before transfers	<u>\$ (21,611)</u>	<u>\$ (4,592)</u>	<u>\$ (13,355)</u>	<u>\$ (39,558)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 17,500	\$ 17,500
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 17,500</u>
Change in net position	<u>\$ (21,611)</u>	<u>\$ (4,592)</u>	<u>\$ 4,145</u>	<u>\$ (22,058)</u>
Net position - beginning	592,298	694,627	119,550	1,406,475
Net position - ending	<u>\$ 570,687</u>	<u>\$ 690,035</u>	<u>\$ 123,695</u>	<u>\$ 1,384,417</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Enterprise Funds			Total
	McDowell Water System	Refuse Disposal	Recreation Commission	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 39,791	\$ 340,165	\$ 45,149	\$ 425,105
Payments to suppliers	(14,969)	(222,719)	(53,452)	(291,140)
Payments to employees	(9,497)	(143,978)	-	(153,475)
Other receipts (payments)	-	18,654	(5,052)	13,602
Net cash provided by (used for) operating activities	\$ 15,325	\$ (7,878)	\$ (13,355)	\$ (5,908)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	\$ -	\$ -	\$ 17,500	\$ 17,500
Intergovernmental revenues	-	9,310	-	9,310
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 9,310	\$ 17,500	\$ 26,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on bonds	\$ (6,713)	\$ -	\$ -	\$ (6,713)
Interest expense	(5,130)	-	-	(5,130)
Net cash provided by (used for) capital and related financing activities	\$ (11,843)	\$ -	\$ -	\$ (11,843)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	\$ 12	\$ -	\$ 76	\$ 88
Net cash provided by (used for) investing activities	\$ 12	\$ -	\$ 76	\$ 88
Net increase (decrease) in cash and cash equivalents	\$ 3,494	\$ 1,432	\$ 4,221	\$ 9,147
Cash and cash equivalents - beginning	91,559	657,194	114,359	863,112
Cash and cash equivalents - ending	\$ 95,053	\$ 658,626	\$ 118,580	\$ 872,259
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (16,508)	\$ (13,902)	\$ (13,431)	\$ (43,841)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 23,972	\$ 7,631	\$ 930	\$ 32,533
(Increase) decrease in accounts receivable	7,316	11,098	-	18,414
(Increase) decrease in net pension asset	-	(21,234)	-	(21,234)
(Increase) decrease in deferred outflow of resources	-	10,873	-	10,873
Increase (decrease) in net pension liability	-	(33,785)	-	(33,785)
Increase (decrease) in net OPEB liability	-	(1,679)	-	(1,679)
Increase (decrease) in deferred inflows of resources	-	33,669	-	33,669
Increase (decrease) in accounts payable	545	3,795	-	4,340
Increase (decrease) in unearned revenue	-	-	(854)	(854)
Increase (decrease) in compensated absences	-	(4,344)	-	(4,344)
Total adjustments	\$ 31,833	\$ 6,024	\$ 76	\$ 37,933
Net cash provided by (used for) operating activities	\$ 15,325	\$ (7,878)	\$ (13,355)	\$ (5,908)

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

Statement of Fiduciary Net Position
 Fiduciary Fund
 June 30, 2022

	Custodial Funds Special Welfare Fund
ASSETS	
Cash and cash equivalents	5,617
Total assets	5,617
 NET POSITION	
Restricted for:	
Restricted for social service clients	5,617
Total net position	5,617

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

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund
 Year Ended June 30, 2022

	Custodial Funds Special Welfare Fund
Additions	
Contributions:	
Private contributions	\$ 13,205
Total contributions	\$ 13,205
Deductions	
Current:	
Recipient payments	\$ 7,598
Total deductions	7,598
Net increase (decrease) in fiduciary net position	\$ 5,607
Net position - beginning	10
Net position - ending	\$ 5,617

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

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

Blended component units - The McDowell Water System has been determined to be a component unit of Highland County. The System is a legally separate organization whose Board members are appointed by the Highland County Board of Supervisors. During the year ended June 30, 2022 all members of the Board of Supervisors were also members of the three-member System Board. Since the Board of Supervisors is able to impose its will on the System, the System is a component unit of Highland County. The System does not issue separate financial statements.

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

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

The Highland County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board does not issue separate financial statements. The County Board of Supervisors appoints the governing body of the School Board.

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

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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

The 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.

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

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

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuances of long-term debt and financing through leases 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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

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

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

The government reports the following nonmajor governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water System and Refuse Disposal enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

1. Cash and cash equivalents

The government's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

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

2. Receivables and payables

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

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

3. Property taxes

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

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$8,703, at June 30, 2022 and is comprised solely of property taxes. This allowance represents 0.032% of the total levies for the previous six years.

5. Use of estimates

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

6. *Capital assets*

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

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 assets (lease 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.

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

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

7. *Compensated absences*

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

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

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

8. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund balance

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;
- Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for specified purposes by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

9. Fund balance (continued)

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

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

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

10. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

11. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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 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 will sometimes report 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 multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related pension, OPEB, leases, and the opioid settlement are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

E. Pensions

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

F. Other Postemployment Benefits (OPEB)

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

G. Leases

The County leases various assets 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

G. Leases (continued)

Lessor

The County recognizes 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 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).

Key Estimated and Judgements

Lease accounting includes estimates and judgements for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

NOTE 2—ADOPTION OF ACCOUNTING PRINCIPLES:

The County implemented provisions of Governmental Accounting Standards Board Statement Nos. 87, *Leases* and 92, *Omnibus 2020* during the fiscal year ended June 30, 2022. Statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 92, *Omnibus 2020* addresses a variety of topics, including leases. No restatement of beginning net position was required as a result of this implementation. Using facts and circumstances that existed at the beginning of the year of implementation, the following balances were recognized as of July 1, 2021 related to the lease:

	Governmental Activities	General Fund
Lessor activity:		
Lease receivable	\$ 17,689	\$ 17,689
Deferred inflows of resources - lease	\$ 17,689	\$ 17,689

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

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

B. Excess of expenditures over appropriations at June 30, 2022:

<u>Fund</u>	<u>Function</u>	<u>Excess of Expenditures over Appropriations</u>
Virginia Public Assistance Fund	Health and welfare	\$ 21,743
School capital projects fund	Capital projects	6,575
Total Primary Government		<u>\$ 28,318</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper that has received at least two of the following ratings: P-1 by Moody's Investors Service, Inc.; A-1 by Standard & Poor's; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

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

The County's rated debt investments as of June 30, 2022 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Rating
	AAAm
Local Government Investment Pool	\$ 4,043
Total	\$ 4,043

Interest Rate Risk

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

	<u>Fair Value</u>	<u>Less than 1 yr</u>
Local Government Investment Pool	\$ 4,043	\$ 4,043

External Investment Pool

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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 5—DUE FROM OTHER GOVERNMENTAL UNITS:

	<u>Primary Government</u>	<u>Component Unit - School Board</u>
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 47,199
Local sales taxes	32,478	-
Communication taxes	8,627	-
Moped and ATV sales tax	281	-
DMV select	2,169	-
Mobile home tax	6,227	-
Rolling Stock	22	-
Public assistance and welfare administration	16,295	-
Child services administration	6,637	-
Wireless	8,935	-
Commonwealth attorney	6,336	-
Clerk of Circuit Court	13,332	-
Treasurer	6,283	-
Commissioner of Revenue	7,092	-
Sheriff	54,122	-
State VDEM shelter grant	23,946	-
School grants	-	102,000
Federal Government:		
School grants	-	10,305
Public assistance and welfare administration	28,577	-
Total	<u>\$ 221,359</u>	<u>\$ 159,504</u>

NOTE 6—INTERFUND OBLIGATIONS:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:				
General Fund	\$ 38,083	\$ -	\$ -	\$ 179,452
VPA Fund	-	38,083	-	-
Sub-total	<u>\$ 38,083</u>	<u>\$ 38,083</u>	<u>\$ -</u>	<u>\$ 179,452</u>
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 179,452	\$ -
Total	<u>\$ 38,083</u>	<u>\$ 38,083</u>	<u>\$ 179,452</u>	<u>\$ 179,452</u>

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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 690,601
Virginia Public Assistance Fund	132,061	-
Recreation Commission	17,500	-
County Capital Improvements Fund	134,000	-
School Capital Projects Fund	407,040	-
Total	<u>\$ 690,601</u>	<u>\$ 690,601</u>

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

NOTE 8—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2022 was as follows:

Governmental Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 247,365	\$ -	\$ -	\$ 247,365
Construction in progress	30,937	30,937	(61,874)	-
Total capital assets not being depreciated	<u>\$ 278,302</u>	<u>\$ 30,937</u>	<u>\$ (61,874)</u>	<u>\$ 247,365</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,023,452	\$ -	\$ -	\$ 2,023,452
Machinery and equipment	2,065,858	177,924	-	2,243,782
Total capital assets being depreciated	<u>\$ 4,089,310</u>	<u>\$ 177,924</u>	<u>\$ -</u>	<u>\$ 4,267,234</u>
Accumulated depreciation:				
Buildings and improvements	\$ (931,790)	\$ (78,604)	\$ -	\$ (1,010,394)
Machinery and equipment	(1,439,222)	(124,758)	-	(1,563,980)
Total accumulated depreciation	<u>\$ (2,371,012)</u>	<u>\$ (203,362)</u>	<u>\$ -</u>	<u>\$ (2,574,374)</u>
Total capital assets being depreciated, net	<u>\$ 1,718,298</u>	<u>\$ (25,438)</u>	<u>\$ -</u>	<u>\$ 1,692,860</u>
Governmental activities capital assets, net	<u>\$ 1,996,600</u>	<u>\$ 5,499</u>	<u>\$ (61,874)</u>	<u>\$ 1,940,225</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

McDowell Water System Fund

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Total capital assets not being depreciated	\$ 3,816	\$ -	\$ -	\$ 3,816
Capital assets being depreciated:				
Utility plant and equipment	\$ 1,227,952	\$ -	\$ -	\$ 1,227,952
Accumulated depreciation	(624,572)	(23,972)	-	(648,544)
Capital assets being depreciated, net	\$ 603,380	\$ (23,972)	\$ -	\$ 579,408
McDowell water system capital assets, net	\$ 607,196	\$ (23,972)	\$ -	\$ 583,224

Refuse Disposal Fund

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets being depreciated:				
Utility plant and equipment	\$ 192,677	\$ -	\$ -	\$ 192,677
Accumulated depreciation	(131,865)	(7,631)	-	(139,496)
Capital assets being depreciated, net	\$ 60,812	\$ (7,631)	\$ -	\$ 53,181
Refuse disposal fund capital assets, net	\$ 60,812	\$ (7,631)	\$ -	\$ 53,181

Recreation Commission Fund

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(14,756)	(930)	-	(15,686)
Capital assets being depreciated, net	\$ 6,045	\$ (930)	\$ -	\$ 5,115
Recreation commission fund capital assets, net	\$ 6,045	\$ (930)	\$ -	\$ 5,115

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 8—CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:	
General government administration	\$ 30,771
Judicial administration	8,738
Public safety	110,111
Public works	13,203
Health and welfare	4,836
Parks, Recreation, and Cultural	35,703
Total depreciation expense - governmental activities	<u>\$ 203,362</u>
Business-type Activities:	
McDowell Water System	\$ 23,972
Refuse disposal	7,631
Recreation Commission	930
Total depreciation expense - business-type activities	<u>\$ 32,533</u>

Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Construction in progress	131,960	-	(131,960)	-
Total capital assets not being depreciated	<u>\$ 144,995</u>	<u>\$ -</u>	<u>\$ (131,960)</u>	<u>\$ 13,035</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 4,911,471	\$ 13,944	\$ -	\$ 4,925,415
Furniture, equipment and vehicles	1,319,362	177,743	(53,406)	1,443,699
Total capital assets being depreciated	<u>\$ 6,230,833</u>	<u>\$ 191,687</u>	<u>\$ (53,406)</u>	<u>\$ 6,369,114</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,464,043)	\$ (125,261)	\$ -	\$ (2,589,304)
Furniture, equipment and vehicles	(921,126)	(99,264)	53,406	(966,984)
Total accumulated depreciation	<u>\$ (3,385,169)</u>	<u>\$ (224,525)</u>	<u>\$ 53,406</u>	<u>\$ (3,556,288)</u>
Total capital assets being depreciated, net	<u>\$ 2,845,664</u>	<u>\$ (32,838)</u>	<u>\$ -</u>	<u>\$ 2,812,826</u>
School Board capital assets, net	<u>\$ 2,990,659</u>	<u>\$ (32,838)</u>	<u>\$ (131,960)</u>	<u>\$ 2,825,861</u>

Depreciation expense was charged to education in the amount of \$224,525.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS:

Primary Government-Governmental Activities Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2022:

	Balance July 1, 2021	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Landfill closure/post-closure costs	\$ 59,095	\$ 2,718	\$ -	\$ 61,813
Compensated absences	241,764	181,323	193,174	229,913
Net OPEB liability	123,457	31,509	67,435	87,531
Net pension liability	752,418	835,932	1,588,350	-
Total Long-Term Obligations	<u>\$ 1,176,734</u>	<u>\$ 1,051,482</u>	<u>\$ 1,848,959</u>	<u>\$ 379,257</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Landfill closure/post-closure costs	\$ 61,813	\$ -
Compensated absences (payable from the General Fund)	\$ 229,913	\$ -
Net OPEB liability	\$ 87,531	\$ -
Total long-term obligations	<u>\$ 379,257</u>	<u>\$ -</u>

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government-Business-type Activities Obligations:

The following is a summary of long-term obligation transactions of the enterprise funds for the year ended June 30, 2022:

	Balance July 1, 2021	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2022
Direct Borrowings and Placements:				
Revenue Bonds	\$ 118,242	\$ -	\$ 6,713	\$ 111,529
Other Long-Term Obligations:				
Compensated absences	\$ 15,138	\$ -	\$ 4,344	\$ 10,794
Net OPEB liability	5,544	1,387	3,066	3,865
Net pension liability	33,785	36,883	70,668	-
Total Other Long-Term Obligations	\$ 54,467	\$ 38,270	\$ 78,078	\$ 14,659
Total Long-Term Obligations	\$ 172,709	\$ 38,270	\$ 84,791	\$ 126,188

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

Years Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
2023	\$ 7,047	\$ 4,797
2024	7,388	4,456
2025	7,746	4,098
2026	8,120	3,724
2027	8,513	3,331
2028	8,925	2,919
2029	4,382	2,575
2030	3,693	2,415
2031	3,856	2,252
2032	4,025	2,084
2033	4,203	1,905
2034	4,387	1,721
2035	4,581	1,527
2036	3,549	1,338
2037	2,457	1,227
2038	2,560	1,124
2039	2,668	1,016
2040	2,780	905
2041	2,897	787
2042	3,018	666
2043	3,145	539
2044	3,278	406
2045	3,415	269
2046	3,559	125
2047	1,337	8
Total	\$ 111,529	\$ 46,214

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 9—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>McDowell Water System:</u>		
Direct Borrowings and Placements:		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 17,803	\$ 2,560
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	12,446	1,755
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	24,555	1,352
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	<u>56,725</u>	<u>1,380</u>
Total revenue bonds	<u>\$ 111,529</u>	<u>\$ 7,047</u>
<u>Refuse Disposal Fund:</u>		
Compensated Absences	\$ 10,794	\$ -
Net OPEB Liability	<u>3,865</u>	<u>-</u>
Total long-term obligations	<u>\$ 126,188</u>	<u>\$ 7,047</u>

The County's outstanding revenue bonds from direct borrowings and direct placements related to business-type activities of \$111,529 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The County has pledged to secure the payment and performance of the County's obligations under the bonds with the County's right, title, and interest to the revenues and receipts received by the County from the water system.

Component Unit-School Board Long-Term Obligations:

The following is a summary of long-term obligation transactions of the Component Unit School Board for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Compensated absences	\$ 94,024	\$ 31,507	\$ 70,518	\$ 55,013
Net OPEB liabilities	481,579	110,642	167,037	425,184
Net pension liability	<u>3,617,576</u>	<u>919,530</u>	<u>2,522,548</u>	<u>2,014,558</u>
Total Long-Term Obligations	<u>\$ 4,193,179</u>	<u>\$ 1,061,679</u>	<u>\$ 2,760,103</u>	<u>\$ 2,494,755</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 10—PENSION PLANS:

Plan Description

All full-time, salaried permanent employees of the County and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 10—PENSION PLANS: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	27	14
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	8	3
Inactive members active elsewhere in VRS	9	2
Total inactive members	22	6
Active members	37	9
Total covered employees	86	29

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 10—PENSION PLANS: (CONTINUED)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2022 was 10.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$172,910 and \$155,811 for the years ended June 30, 2022 and June 30, 2021, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2022 was 17.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$37,317 and \$39,394 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2021. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021.

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COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 10—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County’s and Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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
- 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, 2020 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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 10—PENSION PLANS: (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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

The actuarial assumptions used in the June 30, 2020 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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

* The above allocation provides a one-year expected return of 7.39%. 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 6.94%, 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%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2021, 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, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 7,477,185	\$ 6,690,982	\$ 786,203
Changes for the year:			
Service cost	\$ 177,496	\$ -	\$ 177,496
Interest	493,815	-	493,815
Differences between expected and actual experience	(94,044)	-	(94,044)
Assumption changes	196,451	-	196,451
Contributions - employer	-	155,812	(155,812)
Contributions - employee	-	80,692	(80,692)
Net investment income	-	1,829,952	(1,829,952)
Benefit payments, including refunds	(322,820)	(322,820)	-
Administrative expenses	-	(4,511)	4,511
Other changes	-	173	(173)
Net changes	\$ 450,898	\$ 1,739,298	\$ (1,288,400)
Balances at June 30, 2021	\$ 7,928,083	\$ 8,430,280	\$ (502,197)

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Changes in Net Pension Liability (Continued)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 1,447,676	\$ 938,541	\$ 509,135
Changes for the year:			
Service cost	\$ 23,333	\$ -	\$ 23,333
Interest	92,031	-	92,031
Differences between expected and actual experience	(38,287)	-	(38,287)
Assumption changes	44,234	-	44,234
Contributions - employer	-	39,394	(39,394)
Contributions - employee	-	11,209	(11,209)
Net investment income	-	235,005	(235,005)
Benefit payments, including refunds	(168,512)	(168,512)	-
Administrative expenses	-	(676)	676
Other changes	-	22	(22)
Net changes	\$ (47,201)	\$ 116,442	\$ (163,643)
Balances at June 30, 2021	\$ 1,400,475	\$ 1,054,983	\$ 345,492

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County			
Net Pension Liability	\$ 434,269	\$ (502,197)	\$ (1,285,882)
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 514,782	\$ 345,492	\$ 201,861

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2022, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$(224,292) and \$2,365, respectively. At June 30, 2022, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 217,565	\$ -	\$ 16,777
Change in assumptions	135,968	-	19,383	-
Net difference between projected and actual earnings on pension plan investments	-	911,805	-	113,291
Impact of change in proportional allocation	2,003	2,003	-	-
Employer contributions subsequent to the measurement date	172,910	-	37,317	-
Total	\$ 310,881	\$ 1,131,373	\$ 56,700	\$ 130,068

\$172,910 and \$37,317 reported as deferred outflows of resources related to pensions resulting from the County’s and Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2023	\$ (303,629)	\$ (23,757)
2024	(205,726)	(25,642)
2025	(207,772)	(26,155)
2026	(276,275)	(35,131)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$314,581 and \$304,153 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2022, the school division reported a liability of \$1,669,066 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was .02150% as compared to .02140% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$(24,702). Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Component Unit School Board (Professional)

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

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 142,161
Change in assumptions	292,416	-
Net difference between projected and actual earnings on pension plan investments	-	1,051,801
Changes in proportion and differences between employer contributions and proportionate share of contributions	28,220	202,517
Employer contributions subsequent to the measurement date	<u>314,581</u>	-
Total	<u>\$ 635,217</u>	<u>\$ 1,396,479</u>

\$314,581 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2023	\$ (264,450)
2024	(254,920)
2025	(257,613)
2026	(299,182)
2027	322

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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, 2020 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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Component Unit School Board (Professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	53,381,141
Plan Fiduciary Net Position		45,617,878
Employers' Net Pension Liability (Asset)	\$	7,763,263
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		85.46%

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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 3,221,207	\$ 1,669,066	\$ 392,223

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 10—PENSION PLANS: (CONTINUED)

Primary Government and Component Unit School Board

Aggregate Pension Information

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability</u>	<u>Net Pension Asset</u>	<u>Pension Expense</u>
VRS Pension Plans:					
Primary Government	\$ 310,881	\$ 1,131,373	\$ -	\$ 502,197	\$ (224,292)
School Board Nonprofessional	56,700	130,068	345,492	-	2,365
School Board Professional	635,217	1,396,479	1,669,066	-	(24,702)
Total School Board	<u>\$ 1,002,798</u>	<u>\$ 2,657,920</u>	<u>\$ 2,014,558</u>	<u>\$ 502,197</u>	<u>\$ (246,629)</u>

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

Plan Description

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

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

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

Eligible Employees

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, 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 \$8,722 as of June 30, 2022.

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, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. County contributions to the GLI Plan were \$9,755 and \$8,756 for the years ended June 30, 2022 and June 30, 2021, respectively. School Board contributions to the GLI Plan for professional employees were \$10,687 and \$10,232, for the years ended June 30, 2022 and June 30, 2021 respectively. School Board contributions to the GLI Plan for nonprofessional employees were \$1,198 and \$1,245, for the years ended June 30, 2022 and June 30, 2021 respectively.

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

At June 30, 2022, the County reported a liability of \$91,396 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00780% as compared to 0.00770% at June 30, 2020.

At June 30, 2022, the School Board reported liability of \$13,040 for nonprofessional employees and \$106,880 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2021 and June 30, 2020, the participating employer's proportion for nonprofessional employees was 0.00110%, and 0.00120%, respectively. At June 30, 2021, the participating employer's proportion for School Board professional employees was 0.00920% as compared to 0.00920% at June 30, 2020.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

For the year ended June 30, 2022, the County recognized GLI OPEB expense of \$5,036, while the School Board recognized GLI OPEB expense of \$183, and \$2,779 for nonprofessional and professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,424	\$ 696
Net difference between projected and actual earnings on GLI OPEB plan investments	-	21,814
Change in assumptions	5,039	12,505
Changes in proportion	7,154	1,001
Employer contributions subsequent to the measurement date	9,755	-
Total	\$ 32,372	\$ 36,016

	Component Unit School Board			
	Nonprofessional Employees		Professional Employees	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,487	\$ 99	\$ 12,190	\$ 814
Net difference between projected and actual earnings on GLI OPEB plan investments	-	3,112	-	25,510
Change in assumptions	719	1,784	5,892	14,623
Changes in proportion	-	1,564	1,875	10,260
Employer contributions subsequent to the measurement date	1,198	-	10,687	-
Total	\$ 3,404	\$ 6,559	\$ 30,644	\$ 51,207

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

\$9,755, \$1,198 and \$10,687 for the County and School Board nonprofessional and professional employees respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Primary Government	Component Unit School Board	
	Nonprofessional	Professional
Year Ended June 30,	Year Ended June 30,	Year Ended June 30,
2023	2023	2023
\$ (3,211)	\$ (994)	\$ (6,865)
2024	2024	2024
(2,197)	(849)	(6,299)
2025	2025	2025
(2,151)	(843)	(6,751)
2026	2026	2026
(5,178)	(1,270)	(9,598)
2027	2027	2027
(662)	(397)	(1,737)
Thereafter	Thereafter	Thereafter
-	-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for the other groups can be referenced in the VRS Annual Report.

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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

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

Actuarial Assumptions (Continued)

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 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

The actuarial assumptions used in the June 30, 2020 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 set forward 2 years; 95% of rates for females set forward 1 year

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Actuarial Assumptions (Continued)

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

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 Weighted 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

The actuarial assumptions used in the June 30, 2020 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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2020 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 Improvements 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

Notes to Financial Statements
June 30, 2022 (Continued)

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date, June 30, 2021, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	\$	3,577,346
Plan Fiduciary Net Position		2,413,074
GLI Net OPEB Liability (Asset)	\$	<u>1,164,272</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.45%

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

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strate	6.00%	3.29%	0.20%
PIP - Private Investment Partners	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.39%</u>

*The above allocation provides a one-year return of 7.39%. 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 6.94%, 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%

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 actuarially determined contribution rates adopted by the VRS Board of Trustee. Through the fiscal year ended June 30, 2021, 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, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 133,532	\$ 91,396	\$ 57,368
School Board's proportionate share of the GLI Plan Net OPEB Liability-nonprofessional employees	\$ 19,052	\$ 13,040	\$ 8,185
School Board's proportionate share of the GLI Plan Net OPEB Liability-professional employees	\$ 156,156	\$ 106,880	\$ 67,088

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Notes to Financial Statements
June 30, 2022 (Continued)

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division’s contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$23,746 and \$22,928 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, the school division reported a liability of \$275,069 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division’s proportion of the VRS Teacher Employee HIC Program was .02143% as compared to 0.02140% at June 30, 2019.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC OPEB expense of \$18,855. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, 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	\$ -	\$ 4,800
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	3,623
Change in assumptions	7,436	1,105
Change in proportion	4,178	23,258
Employer contributions subsequent to the measurement date	<u>23,746</u>	<u>-</u>
Total	<u>\$ 35,360</u>	<u>\$ 32,786</u>

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

\$23,746 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>		
2023	\$	(3,884)
2024		(3,925)
2025		(4,338)
2026		(5,164)
2027		(3,162)
Thereafter		(699)

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, 2020, 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, 2021.

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2020 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, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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, 2021, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,477,874
Plan Fiduciary Net Position	194,305
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,283,569</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	13.15%

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Net Teacher Employee HIC OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	<u>100.00%</u>		<u>4.89%</u>
		Inflation	2.50%
		Expected arithmetic nominal return*	<u>7.39%</u>

*The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate 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%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, 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, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 309,652	\$ 275,069	\$ 245,804

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 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>6</u>
Active members	<u>9</u>
Total covered employees	<u><u>15</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board’s contractually required employer contribution rate for the year ended June 30, 2022 was 0.92% 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 School Board to the HIC Plan for nonprofessional employees were \$2,040 and \$2,121 for the years ended June 30, 2022 and June 30, 2021, respectively.

During the 2020 session, House Bill 1513 was enacted. This bill required the addition of Health Insurance Credit benefits for non-teacher employees effective July 1, 2021. While benefit payments became effective July 1, 2021, employers were required to pre-fund the benefits beginning July 1, 2020. The bill impacted 95 employers and resulted in approximately \$2.5 million of additional employer contributions in FY 2021.

Net HIC OPEB Liability

The School Board’s net HIC OPEB liability was measured as of June 30, 2021. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2020, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020 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, 2021.

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

The actuarial assumptions used in the June 30, 2020 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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.39%

*The above allocation provides a one-year return of 7.39%. 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 6.94%, 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%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 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, 2020	\$ 29,651	\$ -	\$ 29,651
Changes for the year:			
Service cost	\$ 343	\$ -	\$ 343
Interest	2,001	-	2,001
Assumption changes	600	-	600
Contributions - employer	-	2,120	(2,120)
Net investment income	-	289	(289)
Administrative expenses	-	(9)	9
Net changes	\$ 2,944	\$ 2,400	\$ 544
Balances at June 30, 2021	\$ 32,595	\$ 2,400	\$ 30,195

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board (Nonprofessional) Net HIC OPEB Liability	\$ 33,162	\$ 30,195	\$ 27,623

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

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

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

For the year ended June 30, 2022, the School Board recognized HIC Plan OPEB expense of \$2,411. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board’s HIC Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on HIC OPEB plan investments	\$ 253	\$ -
Employer contributions subsequent to the measurement date	<u>2,040</u>	<u>-</u>
Total	<u>\$ 2,293</u>	<u>\$ -</u>

\$2,040 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. 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:

<u>Year Ended June 30</u>	
2023	\$ 129
2024	129
2025	37
2026	(42)
2027	-
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2021-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements
June 30, 2022 (Continued)

NOTE 14—AGGREGATION OF OPEB PLANS:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)	\$ 32,372	\$ 36,016	\$ 91,396	\$ 5,036
Totals	<u>\$ 32,372</u>	<u>\$ 36,016</u>	<u>\$ 91,396</u>	<u>\$ 5,036</u>

	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Program (Note 11)				
School Board Nonprofessional	\$ 3,404	\$ 6,559	\$ 13,040	\$ 183
School Board Professional	30,644	51,207	106,880	2,779
Teacher Health Insurance Credit Program (Note 12)	35,360	32,786	275,069	18,855
Health Insurance Credit (Note 13)	2,293	-	30,195	2,411
Totals	<u>\$ 71,701</u>	<u>\$ 90,552</u>	<u>\$ 425,184</u>	<u>\$ 24,228</u>

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COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 15—UNEARNED/DEFERRED/UNAVAILABLE REVENUE:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2022:

	<u>Government- wide Statements</u>	<u>Fund Financial Statements</u>
Primary Government:		
Deferred/Unavailable revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 177,724
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2021. The uncollected tax billings are not available for the funding of current expenditures.	1,774,963	1,774,963
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	96,037	96,037
Unavailable revenue related to the opioid lawsuit settlement due for fiscal years 2022 through 2034	-	25,990
Total primary government deferred/unavailable revenue	<u>\$ 1,871,000</u>	<u>\$ 2,074,714</u>
Unearned revenue:		
Emergency services grants revenue and payment in lieu of taxes revenue representing monies received in fiscal years 2003, 2004, and 2006, but to be expended in subsequent years	\$ 15,338	\$ 15,338
Coronavirus State and Local Fiscal Recovery Funds unspent as of June 30, 2022, to be expended by December 31, 2024	210,191	210,191
Total primary government unearned revenue	<u>\$ 225,529</u>	<u>\$ 225,529</u>

NOTE 16—SURETY BONDS:

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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 17—RISK MANAGEMENT:

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

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

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

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$61,813 at June 30, 2022. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

NOTE 19—NOTES RECEIVABLE:

The County has issued several loans to fire and rescue agencies for the purchase of new fire and rescue equipment to better serve the Highland community. The outstanding balances due from the three fire and rescue agencies as of June 30, 2022 were as follows:

	Loans Receivable July 1, 2021	Issuances	Repayments	Loans Receivable June 30, 2022
McDowell Volunteer Fire Department	\$ 75,000	\$ -	\$ (75,000)	\$ -
Highland Volunteer Rescue Squad	65,000	-	(65,000)	-
Bolar Volunteer Fire Department	40,000	-	(5,000)	35,000
Total	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ 35,000</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements June 30, 2022 (Continued)

NOTE 20—LEASE RECEIVABLE:

The County entered into a noncancellable lease agreement for property with a lease term of 5 years and interest rate of 1.003% as the discount rate for leases. The lease agreement requires annual payments of \$4,500. The County recognized lease revenue of \$5,307 and interest revenue of \$144. As of June 30, 2022, the lease receivable balance was \$13,233.

NOTE 21—UPCOMING PRONOUNCEMENTS:

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

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

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

Statement No. 99, *Omnibus 2022*, addresses (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 for fiscal years beginning after June 15, 2023.

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

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 fiscal years beginning after December 15, 2023.

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

COUNTY OF HIGHLAND, VIRGINIA

**Notes to Financial Statements
June 30, 2022 (Continued)**

NOTE 22—LITIGATION:

At June 30, 2022, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

NOTE 23—CONTINGENT LIABILITIES:

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

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REQUIRED SUPPLEMENTARY INFORMATION

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

General Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 3,783,900	\$ 3,920,200	\$ 3,931,133	\$ 10,933
Other local taxes	382,701	441,701	428,201	(13,500)
Permits, privilege fees, and regulatory licenses	9,651	16,650	17,380	730
Fines and forfeitures	2,000	200	88	(112)
Revenue from the use of money and property	33,500	33,000	31,500	(1,500)
Charges for services	11,975	16,975	18,422	1,447
Miscellaneous	43,296	47,050	58,958	11,908
Intergovernmental:				
Commonwealth	1,179,005	1,218,502	1,295,316	76,814
Federal	150,000	150,000	236,068	86,068
Total revenues	<u>\$ 5,596,028</u>	<u>\$ 5,844,278</u>	<u>\$ 6,017,066</u>	<u>\$ 172,788</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,203,148	\$ 1,216,979	\$ 1,196,892	\$ 20,087
Judicial administration	312,414	319,512	319,322	190
Public safety	1,024,221	1,076,334	1,052,220	24,114
Public works	44,533	33,133	29,646	3,487
Health and welfare	111,427	111,427	111,427	-
Education	2,451,115	2,451,115	2,108,260	342,855
Parks, recreation, and cultural	73,285	73,285	72,982	303
Community development	239,313	264,163	226,758	37,405
Nondepartmental	11,492	13,210	10,627	2,583
Capital projects	-	49,030	48,923	107
Total expenditures	<u>\$ 5,470,948</u>	<u>\$ 5,608,188</u>	<u>\$ 5,177,057</u>	<u>\$ 431,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 125,080</u>	<u>\$ 236,090</u>	<u>\$ 840,009</u>	<u>\$ 603,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (125,080)</u>	<u>\$ (236,090)</u>	<u>\$ (690,601)</u>	<u>\$ (454,511)</u>
Total other financing sources (uses)	<u>\$ (125,080)</u>	<u>\$ (236,090)</u>	<u>\$ (690,601)</u>	<u>\$ (454,511)</u>
Net change in fund balances	\$ -	\$ -	\$ 149,408	\$ 149,408
Fund balances - beginning	-	-	4,783,341	4,783,341
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,932,749</u>	<u>\$ 4,932,749</u>

Special Revenue Fund-Virginia Public Assistance Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 11,542	\$ 11,542
Intergovernmental:				
Commonwealth	318,344	201,182	234,299	33,117
Federal	349,800	364,800	414,573	49,773
Total revenues	<u>\$ 668,144</u>	<u>\$ 565,982</u>	<u>\$ 660,414</u>	<u>\$ 94,432</u>
EXPENDITURES				
Health and welfare	\$ 845,609	\$ 770,732	\$ 792,475	\$ (21,743)
Total expenditures	<u>\$ 845,609</u>	<u>\$ 770,732</u>	<u>\$ 792,475</u>	<u>\$ (21,743)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (177,465)</u>	<u>\$ (204,750)</u>	<u>\$ (132,061)</u>	<u>\$ 72,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 177,465	\$ 204,750	\$ 132,061	\$ (72,689)
Total other financing sources (uses)	<u>\$ 177,465</u>	<u>\$ 204,750</u>	<u>\$ 132,061</u>	<u>\$ (72,689)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Special Revenue Fund-EMS Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 358,200	\$ 358,200	\$ 362,411	\$ 4,211
Miscellaneous	675	675	205	(470)
Total revenues	<u>\$ 358,875</u>	<u>\$ 358,875</u>	<u>\$ 362,616</u>	<u>\$ 3,741</u>
EXPENDITURES				
Public safety	\$ 420,602	\$ 287,000	\$ 286,636	\$ 364
Total expenditures	<u>\$ 420,602</u>	<u>\$ 287,000</u>	<u>\$ 286,636</u>	<u>\$ 364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (61,727)</u>	<u>\$ 71,875</u>	<u>\$ 75,980</u>	<u>\$ 4,105</u>
Net change in fund balances	\$ (61,727)	\$ 71,875	\$ 75,980	\$ 4,105
Fund balances - beginning	<u>61,727</u>	<u>(71,875)</u>	<u>331,259</u>	<u>403,134</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 407,239</u></u>	<u><u>\$ 407,239</u></u>

County of Highland, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 Pension Plans
 For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability			
Service cost	\$ 177,496	\$ 180,499	\$ 154,618
Interest	493,815	495,799	491,087
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(94,044)	(395,272)	(212,208)
Changes of assumptions	196,451	-	189,970
Benefit payments	<u>(322,820)</u>	<u>(298,037)</u>	<u>(289,585)</u>
Net change in total pension liability	\$ 450,898	\$ (17,011)	\$ 333,882
Total pension liability - beginning	<u>7,477,185</u>	<u>7,494,196</u>	<u>7,160,314</u>
Total pension liability - ending (a)	<u>\$ 7,928,083</u>	<u>\$ 7,477,185</u>	<u>\$ 7,494,196</u>
Plan fiduciary net position			
Contributions - employer	\$ 155,812	\$ 180,832	\$ 161,912
Contributions - employee	80,692	79,750	66,429
Net investment income	1,829,952	126,397	417,087
Benefit payments	(322,820)	(298,037)	(289,585)
Administrator charges	(4,511)	(4,241)	(4,071)
Other	<u>173</u>	<u>(151)</u>	<u>(264)</u>
Net change in plan fiduciary net position	\$ 1,739,298	\$ 84,550	\$ 351,508
Plan fiduciary net position - beginning	<u>6,690,982</u>	<u>6,606,432</u>	<u>6,254,924</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,430,280</u>	<u>\$ 6,690,982</u>	<u>\$ 6,606,432</u>
County's net pension liability (asset) - ending (a) - (b)	\$ (502,197)	\$ 786,203	\$ 887,764
Plan fiduciary net position as a percentage of the total pension liability	106.33%	89.49%	88.15%
Covered payroll	\$ 1,621,467	\$ 1,590,277	\$ 1,407,034
County's net pension liability as a percentage of covered payroll	-30.97%	49.44%	63.09%

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

Exhibit 15

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	156,750	\$ 155,202	\$ 149,304	\$ 153,716	\$ 149,038
	474,696	445,876	427,276	421,763	406,078
	-	-	51,557	-	-
	(84,912)	155,277	(12,933)	(138,534)	-
	-	3,210	-	-	-
	<u>(335,177)</u>	<u>(360,531)</u>	<u>(338,460)</u>	<u>(377,894)</u>	<u>(284,210)</u>
\$	211,357	\$ 399,034	\$ 276,744	\$ 59,051	\$ 270,906
	6,948,957	6,549,923	6,273,179	6,214,128	5,943,222
\$	<u>7,160,314</u>	<u>6,948,957</u>	<u>6,549,923</u>	<u>6,273,179</u>	<u>6,214,128</u>
\$	148,896	\$ 144,304	\$ 187,768	\$ 178,879	\$ 152,470
	65,835	63,793	63,391	77,375	60,075
	436,495	655,009	92,846	240,813	731,267
	(335,177)	(360,531)	(338,460)	(377,894)	(284,210)
	(3,791)	(3,850)	(3,392)	(3,366)	(3,971)
	<u>(388)</u>	<u>(581)</u>	<u>(40)</u>	<u>(53)</u>	<u>39</u>
\$	311,870	\$ 498,144	\$ 2,113	\$ 115,754	\$ 655,670
	5,943,054	5,444,910	5,442,797	5,327,043	4,671,373
\$	<u>6,254,924</u>	<u>5,943,054</u>	<u>5,444,910</u>	<u>5,442,797</u>	<u>5,327,043</u>
\$	905,390	\$ 1,005,903	\$ 1,105,013	\$ 830,382	\$ 887,085
	87.36%	85.52%	83.13%	86.76%	85.72%
\$	1,382,360	\$ 1,326,229	\$ 1,302,387	\$ 1,242,402	\$ 1,201,493
	65.50%	75.85%	84.85%	66.84%	73.83%

County of Highland, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 Pension Plans
 For the Measurement Dates of June 30, 2014 through June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability			
Service cost	\$ 23,333	\$ 22,624	\$ 21,471
Interest	92,031	93,990	91,803
Differences between expected and actual experience	(38,287)	(27,844)	(2,288)
Changes of assumptions	44,234	-	35,821
Benefit payments	(168,512)	(67,068)	(64,597)
Net change in total pension liability	<u>\$ (47,201)</u>	<u>\$ 21,702</u>	<u>\$ 82,210</u>
Total pension liability - beginning	<u>1,447,676</u>	<u>1,425,974</u>	<u>1,343,764</u>
Total pension liability - ending (a)	<u><u>\$ 1,400,475</u></u>	<u><u>\$ 1,447,676</u></u>	<u><u>\$ 1,425,974</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 39,394	\$ 40,665	\$ 39,821
Contributions - employee	11,209	12,222	11,973
Net investment income	235,005	17,779	59,234
Benefit payments	(168,512)	(67,068)	(64,597)
Administrative expense	(676)	(606)	(582)
Other	22	(21)	(37)
Net change in plan fiduciary net position	<u>\$ 116,442</u>	<u>\$ 2,971</u>	<u>\$ 45,812</u>
Plan fiduciary net position - beginning	<u>938,541</u>	<u>935,570</u>	<u>889,758</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,054,983</u></u>	<u><u>\$ 938,541</u></u>	<u><u>\$ 935,570</u></u>
School Division's net pension liability - ending (a) - (b)	\$ 345,492	\$ 509,135	\$ 490,404
Plan fiduciary net position as a percentage of the total pension liability	75.33%	64.83%	65.61%
Covered payroll	\$ 230,492	\$ 247,284	\$ 242,361
School Division's net pension liability as a percentage of covered payroll	149.89%	205.89%	202.34%

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

Exhibit 16

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	20,910	\$ 20,048	\$ 20,055	\$ 18,181	\$ 16,918
	83,621	80,313	75,437	76,690	74,575
	79,475	26,217	44,084	(49,056)	-
	-	(7,630)	-	-	-
	<u>(69,651)</u>	<u>(73,744)</u>	<u>(66,091)</u>	<u>(61,327)</u>	<u>(61,249)</u>
\$	114,355	\$ 45,204	\$ 73,485	\$ (15,512)	\$ 30,244
	<u>1,229,409</u>	<u>1,184,205</u>	<u>1,110,720</u>	<u>1,126,232</u>	<u>1,095,988</u>
\$	<u><u>1,343,764</u></u>	<u><u>1,229,409</u></u>	<u><u>1,184,205</u></u>	<u><u>1,110,720</u></u>	<u><u>1,126,232</u></u>
\$	30,448	\$ 29,727	\$ 35,591	\$ 36,046	\$ 30,951
	11,825	11,534	11,371	11,528	10,276
	62,498	94,641	13,591	35,354	107,414
	(69,651)	(73,744)	(66,091)	(61,327)	(61,249)
	(550)	(566)	(500)	(489)	(590)
	<u>(55)</u>	<u>(84)</u>	<u>(6)</u>	<u>(8)</u>	<u>6</u>
\$	34,515	\$ 61,508	\$ (6,044)	\$ 21,104	\$ 86,808
	<u>855,243</u>	<u>793,735</u>	<u>799,779</u>	<u>778,675</u>	<u>691,867</u>
\$	<u><u>889,758</u></u>	<u><u>855,243</u></u>	<u><u>793,735</u></u>	<u><u>799,779</u></u>	<u><u>778,675</u></u>
\$	454,006	\$ 374,166	\$ 390,470	\$ 310,941	\$ 347,557
	66.21%	69.57%	67.03%	72.01%	69.14%
\$	239,365	\$ 233,486	\$ 227,420	\$ 224,553	\$ 205,513
	189.67%	160.25%	171.70%	138.47%	169.12%

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2021

Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
2021	0.02150%	1,669,066	1,894,883	88%	85.46%
2020	0.02140%	3,108,441	1,875,525	166%	71.47%
2019	0.02272%	2,990,081	1,903,179	157%	73.51%
2018	0.02435%	2,863,000	1,950,212	147%	74.81%
2017	0.02435%	2,994,000	1,911,314	157%	72.92%
2016	0.02344%	3,285,000	1,786,902	184%	68.28%
2015	0.02404%	3,025,000	1,787,334	169%	70.68%
2014	0.02269%	2,742,000	1,659,098	165%	70.68%

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

Schedule of Employer Contributions
Pension Plans
Years Ended June 30, 2013 through June 30, 2022

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2022	\$ 172,910	\$ 172,910	\$ -	\$ 1,806,457	9.57%
2021	155,811	155,811	-	1,621,467	9.61%
2020	181,199	181,199	-	1,590,277	11.39%
2019	161,674	161,674	-	1,407,034	11.49%
2018	148,896	148,896	-	1,382,360	10.77%
2017	144,304	144,304	-	1,326,229	10.88%
2016	187,768	187,768	-	1,302,387	14.42%
2015	178,879	178,879	-	1,242,402	14.40%
2014	152,470	152,470	-	1,201,493	12.69%
2013	171,388	145,674	25,714	1,147,947	12.69%
Component Unit School Board (nonprofessional)					
2022	\$ 37,317	\$ 37,317	\$ -	\$ 221,772	16.83%
2021	39,394	39,394	-	230,492	17.09%
2020	40,665	40,665	-	247,284	16.44%
2019	39,821	39,821	-	242,361	16.43%
2018	30,448	30,448	-	239,365	12.72%
2017	29,769	29,769	-	233,486	12.75%
2016	35,591	35,591	-	227,420	15.65%
2015	36,046	36,046	-	224,553	16.05%
2014	30,951	30,951	-	205,513	15.06%
2013	30,829	30,829	-	204,710	15.06%
Component Unit School Board (professional)					
2022	\$ 314,581	\$ 314,581	\$ -	\$ 1,962,519	16.03%
2021	304,153	304,153	-	1,894,883	16.05%
2020	283,796	283,796	-	1,875,525	15.13%
2019	291,132	291,132	-	1,903,179	15.30%
2018	314,346	314,346	-	1,950,212	16.12%
2017	277,816	277,816	-	1,911,314	14.54%
2016	249,226	249,226	-	1,786,902	13.95%
2015	259,163	259,163	-	1,787,334	14.50%
2014	243,224	243,224	-	1,659,098	14.66%
2013	272,000	272,000	-	1,736,911	15.66%

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

Notes to Required Supplementary Information
 Pension Plans
 Year Ended June 30, 2022

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, 2020 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 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

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

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.00780% \$	91,396	\$ 1,621,467	5.64%	67.45%
2020	0.00770%	129,001	1,590,277	8.11%	52.64%
2019	0.00718%	116,838	1,407,034	8.30%	52.00%
2018	0.00730%	111,000	1,388,989	7.99%	51.22%
2017	0.00719%	109,000	1,326,229	8.22%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of School Board's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (nonprofessional)					
2021	0.00110%	\$ 13,040	\$ 230,492	5.66%	67.45%
2020	0.00120%	20,026	247,284	8.10%	52.64%
2019	0.00124%	20,178	242,361	8.33%	52.00%
2018	0.00126%	19,000	239,365	7.94%	51.22%
2017	0.00127%	19,000	233,486	8.14%	48.86%
Component Unit School Board (professional)					
2021	0.00920%	\$ 106,880	\$ 1,894,883	5.64%	67.45%
2020	0.00920%	152,866	1,884,075	8.11%	52.64%
2019	0.00971%	158,007	1,903,179	8.30%	52.00%
2018	0.01026%	155,000	1,950,212	7.95%	51.22%
2017	0.01036%	156,000	1,911,314	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance (GLI) Plan
 Years Ended June 30, 2013 through June 30, 2022

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
Primary Government					
2022	\$ 9,755	\$ 9,755	\$ -	1,806,457	0.54%
2021	8,756	8,756	-	1,621,467	0.54%
2020	8,269	8,269	-	1,590,277	0.52%
2019	7,317	7,317	-	1,407,034	0.52%
2018	7,223	7,223	-	1,388,989	0.52%
2017	6,896	6,896	-	1,326,229	0.52%
2016	6,251	6,251	-	1,302,387	0.48%
2015	5,964	5,964	-	1,242,402	0.48%
2014	5,767	5,767	-	1,201,493	0.48%
2013	5,510	5,510	-	1,147,947	0.48%
Component Unit School Board (nonprofessional)					
2022	\$ 1,198	\$ 1,198	\$ -	221,772	0.54%
2021	1,245	1,245	-	230,492	0.54%
2020	1,286	1,286	-	247,284	0.52%
2019	1,260	1,260	-	242,361	0.52%
2018	1,244	1,244	-	239,365	0.52%
2017	1,214	1,214	-	233,486	0.52%
2016	1,092	1,092	-	227,420	0.48%
2015	1,078	1,078	-	224,553	0.48%
2014	986	986	-	205,513	0.48%
2013	983	983	-	204,710	0.48%
Component Unit School Board (professional)					
2022	\$ 10,687	\$ 10,687	\$ -	1,979,044	0.54%
2021	10,232	10,232	-	1,894,883	0.54%
2020	9,797	9,797	-	1,884,075	0.52%
2019	9,897	9,897	-	1,903,179	0.52%
2018	10,141	10,141	-	1,950,212	0.52%
2017	9,939	9,939	-	1,911,314	0.52%
2016	8,577	8,577	-	1,786,902	0.48%
2015	8,579	8,579	-	1,787,334	0.48%
2014	7,964	7,964	-	1,659,098	0.48%
2013	8,337	8,337	-	1,736,911	0.48%

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 Year Ended June 30, 2022

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, 2020 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

Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2021	0.02143%	\$ 275,069	\$ 1,894,883	14.52%	13.15%
2020	0.02140%	279,036	1,875,525	14.88%	9.95%
2019	0.02269%	297,034	1,903,179	15.61%	8.97%
2018	0.02411%	306,000	1,950,212	15.69%	8.08%
2017	0.02422%	308,000	1,911,314	16.11%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

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

Date	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)
2022	\$ 23,746	\$ 23,746	\$ -	\$ 1,962,519	1.21%
2021	22,928	22,928	-	1,894,883	1.21%
2020	22,506	22,506	-	1,875,525	1.20%
2019	22,838	22,838	-	1,903,179	1.20%
2018	23,988	23,988	-	1,950,212	1.23%
2017	21,216	21,216	-	1,911,314	1.11%
2016	18,941	18,941	-	1,786,902	1.06%
2015	18,946	18,946	-	1,787,334	1.06%
2014	18,416	18,416	-	1,659,098	1.11%
2013	19,280	19,280	-	1,736,911	1.11%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 Year Ended June 30, 2022

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, 2020 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

Schedule of Changes in the School Board's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2021

	<u>2021</u>	<u>2020</u>
Total HIC OPEB Liability		
Service cost	\$ 343	\$ -
Interest	2,001	-
Changes in benefit terms	-	29,651
Changes of assumptions	600	-
Net change in total HIC OPEB liability	\$ 2,944	\$ 29,651
Total HIC OPEB Liability - beginning	29,651	-
Total HIC OPEB Liability - ending (a)	\$ 32,595	\$ 29,651
Plan fiduciary net position		
Contributions - employer	\$ 2,120	\$ -
Net investment income	289	-
Administrator charges	(9)	-
Net change in plan fiduciary net position	\$ 2,400	\$ -
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	\$ 2,400	\$ -
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 30,195	\$ 29,651
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.36%	0.00%
Covered payroll	\$ 230,491	\$ -
School Board's net HIC OPEB liability as a percentage of covered payroll	13.10%	0.00%

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

Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 Years Ended June 30, 2021 through June 30, 2022

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2022	\$ 2,040	\$ 2,040	\$ -	\$ 221,772	\$ 0.92%
2021	2,121	2,121	-	230,491	0.92%

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

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 Year Ended June 30, 2022

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, 2020, 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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2022

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 26,507	\$ 828,799	\$ 855,306
Due from other governmental units	8,935	-	8,935
Prepaid items	6,076	-	6,076
Total assets	<u>\$ 41,518</u>	<u>\$ 828,799</u>	<u>\$ 870,317</u>
LIABILITIES			
Accounts payable	\$ 2,206	\$ 7,855	\$ 10,061
Total liabilities	<u>\$ 2,206</u>	<u>\$ 7,855</u>	<u>\$ 10,061</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ 6,076	\$ -	\$ 6,076
Restricted:			
E911	18,490	-	18,490
Forfeited assets	4,271	-	4,271
Assigned:			
Capital projects	-	820,944	820,944
Special revenue funds	10,475	-	10,475
Total fund balances	<u>\$ 39,312</u>	<u>\$ 820,944</u>	<u>\$ 860,256</u>
Total liabilities and fund balances	<u>\$ 41,518</u>	<u>\$ 828,799</u>	<u>\$ 870,317</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2022

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Intergovernmental:			
Commonwealth	\$ 59,541	\$ -	\$ 59,541
Total revenues	<u>\$ 59,541</u>	<u>\$ -</u>	<u>\$ 59,541</u>
EXPENDITURES			
Current:			
Public safety	\$ 173,757	\$ -	\$ 173,757
Capital projects	-	79,704	79,704
Total expenditures	<u>\$ 173,757</u>	<u>\$ 79,704</u>	<u>\$ 253,461</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (114,216)</u>	<u>\$ (79,704)</u>	<u>\$ (193,920)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 541,040	\$ 541,040
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 541,040</u>	<u>\$ 541,040</u>
Net change in fund balances	\$ (114,216)	\$ 461,336	\$ 347,120
Fund balances - beginning	153,528	359,608	513,136
Fund balances - ending	<u><u>\$ 39,312</u></u>	<u><u>\$ 820,944</u></u>	<u><u>\$ 860,256</u></u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2022

	Sheriff's Grants Fund	E-911 Fund	Total
ASSETS			
Cash and cash equivalents	\$ 14,746	\$ 11,761	\$ 26,507
Due from other governmental units	-	8,935	8,935
Prepaid items		6,076	6,076
Total assets	<u>\$ 14,746</u>	<u>\$ 26,772</u>	<u>\$ 41,518</u>
LIABILITIES			
Accounts payable	\$ -	\$ 2,206	\$ 2,206
Total liabilities	<u>\$ -</u>	<u>\$ 2,206</u>	<u>\$ 2,206</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	\$ -	\$ 6,076	\$ 6,076
Restricted:			
E911	-	18,490	18,490
Forfeited assets	4,271	-	4,271
Assigned:			
Special revenue funds	10,475	-	10,475
Total fund balances	<u>\$ 14,746</u>	<u>\$ 24,566</u>	<u>\$ 39,312</u>
Total liabilities and fund balances	<u>\$ 14,746</u>	<u>\$ 26,772</u>	<u>\$ 41,518</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2022

	Sheriff's Grants Fund	E-911 Fund	Total
REVENUES			
Intergovernmental:			
Commonwealth	\$ 4,938	\$ 54,603	\$ 59,541
Total revenues	<u>\$ 4,938</u>	<u>\$ 54,603</u>	<u>\$ 59,541</u>
EXPENDITURES			
Current:			
Public safety	\$ 1,592	\$ 172,165	\$ 173,757
Total expenditures	<u>\$ 1,592</u>	<u>\$ 172,165</u>	<u>\$ 173,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,346</u>	<u>\$ (117,562)</u>	<u>\$ (114,216)</u>
Net change in fund balances	\$ 3,346	\$ (117,562)	\$ (114,216)
Fund balances - beginning	11,400	142,128	153,528
Fund balances - ending	<u><u>\$ 14,746</u></u>	<u><u>\$ 24,566</u></u>	<u><u>\$ 39,312</u></u>

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2022

	Sheriff's Grant Funds			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Commonwealth	\$ -	\$ -	\$ 4,938	\$ 4,938
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,938</u>	<u>\$ 4,938</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 1,600	\$ 1,592	\$ 8
Total expenditures	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 1,592</u>	<u>\$ 8</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,600)</u>	<u>\$ 3,346</u>	<u>\$ 4,946</u>
Net change in fund balances	\$ -	\$ (1,600)	\$ 3,346	\$ 4,946
Fund balances - beginning	-	1,600	11,400	9,800
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,746</u>	<u>\$ 14,746</u>

Exhibit 34

E-911 Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 54,603	\$ 54,603
\$ -	\$ -	\$ 54,603	\$ 54,603
\$ -	\$ 177,500	\$ 172,165	\$ 5,335
\$ -	\$ 177,500	\$ 172,165	\$ 5,335
\$ -	\$ (177,500)	\$ (117,562)	\$ 59,938
\$ -	\$ (177,500)	\$ (117,562)	\$ 59,938
-	177,500	142,128	(35,372)
\$ -	\$ -	\$ 24,566	\$ 24,566

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2022

	<u>County Capital Improvements</u>	<u>School Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 223,485	\$ 605,314	\$ 828,799
Total assets	<u>\$ 223,485</u>	<u>\$ 605,314</u>	<u>\$ 828,799</u>
LIABILITIES			
Accounts payable	\$ 1,200	\$ 6,655	\$ 7,855
Total liabilities	<u>\$ 1,200</u>	<u>\$ 6,655</u>	<u>\$ 7,855</u>
FUND BALANCES			
Assigned:			
Capital projects	\$ 222,285	\$ 598,659	\$ 820,944
Total fund balances	<u>\$ 222,285</u>	<u>\$ 598,659</u>	<u>\$ 820,944</u>
Total liabilities and fund balances	<u>\$ 223,485</u>	<u>\$ 605,314</u>	<u>\$ 828,799</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2022

	County Capital Improvements	School Capital Improvements	Total
EXPENDITURES			
Current:			
Capital projects	\$ 41,629	\$ 38,075	\$ 79,704
Total expenditures	<u>\$ 41,629</u>	<u>\$ 38,075</u>	<u>\$ 79,704</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (41,629)	\$ (38,075)	\$ (79,704)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 134,000	\$ 407,040	\$ 541,040
Total other financing sources (uses)	<u>\$ 134,000</u>	<u>\$ 407,040</u>	<u>\$ 541,040</u>
Net change in fund balances	\$ 92,371	\$ 368,965	\$ 461,336
Fund balances - beginning	129,914	229,694	359,608
Fund balances - ending	<u><u>\$ 222,285</u></u>	<u><u>\$ 598,659</u></u>	<u><u>\$ 820,944</u></u>

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2022

	County Capital Improvements			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Current:				
Capital projects	\$ 134,000	\$ 134,000	\$ 41,629	\$ 92,371
Total expenditures	<u>\$ 134,000</u>	<u>\$ 134,000</u>	<u>\$ 41,629</u>	<u>\$ 92,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (134,000)</u>	<u>\$ (134,000)</u>	<u>\$ (41,629)</u>	<u>\$ 92,371</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 134,000	\$ 134,000	\$ 134,000	\$ -
Total other financing sources (uses)	<u>\$ 134,000</u>	<u>\$ 134,000</u>	<u>\$ 134,000</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 92,371	\$ 92,371
Fund balances - beginning	-	-	129,914	129,914
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 222,285</u></u>	<u><u>\$ 222,285</u></u>

School Capital Improvements			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ 31,500	\$ 38,075	\$ (6,575)
\$ -	\$ 31,500	\$ 38,075	\$ (6,575)
\$ -	\$ (31,500)	\$ (38,075)	\$ (6,575)
\$ -	\$ 31,500	\$ 407,040	\$ 375,540
\$ -	\$ 31,500	\$ 407,040	\$ 375,540
\$ -	\$ -	\$ 368,965	\$ 368,965
\$ -	\$ -	229,694	229,694
\$ -	\$ -	\$ 598,659	\$ 598,659

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – The School Operating fund accounts for and reports the operations of the County’s School system. Financing is provided by the State and Federal government as well as by contributions from the General Fund.

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

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

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2022

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 267,423	\$ 8,991	\$ 119,938	\$ 396,352
Receivables (net of allowance for uncollectibles):				
Due from other governmental units	149,199	10,305	-	159,504
Inventories	-	15,341	-	15,341
Prepaid items	37,965	1,000	-	38,965
Total assets	<u>\$ 454,587</u>	<u>\$ 35,637</u>	<u>\$ 119,938</u>	<u>\$ 610,162</u>
LIABILITIES				
Accounts payable	\$ 7,712	\$ -	\$ -	\$ 7,712
Accrued liabilities	267,423	8,991	-	276,414
Due to primary government	179,452	-	-	179,452
Total liabilities	<u>\$ 454,587</u>	<u>\$ 8,991</u>	<u>\$ -</u>	<u>\$ 463,578</u>
FUND BALANCES				
Nonspendable:				
Inventories	\$ -	\$ 15,341	\$ -	\$ 15,341
Prepaid items	37,965	1,000	-	38,965
Restricted:				
School activity funds	-	-	119,938	119,938
Assigned:				
School cafeteria	-	10,305	-	10,305
Unassigned	(37,965)	-	-	(37,965)
Total fund balances	<u>\$ -</u>	<u>\$ 26,646</u>	<u>\$ 119,938</u>	<u>\$ 146,584</u>
Total liabilities and fund balances	<u>\$ 454,587</u>	<u>\$ 35,637</u>	<u>\$ 119,938</u>	<u>\$ 610,162</u>

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

Total fund balances per above	\$ 146,584
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 13,035
Buildings and improvements	2,336,111
Machinery and equipment	<u>476,715</u>
	2,825,861
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 691,917
OPEB related items	<u>71,701</u>
	763,618
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (55,013)
Net OPEB liabilities	(425,184)
Net Pension Liability	<u>(2,014,558)</u>
	(2,494,755)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (1,526,547)
OPEB related items	<u>(90,552)</u>
	(1,617,099)
Net position of governmental activities	<u>\$ (375,791)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 Year Ended June 30, 2022

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Activity Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Charges for services	\$ -	\$ 28,809	\$ -	\$ 28,809
Miscellaneous	11,289	-	162,544	173,833
Intergovernmental:				
Local government	2,099,798	8,462	-	2,108,260
Commonwealth	2,050,816	9,703	-	2,060,519
Federal	237,103	174,611	-	411,714
Total revenues	<u>\$ 4,399,006</u>	<u>\$ 221,585</u>	<u>\$ 162,544</u>	<u>\$ 4,783,135</u>
EXPENDITURES				
Education	<u>\$ 4,399,006</u>	<u>\$ 232,761</u>	<u>\$ 150,734</u>	<u>\$ 4,782,501</u>
Total expenditures	<u>\$ 4,399,006</u>	<u>\$ 232,761</u>	<u>\$ 150,734</u>	<u>\$ 4,782,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (11,176)</u>	<u>\$ 11,810</u>	<u>\$ 634</u>
Net change in fund balances	\$ -	\$ (11,176)	\$ 11,810	\$ 634
Fund balances - beginning	-	37,822	108,128	145,950
Fund balances - ending	<u>\$ -</u>	<u>\$ 26,646</u>	<u>\$ 119,938</u>	<u>\$ 146,584</u>

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

Net change in fund balances - total governmental funds - per above \$ 634

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

Capital outlays	\$ 59,727	
Depreciation expense	<u>(224,525)</u>	(164,798)

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

Nonemployer VRS pension contribution 13,189

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	\$ 39,011	
Change in pension related items	374,550	
Change in OPEB related items	<u>13,524</u>	<u>427,085</u>

Change in net position of governmental activities \$ 276,110

County of Highland, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 Year Ended June 30, 2022

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	11,289	11,289
Intergovernmental:				
Local government	2,385,894	2,385,894	2,099,798	(286,096)
Commonwealth	2,040,325	2,040,325	2,050,816	10,491
Federal	294,830	306,651	237,103	(69,548)
Total revenues	<u>\$ 4,721,049</u>	<u>\$ 4,732,870</u>	<u>\$ 4,399,006</u>	<u>\$ (333,864)</u>
EXPENDITURES				
Education	\$ 4,721,049	\$ 4,732,870	\$ 4,399,006	\$ 333,864
Total expenditures	<u>\$ 4,721,049</u>	<u>\$ 4,732,870</u>	<u>\$ 4,399,006</u>	<u>\$ 333,864</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 40

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 64,500	\$ 64,500	\$ 28,809	\$ (35,691)
-	-	-	-
65,221	65,221	8,462	(56,759)
4,080	4,080	9,703	5,623
110,608	110,608	174,611	64,003
<u>\$ 244,409</u>	<u>\$ 244,409</u>	<u>\$ 221,585</u>	<u>\$ (22,824)</u>
<u>\$ 244,409</u>	<u>\$ 244,409</u>	<u>\$ 232,761</u>	<u>\$ 11,648</u>
<u>\$ 244,409</u>	<u>\$ 244,409</u>	<u>\$ 232,761</u>	<u>\$ 11,648</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,176)</u>	<u>\$ (11,176)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,176)</u>	<u>\$ (11,176)</u>
<u>-</u>	<u>-</u>	<u>37,822</u>	<u>37,822</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,646</u>	<u>\$ 26,646</u>

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

Statement of Net Position
 Discretely Presented Component Unit - Economic Development Authority
 June 30, 2022

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 95,291
Total current assets	<u>\$ 95,291</u>
Total assets	<u>\$ 95,291</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 6,275
Unearned revenue	29,498
Total liabilities	<u>\$ 35,773</u>
NET POSITION	
Unrestricted	\$ 59,518
Total net position	<u><u>\$ 59,518</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Economic Development Authority
 Year Ended June 30, 2022

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
OPERATING EXPENSES	
Contractual expenses	\$ 480
Dues and memberships	4,900
Marketing	7,301
Supplies	301
Other charges	1,036
Total operating expenses	<u>\$ 14,018</u>
 Operating income (loss)	 <u>\$ (14,018)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental:	
Contribution from Highland County	\$ 28,670
Contribution from Town of Monterey	638
Interest income	42
Grants awarded	<u>(6,325)</u>
Total nonoperating revenues (expenses)	<u>\$ 23,025</u>
Change in net position	<u>\$ 9,007</u>
 Net position - beginning	 <u>50,511</u>
Net position - ending	<u><u>\$ 59,518</u></u>

Statement of Cash Flows
 Discretely Presented Component Unit - Economic Development Authority
 Year Ended June 30, 2022

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 14,026
Payments to suppliers	(8,877)
Net cash provided by (used for) operating activities	<u>\$ 5,149</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	\$ 29,308
Grant awarded	(6,325)
Net cash provided by (used for) noncapital financing activities	<u>\$ 22,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 42
Net cash provided by (used for) investing activities	<u>\$ 42</u>
Net increase (decrease) in cash and cash equivalents	\$ 28,174
Cash and cash equivalents - beginning	<u>67,117</u>
Cash and cash equivalents - ending	<u>\$ 95,291</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (14,018)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	5,141
Increase (decrease) in unearned revenue	14,026
Total adjustments	<u>\$ 19,167</u>
Net cash provided by (used for) operating activities	<u>\$ 5,149</u>

SUPPORTING SCHEDULES

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,177,200	\$ 3,237,500	\$ 3,241,294	\$ 3,794
Real and personal public service corporation taxes	128,000	122,000	124,491	2,491
Personal property taxes	446,000	516,000	519,849	3,849
Mobile home taxes	3,000	3,000	3,295	295
Machinery and tools taxes	1,000	1,000	1,171	171
Merchants Capital taxes	3,700	3,700	3,520	(180)
Penalties	15,000	22,000	23,181	1,181
Interest	10,000	15,000	14,332	(668)
Total general property taxes	<u>\$ 3,783,900</u>	<u>\$ 3,920,200</u>	<u>\$ 3,931,133</u>	<u>\$ 10,933</u>
Other local taxes:				
Local sales and use taxes	\$ 148,101	\$ 190,101	\$ 192,579	\$ 2,478
Consumers' utility taxes	128,000	133,000	119,615	(13,385)
Consumption taxes	5,600	7,100	7,036	(64)
Motor vehicle licenses	56,000	56,000	58,249	2,249
Bank stock taxes	14,000	14,000	14,096	96
Taxes on recordation and wills	10,000	16,000	10,869	(5,131)
Hotel and motel room taxes	21,000	25,500	25,757	257
Total other local taxes	<u>\$ 382,701</u>	<u>\$ 441,701</u>	<u>\$ 428,201</u>	<u>\$ (13,500)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,001	\$ 2,000	\$ 1,364	\$ (636)
Transfer fees	150	150	235	85
Permits and other licenses	7,500	14,500	15,781	1,281
Total permits, privilege fees, and regulatory licenses	<u>\$ 9,651</u>	<u>\$ 16,650</u>	<u>\$ 17,380</u>	<u>\$ 730</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 2,000	\$ 200	\$ 88	\$ (112)
Total fines and forfeitures	<u>\$ 2,000</u>	<u>\$ 200</u>	<u>\$ 88</u>	<u>\$ (112)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 27,500	\$ 23,000	\$ 20,263	\$ (2,737)
Revenue from use of property	6,000	10,000	11,237	1,237
Total revenue from use of money and property	<u>\$ 33,500</u>	<u>\$ 33,000</u>	<u>\$ 31,500</u>	<u>\$ (1,500)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,775	\$ 16,775	\$ 16,813	\$ 38
Charges for courthouse maintenance	-	-	1,308	1,308
Charges for Commonwealth's Attorney	-	-	161	161
Charges for other services	200	200	46	(154)
Charges for law library	-	-	94	94
Total charges for services	<u>\$ 11,975</u>	<u>\$ 16,975</u>	<u>\$ 18,422</u>	<u>\$ 1,447</u>
Miscellaneous:				
Miscellaneous revenue	\$ 43,296	\$ 47,050	\$ 58,858	\$ 11,808
Donations	-	-	100	100
Total miscellaneous	<u>\$ 43,296</u>	<u>\$ 47,050</u>	<u>\$ 58,958</u>	<u>\$ 11,908</u>
Total revenue from local sources	<u>\$ 4,267,023</u>	<u>\$ 4,475,776</u>	<u>\$ 4,485,682</u>	<u>\$ 9,906</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,500	\$ 300	\$ 6,527	\$ 6,227
Taxes on deeds	22,000	43,700	38,821	(4,879)
Motor vehicle carriers' tax	-	-	21	21
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	<u>\$ 191,552</u>	<u>\$ 211,052</u>	<u>\$ 212,421</u>	<u>\$ 1,369</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 75,173	\$ 75,173	\$ 75,162	\$ (11)
Sheriff	537,278	537,278	534,361	(2,917)
Commissioner of revenue	84,000	84,000	84,779	779
Treasurer	74,415	74,415	74,379	(36)
Registrar/electoral board	35,000	35,000	57,192	22,192
Clerk of the Circuit Court	158,184	178,184	181,438	3,254
Total shared expenses	<u>\$ 964,050</u>	<u>\$ 984,050</u>	<u>\$ 1,007,311</u>	<u>\$ 23,261</u>
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Fire prevention program	-	-	30,000	30,000
Other state grants	20,403	20,400	45,584	25,184
Total other categorical aid	<u>\$ 23,403</u>	<u>\$ 23,400</u>	<u>\$ 75,584</u>	<u>\$ 52,184</u>
Total categorical aid	<u>\$ 987,453</u>	<u>\$ 1,007,450</u>	<u>\$ 1,082,895</u>	<u>\$ 75,445</u>
Total revenue from the Commonwealth	<u>\$ 1,179,005</u>	<u>\$ 1,218,502</u>	<u>\$ 1,295,316</u>	<u>\$ 76,814</u>
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Funds	\$ -	\$ -	\$ 40,499	\$ 40,499
Payments in lieu of taxes	150,000	150,000	162,962	12,962
Total noncategorical aid	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 203,461</u>	<u>\$ 53,461</u>
Categorical aid:				
Coronavirus State and Local Fiscal Recovery Fund	-	-	25,107	25,107
Domestic preparedness equipment program	-	-	7,500	7,500
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,607</u>	<u>\$ 32,607</u>
Total revenue from the federal government	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 236,068</u>	<u>\$ 86,068</u>
Total General Fund	<u>\$ 5,596,028</u>	<u>\$ 5,844,278</u>	<u>\$ 6,017,066</u>	<u>\$ 172,788</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 11,542	\$ 11,542
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,542</u>	<u>\$ 11,542</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2022 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (continued)				
Virginia Public Assistance Fund: (continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 185,212	\$ 185,212	\$ 195,633	\$ 10,421
Comprehensive Services Act program	133,132	15,970	38,666	22,696
Total categorical aid	<u>\$ 318,344</u>	<u>\$ 201,182</u>	<u>\$ 234,299</u>	<u>\$ 33,117</u>
Total revenue from the Commonwealth	<u>\$ 318,344</u>	<u>\$ 201,182</u>	<u>\$ 234,299</u>	<u>\$ 33,117</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 349,800	\$ 364,800	\$ 381,951	\$ 17,151
Comprehensive Services Act program	-	-	32,622	32,622
Total categorical aid	<u>\$ 349,800</u>	<u>\$ 364,800</u>	<u>\$ 414,573</u>	<u>\$ 49,773</u>
Total revenue from the federal government	<u>\$ 349,800</u>	<u>\$ 364,800</u>	<u>\$ 414,573</u>	<u>\$ 49,773</u>
Total Virginia Public Assistance Fund	<u>\$ 668,144</u>	<u>\$ 565,982</u>	<u>\$ 660,414</u>	<u>\$ 94,432</u>
E-911 Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 54,603	\$ 54,603
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,603</u>	<u>\$ 54,603</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,603</u>	<u>\$ 54,603</u>
Total E-911 fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,603</u>	<u>\$ 54,603</u>
Sheriff's Grants Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 4,938	\$ 4,938
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,938</u>	<u>\$ 4,938</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,938</u>	<u>\$ 4,938</u>
Total Sheriff's Grants Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,938</u>	<u>\$ 4,938</u>
EMS Fund:				
Revenue from local sources:				
General property taxes:				
EMS fee	\$ 355,000	\$ 355,000	\$ 357,454	\$ 2,454
Penalties and interest	3,200	3,200	4,957	1,757
Total general property taxes	<u>\$ 358,200</u>	<u>\$ 358,200</u>	<u>\$ 362,411</u>	<u>\$ 4,211</u>
Miscellaneous:				
Miscellaneous revenue	\$ 675	\$ 675	\$ 205	\$ (470)
Total miscellaneous revenue	<u>\$ 675</u>	<u>\$ 675</u>	<u>\$ 205</u>	<u>\$ (470)</u>
Total revenue from local sources	<u>\$ 358,875</u>	<u>\$ 358,875</u>	<u>\$ 362,616</u>	<u>\$ 3,741</u>
Total EMS Fund	<u>\$ 358,875</u>	<u>\$ 358,875</u>	<u>\$ 362,616</u>	<u>\$ 3,741</u>
Total Primary Government	<u>\$ 6,978,047</u>	<u>\$ 7,124,135</u>	<u>\$ 7,099,637</u>	<u>\$ (24,498)</u>

County of Highland, Virginia

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous revenue	\$ -	\$ -	\$ 11,289	\$ 11,289
Total miscellaneous	\$ -	\$ -	\$ 11,289	\$ 11,289
Total revenue from local sources	\$ -	\$ -	\$ 11,289	\$ 11,289
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,385,894	\$ 2,385,894	\$ 2,099,798	\$ (286,096)
Total revenues from local governments	\$ 2,385,894	\$ 2,385,894	\$ 2,099,798	\$ (286,096)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 240,539	\$ 240,539	\$ 299,004	\$ 58,465
Basic school aid	1,043,011	1,043,011	1,023,057	(19,954)
Gifted and talented	1,872	1,872	1,883	11
Remedial education	9,369	9,369	11,814	2,445
Textbook payment	3,725	3,725	2,923	(802)
Vocational standards of quality payments	47,311	47,311	47,603	292
No loss funding	410,116	410,116	199,932	(210,184)
Social security fringe benefits	19,964	19,964	20,087	123
Retirement fringe benefits	46,514	46,514	46,801	287
Group life insurance instructional	1,421	1,421	1,430	9
State lottery payments	-	-	200,825	200,825
Early reading intervention	2,169	2,169	3,643	1,474
Salary supplement	21,559	21,559	21,692	133
Special education - foster children	25,909	25,909	-	(25,909)
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	1,436	1,436	734	(702)
At risk funding	33,084	33,084	33,084	-
Other state funds	30,326	30,326	34,304	3,978
Total categorical aid	\$ 2,040,325	\$ 2,040,325	\$ 2,050,816	\$ 10,491
Total revenue from the Commonwealth	\$ 2,040,325	\$ 2,040,325	\$ 2,050,816	\$ 10,491
Revenue from the federal government:				
Noncategorical aid:				
Coronavirus Relief Funds	\$ 42,913	\$ 42,913	\$ 42,913	\$ -
Total noncategorical aid	\$ 42,913	\$ 42,913	\$ 42,913	\$ -
Categorical aid:				
Federal land use	\$ 44,796	\$ 44,796	\$ 58,391	\$ 13,595
Title I	49,928	49,928	14,147	(35,781)
Title VI-B, special education flow-through	58,632	70,453	56,616	(13,837)
Title VI-B, special education pre-school	-	-	2,016	2,016
Improving teacher quality	8,506	8,506	-	(8,506)
Perkins carryover	4,483	4,483	-	(4,483)
Title IV	10,000	10,000	10,000	-
ESSER II CRRSA Funds	53,298	53,298	-	(53,298)
Rural education achievement program	22,274	22,274	53,020	30,746
Total categorical aid	\$ 251,917	\$ 263,738	\$ 194,190	\$ (69,548)
Total revenue from the federal government	\$ 294,830	\$ 306,651	\$ 237,103	\$ (69,548)
Total School Operating Fund	\$ 4,721,049	\$ 4,732,870	\$ 4,399,006	\$ (333,864)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 Year Ended June 30, 2022 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 64,500	\$ 64,500	\$ 28,809	\$ (35,691)
Total revenue from local sources	<u>\$ 64,500</u>	<u>\$ 64,500</u>	<u>\$ 28,809</u>	<u>\$ (35,691)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 65,221	\$ 65,221	\$ 8,462	\$ (56,759)
Total revenues from local governments	<u>\$ 65,221</u>	<u>\$ 65,221</u>	<u>\$ 8,462</u>	<u>\$ (56,759)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,080	\$ 4,080	\$ 9,703	\$ 5,623
Total revenue from the Commonwealth	<u>\$ 4,080</u>	<u>\$ 4,080</u>	<u>\$ 9,703</u>	<u>\$ 5,623</u>
Categorical aid:				
School food program grant	\$ 110,608	\$ 110,608	\$ 160,149	\$ 49,541
USDA commodities received	-	-	14,462	14,462
Total categorical aid	<u>\$ 110,608</u>	<u>\$ 110,608</u>	<u>\$ 174,611</u>	<u>\$ 64,003</u>
Total revenue from the federal government	<u>\$ 110,608</u>	<u>\$ 110,608</u>	<u>\$ 174,611</u>	<u>\$ 64,003</u>
Total School Cafeteria Fund	<u><u>\$ 244,409</u></u>	<u><u>\$ 244,409</u></u>	<u><u>\$ 221,585</u></u>	<u><u>\$ (22,824)</u></u>
School Activity Funds				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 162,544	\$ 162,544
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,544</u>	<u>\$ 162,544</u>
Total School Activity Funds	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 162,544</u></u>	<u><u>\$ 162,544</u></u>
 Total Discretely Presented Component Unit - School Board	 <u><u>\$ 4,965,458</u></u>	 <u><u>\$ 4,977,279</u></u>	 <u><u>\$ 4,783,135</u></u>	 <u><u>\$ (194,144)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2022

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 28,911	\$ 30,761	\$ 30,679	\$ 82
Total legislative	<u>\$ 28,911</u>	<u>\$ 30,761</u>	<u>\$ 30,679</u>	<u>\$ 82</u>
General and financial administration:				
County administrator	\$ 145,650	\$ 149,246	\$ 149,208	\$ 38
Legal services	53,000	58,400	58,354	46
Independent auditor	39,000	44,400	44,367	33
Commissioner of revenue	136,401	149,101	149,051	50
Assessor	29,900	29,900	6,281	23,619
Treasurer	144,728	156,628	156,586	42
Central Purchasing	526,295	474,345	477,563	(3,218)
Total general and financial administration	<u>\$ 1,074,974</u>	<u>\$ 1,062,020</u>	<u>\$ 1,041,410</u>	<u>\$ 20,610</u>
Board of elections:				
Electoral board and officials	\$ 14,318	\$ 13,118	\$ 13,462	\$ (344)
Registrar	84,945	111,080	111,341	(261)
Total board of elections	<u>\$ 99,263</u>	<u>\$ 124,198</u>	<u>\$ 124,803</u>	<u>\$ (605)</u>
Total general government administration	<u>\$ 1,203,148</u>	<u>\$ 1,216,979</u>	<u>\$ 1,196,892</u>	<u>\$ 20,087</u>
Judicial administration:				
Courts:				
Circuit court	\$ 6,082	\$ 6,780	\$ 6,925	\$ (145)
Clerk of the circuit court	206,119	205,419	205,169	250
Total courts	<u>\$ 212,201</u>	<u>\$ 212,199</u>	<u>\$ 212,094</u>	<u>\$ 105</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 100,213	\$ 107,313	\$ 107,228	\$ 85
Total commonwealth's attorney	<u>\$ 100,213</u>	<u>\$ 107,313</u>	<u>\$ 107,228</u>	<u>\$ 85</u>
Total judicial administration	<u>\$ 312,414</u>	<u>\$ 319,512</u>	<u>\$ 319,322</u>	<u>\$ 190</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 820,588	\$ 798,788	\$ 793,315	\$ 5,473
Total law enforcement and traffic control	<u>\$ 820,588</u>	<u>\$ 798,788</u>	<u>\$ 793,315</u>	<u>\$ 5,473</u>
Fire and rescue services:				
Volunteer emergency operations	\$ 13,002	\$ 92,315	\$ 91,033	\$ 1,282
Total fire and rescue services	<u>\$ 13,002</u>	<u>\$ 92,315</u>	<u>\$ 91,033</u>	<u>\$ 1,282</u>
Correction and detention:				
Sheriff	\$ 48,000	\$ 48,000	\$ 45,454	\$ 2,546
Total correction and detention	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 45,454</u>	<u>\$ 2,546</u>
Inspections:				
Building	\$ 95,708	\$ 95,708	\$ 91,475	\$ 4,233
Total inspections	<u>\$ 95,708</u>	<u>\$ 95,708</u>	<u>\$ 91,475</u>	<u>\$ 4,233</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2022 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Medical examiner	\$ 200	\$ 200	\$ 35	\$ 165
Emergency management grants	46,723	41,323	30,908	10,415
Total other protection	<u>\$ 46,923</u>	<u>\$ 41,523</u>	<u>\$ 30,943</u>	<u>\$ 10,580</u>
Total public safety	<u>\$ 1,024,221</u>	<u>\$ 1,076,334</u>	<u>\$ 1,052,220</u>	<u>\$ 24,114</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 44,533	\$ 33,133	\$ 29,646	\$ 3,487
Total maintenance of general buildings and grounds	<u>\$ 44,533</u>	<u>\$ 33,133</u>	<u>\$ 29,646</u>	<u>\$ 3,487</u>
Total public works	<u>\$ 44,533</u>	<u>\$ 33,133</u>	<u>\$ 29,646</u>	<u>\$ 3,487</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 67,043	\$ 67,043	\$ 67,043	\$ -
Total health	<u>\$ 67,043</u>	<u>\$ 67,043</u>	<u>\$ 67,043</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 6,884	\$ 6,884	\$ 6,884	\$ -
Total mental health and mental retardation	<u>\$ 6,884</u>	<u>\$ 6,884</u>	<u>\$ 6,884</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Total welfare	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 111,427</u>	<u>\$ 111,427</u>	<u>\$ 111,427</u>	<u>\$ -</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,451,115	\$ 2,451,115	\$ 2,108,260	\$ 342,855
Total education	<u>\$ 2,451,115</u>	<u>\$ 2,451,115</u>	<u>\$ 2,108,260</u>	<u>\$ 342,855</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 73,285	\$ 73,285	\$ 72,982	\$ 303
Total library	<u>\$ 73,285</u>	<u>\$ 73,285</u>	<u>\$ 72,982</u>	<u>\$ 303</u>
Total parks, recreation, and cultural	<u>\$ 73,285</u>	<u>\$ 73,285</u>	<u>\$ 72,982</u>	<u>\$ 303</u>
Community development:				
Planning and community development:				
Planning	\$ 16,434	\$ 16,434	\$ 11,941	\$ 4,493
Community development	44,722	55,672	43,979	11,693
Swimming pool	83,920	85,120	68,368	16,752
Economic Development	33,891	46,591	46,561	30
Total planning and community development	<u>\$ 178,967</u>	<u>\$ 203,817</u>	<u>\$ 170,849</u>	<u>\$ 32,968</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2022 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 60,346	\$ 60,346	\$ 55,909	\$ 4,437
Total cooperative extension program	<u>\$ 60,346</u>	<u>\$ 60,346</u>	<u>\$ 55,909</u>	<u>\$ 4,437</u>
Total community development	<u>\$ 239,313</u>	<u>\$ 264,163</u>	<u>\$ 226,758</u>	<u>\$ 37,405</u>
Nondepartmental:				
Miscellaneous	\$ 11,492	\$ 13,210	\$ 10,627	\$ 2,583
Total nondepartmental	<u>\$ 11,492</u>	<u>\$ 13,210</u>	<u>\$ 10,627</u>	<u>\$ 2,583</u>
Capital projects:				
Capital outlay	\$ -	\$ 49,030	\$ 48,923	\$ 107
Total capital projects	<u>\$ -</u>	<u>\$ 49,030</u>	<u>\$ 48,923</u>	<u>\$ 107</u>
Total General Fund	<u><u>\$ 5,470,948</u></u>	<u><u>\$ 5,608,188</u></u>	<u><u>\$ 5,177,057</u></u>	<u><u>\$ 431,131</u></u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 630,732	\$ 645,732	\$ 611,008	\$ 34,724
Comprehensive services	214,877	125,000	181,467	(56,467)
Total welfare and social services	<u>\$ 845,609</u>	<u>\$ 770,732</u>	<u>\$ 792,475</u>	<u>\$ (21,743)</u>
Total health and welfare	<u>\$ 845,609</u>	<u>\$ 770,732</u>	<u>\$ 792,475</u>	<u>\$ (21,743)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 845,609</u></u>	<u><u>\$ 770,732</u></u>	<u><u>\$ 792,475</u></u>	<u><u>\$ (21,743)</u></u>
E-911 Fund:				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 177,500	\$ 172,165	\$ 5,335
Total public safety	<u>\$ -</u>	<u>\$ 177,500</u>	<u>\$ 172,165</u>	<u>\$ 5,335</u>
Total E-911 Fund	<u><u>\$ -</u></u>	<u><u>\$ 177,500</u></u>	<u><u>\$ 172,165</u></u>	<u><u>\$ 5,335</u></u>
Sheriff's Grants Fund:				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ 1,600	\$ 1,592	\$ 8
Total Sheriff's Grants Fund	<u>\$ -</u>	<u>\$ 1,600</u>	<u>\$ 1,592</u>	<u>\$ 8</u>
EMS Fund:				
Public safety:				
Fire and rescue services				
Emergency Management Services	420,602	287,000	286,636	364
Total EMS Fund	<u>420,602</u>	<u>287,000</u>	<u>286,636</u>	<u>364</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects:				
County courthouse and other capital outlay	\$ 134,000	\$ 134,000	\$ 34,386	\$ 99,614
E-911 center and jail renovation	<u>-</u>	<u>-</u>	<u>7,243</u>	<u>(7,243)</u>
Total County Capital Improvements Fund	<u><u>\$ 134,000</u></u>	<u><u>\$ 134,000</u></u>	<u><u>\$ 41,629</u></u>	<u><u>\$ 92,371</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2022 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund: (Continued)				
School Capital Projects Fund:				
Capital projects:				
Building services	\$ -	\$ 31,500	\$ 38,075	\$ (6,575)
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ 31,500</u>	<u>\$ 38,075</u>	<u>\$ (6,575)</u>
Total Primary Government	<u>\$ 6,871,159</u>	<u>\$ 7,010,520</u>	<u>\$ 6,509,629</u>	<u>\$ 500,891</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 16,424	\$ 16,424	\$ 18,218	\$ (1,794)
Executive administration services	231,444	231,444	204,815	26,629
Total administration of schools	<u>\$ 247,868</u>	<u>\$ 247,868</u>	<u>\$ 223,033</u>	<u>\$ 24,835</u>
Instruction costs:				
Elementary and secondary schools	\$ 2,468,940	\$ 2,471,353	\$ 2,329,899	\$ 141,454
Guidance services	153,391	153,391	70,103	83,288
Media services	839,841	849,249	838,386	10,863
Office of the principal	304,872	304,872	277,658	27,214
Total instruction costs	<u>\$ 3,767,044</u>	<u>\$ 3,778,865</u>	<u>\$ 3,516,046</u>	<u>\$ 262,819</u>
Operating costs:				
Pupil transportation	\$ 289,897	\$ 289,897	\$ 240,189	\$ 49,708
Operation and maintenance of school plant	416,240	416,240	419,738	(3,498)
Total operating costs	<u>\$ 706,137</u>	<u>\$ 706,137</u>	<u>\$ 659,927</u>	<u>\$ 46,210</u>
Total education	<u>\$ 4,721,049</u>	<u>\$ 4,732,870</u>	<u>\$ 4,399,006</u>	<u>\$ 333,864</u>
Total School Operating Fund	<u>\$ 4,721,049</u>	<u>\$ 4,732,870</u>	<u>\$ 4,399,006</u>	<u>\$ 333,864</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 244,409	\$ 244,409	\$ 232,761	\$ 11,648
Total school food services	<u>\$ 244,409</u>	<u>\$ 244,409</u>	<u>\$ 232,761</u>	<u>\$ 11,648</u>
Total education	<u>\$ 244,409</u>	<u>\$ 244,409</u>	<u>\$ 232,761</u>	<u>\$ 11,648</u>
Total School Cafeteria Fund	<u>\$ 244,409</u>	<u>\$ 244,409</u>	<u>\$ 232,761</u>	<u>\$ 11,648</u>
School Activity Funds				
Education:				
Miscellaneous	\$ -	\$ -	\$ 150,734	\$ (150,734)
Total education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,734</u>	<u>\$ (150,734)</u>
Total School Activity Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,734</u>	<u>\$ (150,734)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 4,965,458</u>	<u>\$ 4,977,279</u>	<u>\$ 4,782,501</u>	<u>\$ 194,778</u>

STATISTICAL INFORMATION

County of Highland, Virginia

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

	Fiscal Year			
	2013	2014	2015	2016
Governmental Activities				
Net investment in capital assets	\$ 1,674,606	\$ 1,873,361	\$ 1,624,207	\$ 1,638,325
Restricted	-	-	-	-
Unrestricted	4,930,651	4,768,406	3,487,996	3,800,788
Total governmental activities net position	\$ 6,605,257	\$ 6,641,767	\$ 5,112,203	\$ 5,439,113
Business-type Activities				
Net investment in capital assets	\$ 744,401	\$ 731,731	\$ 690,502	\$ 663,491
Restricted	-	17,629	18,244	18,846
Unrestricted	740,052	757,689	729,148	778,715
Total business-type activities net position	\$ 1,484,453	\$ 1,507,049	\$ 1,437,894	\$ 1,461,052
Primary government				
Net investment in capital assets	\$ 2,419,007	\$ 2,605,092	\$ 2,314,709	\$ 2,301,816
Restricted	-	17,629	18,244	18,846
Unrestricted	5,670,703	5,526,095	4,217,144	4,579,503
Total primary government net position	\$ 8,089,710	\$ 8,148,816	\$ 6,550,097	\$ 6,901,165

Table 1

		Fiscal Year									
		2017	2018	2019	2020	2021	2022				
\$	1,656,165	\$	1,719,475	\$	1,716,417	\$	1,677,834	\$	1,996,600	\$	1,940,225
	219,853		208,914		169,525		53,961		515,689		977,321
	<u>3,767,367</u>		<u>3,559,979</u>		<u>3,634,852</u>		<u>4,167,419</u>		<u>4,197,999</u>		<u>4,737,624</u>
\$	<u>5,643,385</u>	\$	<u>5,488,368</u>	\$	<u>5,520,794</u>	\$	<u>5,899,214</u>	\$	<u>6,710,288</u>	\$	<u>7,655,170</u>
\$	636,872	\$	609,846	\$	603,095	\$	576,840	\$	555,811	\$	529,991
	18,846		18,846		18,846		18,846		18,846		40,080
	<u>799,895</u>		<u>816,614</u>		<u>826,216</u>		<u>847,326</u>		<u>831,818</u>		<u>814,346</u>
\$	<u>1,455,613</u>	\$	<u>1,445,306</u>	\$	<u>1,448,157</u>	\$	<u>1,443,012</u>	\$	<u>1,406,475</u>	\$	<u>1,384,417</u>
\$	2,293,037	\$	2,329,321	\$	2,319,512	\$	2,254,674	\$	2,552,411	\$	2,470,216
	238,699		227,760		188,371		72,807		534,535		1,017,401
	<u>4,567,262</u>		<u>4,376,593</u>		<u>4,461,068</u>		<u>5,014,745</u>		<u>5,029,817</u>		<u>5,551,970</u>
\$	<u>7,098,998</u>	\$	<u>6,933,674</u>	\$	<u>6,968,951</u>	\$	<u>7,342,226</u>	\$	<u>8,116,763</u>	\$	<u>9,039,587</u>

County of Highland, Virginia

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Expenses					
Governmental Activities:					
General government administration	\$ 897,659	\$ 991,119	\$ 1,041,826	\$ 969,269	\$ 1,044,258
Judicial administration	247,397	259,111	243,105	261,868	276,845
Public safety	912,046	942,248	970,089	970,542	1,081,259
Public works	128,759	118,027	67,985	34,565	52,679
Health and welfare	384,612	373,259	370,547	454,484	602,845
Education	2,095,450	2,183,982	2,316,485	2,060,324	2,106,438
Parks, recreation, and cultural	87,396	90,387	90,404	84,826	95,302
Community development	143,030	155,553	288,549	756,201	169,001
Interest on long-term debt	23,583	14,445	5,038	2,586	4,822
Total governmental activities expenses	\$ 4,919,932	\$ 5,128,131	\$ 5,394,028	\$ 5,594,665	\$ 5,433,449
Business-type Activities:					
Refuse Disposal	\$ 278,003	\$ 293,029	\$ 291,471	\$ 276,589	\$ 302,433
McDowell Water System	69,172	65,271	66,707	58,758	55,425
Recreation Commission	50,491	43,559	42,973	52,814	55,257
Total business-type activities expenses	\$ 397,666	\$ 401,859	\$ 401,151	\$ 388,161	\$ 413,115
Total primary government expenses	\$ 5,317,598	\$ 5,529,990	\$ 5,795,179	\$ 5,982,826	\$ 5,846,564
Program Revenues					
Governmental Activities:					
Charges for services:					
General government administration	\$ 466	\$ 669	\$ 669	\$ 720	\$ 392
Judicial administration	3,092	2,018	9,681	6,101	5,025
Public safety	23,591	28,773	24,857	22,626	20,019
Operating grants and contributions	1,151,731	1,154,398	1,202,330	1,361,469	1,362,068
Capital grants and contributions	118,208	189,865	167,874	503,865	54,690
Total governmental activities program revenues	\$ 1,297,088	\$ 1,375,723	\$ 1,405,411	\$ 1,894,781	\$ 1,442,194
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 309,354	\$ 329,774	\$ 327,873	\$ 320,544	\$ 322,668
McDowell Water System	34,711	40,604	28,950	34,371	34,734
Recreation commission	34,172	39,310	40,817	44,739	45,023
Operating grants and contributions	51,694	31,931	20,566	24,998	14,740
Capital grants and contributions	35,408	13,900	-	-	-
Total business-type activities program revenues	\$ 465,339	\$ 455,519	\$ 418,206	\$ 424,652	\$ 417,165
Total primary government program revenues	\$ 1,762,427	\$ 1,831,242	\$ 1,823,617	\$ 2,319,433	\$ 1,859,359
Net (expense) / revenue					
Governmental Activities	\$ (3,622,844)	\$ (3,752,408)	\$ (3,988,617)	\$ (3,699,884)	\$ (3,991,255)
Business-type Activities	67,673	53,660	17,055	36,491	4,050
Total primary government net expense	\$ (3,555,171)	\$ (3,698,748)	\$ (3,971,562)	\$ (3,663,393)	\$ (3,987,205)

Table 2
Page 1 of 2

		Fiscal Year							
		2018	2019	2020	2021	2022			
\$	1,093,250	\$	1,030,748	\$	1,093,375	\$	1,249,230	\$	1,170,607
	284,983		306,194		298,969		317,999		292,632
	1,050,709		1,102,196		1,325,589		1,429,970		1,330,044
	52,921		57,113		47,354		37,072		46,230
	645,087		683,751		579,137		681,598		853,586
	2,408,542		2,534,181		2,275,557		2,058,982		2,146,334
	100,272		98,841		107,009		117,826		103,702
	216,422		175,093		188,825		428,287		223,948
	4,348		5,543		1,265		-		-
\$	<u>5,856,534</u>	\$	<u>5,993,660</u>	\$	<u>5,917,080</u>	\$	<u>6,320,964</u>	\$	<u>6,167,083</u>
\$	325,013	\$	322,787	\$	345,461	\$	356,663	\$	361,623
	59,418		51,318		52,700		50,854		54,098
	50,145		44,353		46,864		68,045		61,556
\$	<u>434,576</u>	\$	<u>418,458</u>	\$	<u>445,025</u>	\$	<u>475,562</u>	\$	<u>477,277</u>
\$	<u>6,291,110</u>	\$	<u>6,412,118</u>	\$	<u>6,362,105</u>	\$	<u>6,796,526</u>	\$	<u>6,644,360</u>
\$	366	\$	276	\$	276	\$	131	\$	11,283
	3,014		8,201		8,201		3,830		1,651
	20,880		25,416		25,416		31,676		34,193
	1,414,588		1,518,561		1,518,561		1,868,825		1,802,311
	75,753		-		-		141,963		62,103
\$	<u>1,514,601</u>	\$	<u>1,552,454</u>	\$	<u>1,552,454</u>	\$	<u>2,046,425</u>	\$	<u>1,911,541</u>
\$	329,308	\$	326,801	\$	326,801	\$	348,540	\$	347,721
	35,549		34,391		34,391		41,268		32,475
	42,838		45,735		45,735		15,805		48,125
	24,577		7,241		7,241		6,640		9,310
	-		-		-		-		-
\$	<u>432,272</u>	\$	<u>414,168</u>	\$	<u>414,168</u>	\$	<u>412,253</u>	\$	<u>437,631</u>
\$	<u>1,946,873</u>	\$	<u>1,966,622</u>	\$	<u>1,966,622</u>	\$	<u>2,458,678</u>	\$	<u>2,349,172</u>
\$	(4,341,933)	\$	(4,441,206)	\$	(4,441,206)	\$	(4,274,539)	\$	(4,255,542)
	(2,304)		(4,290)		(4,290)		(63,309)		(39,646)
\$	<u>(4,344,237)</u>	\$	<u>(4,445,496)</u>	\$	<u>(4,445,496)</u>	\$	<u>(4,337,848)</u>	\$	<u>(4,295,188)</u>

County of Highland, Virginia

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,771,902	\$ 2,963,903	\$ 3,116,520	\$ 3,240,477	\$ 3,418,317
Local sales and use taxes	111,989	113,641	119,295	138,331	130,764
Consumer utility taxes	138,706	138,177	137,933	135,842	134,357
Motor vehicle licenses	53,113	54,283	54,461	55,960	58,419
E-911 taxes	34,597	33,704	30,629	27,344	-
Bank stock taxes	14,371	19,231	23,141	18,425	23,386
Other local taxes	22,784	21,524	24,247	25,128	24,687
Unrestricted grants and contributions	246,160	269,364	260,911	283,538	292,994
Unrestricted revenues from use of money and property	43,762	41,590	42,337	39,808	38,838
Miscellaneous	74,892	100,203	31,459	48,241	63,791
Transfers	(85,426)	33,298	26,250	13,700	9,974
Total governmental activities	<u>\$ 3,426,850</u>	<u>\$ 3,788,918</u>	<u>\$ 3,867,183</u>	<u>\$ 4,026,794</u>	<u>\$ 4,195,527</u>
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 1,761	\$ 2,234	\$ 383	\$ 367	\$ 485
Transfers	85,426	(33,298)	(26,250)	(13,700)	(9,974)
Total business-type activities	<u>\$ 87,187</u>	<u>\$ (31,064)</u>	<u>\$ (25,867)</u>	<u>\$ (13,333)</u>	<u>\$ (9,489)</u>
Total primary government	<u>\$ 3,514,037</u>	<u>\$ 3,757,854</u>	<u>\$ 3,841,316</u>	<u>\$ 4,013,461</u>	<u>\$ 4,186,038</u>
Change in Net Position					
Governmental Activities	\$ (195,994)	\$ 36,510	\$ (121,416)	\$ 326,910	\$ 204,272
Business-type Activities	154,860	22,596	(2,812)	23,158	(5,439)
Total primary government	<u>\$ (41,134)</u>	<u>\$ 59,106</u>	<u>\$ (124,228)</u>	<u>\$ 350,068</u>	<u>\$ 198,833</u>

		Fiscal Year							
		2018	2019	2020	2021	2022			
\$	3,453,866	\$	3,645,328	\$	3,645,328	\$	4,243,105	\$	4,297,382
	122,452		124,764		124,764		171,066		192,579
	148,083		129,227		129,227		120,566		119,615
	58,162		58,333		58,333		59,131		58,249
	-		-		-		-		-
	22,335		4,245		4,245		20,597		10,869
	29,759		32,884		32,884		46,386		46,889
	336,864		346,381		346,381		364,221		375,383
	52,671		85,710		85,710		30,678		20,263
	75,055		53,060		53,060		56,388		96,695
	2,934		(6,300)		(6,300)		(26,525)		(17,500)
\$	<u>4,302,181</u>	\$	<u>4,473,632</u>	\$	<u>4,473,632</u>	\$	<u>5,085,613</u>	\$	<u>5,200,424</u>
\$	666	\$	841	\$	841	\$	247	\$	88
	<u>(2,934)</u>		<u>6,300</u>		<u>6,300</u>		<u>26,525</u>		<u>17,500</u>
\$	<u>(2,268)</u>	\$	<u>7,141</u>	\$	<u>7,141</u>	\$	<u>26,772</u>	\$	<u>17,588</u>
\$	<u>4,299,913</u>	\$	<u>4,480,773</u>	\$	<u>4,480,773</u>	\$	<u>5,112,385</u>	\$	<u>5,218,012</u>
\$	(39,752)	\$	32,426	\$	32,426	\$	811,074	\$	944,882
	<u>(4,572)</u>		<u>2,851</u>		<u>2,851</u>		<u>(36,537)</u>		<u>(22,058)</u>
\$	<u>(44,324)</u>	\$	<u>35,277</u>	\$	<u>35,277</u>	\$	<u>774,537</u>	\$	<u>922,824</u>

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	Taxes on Recordation and Wills	Other Local Tax	Total
2022	\$ 4,297,382	\$ 192,579	\$ 119,615	\$ 58,249	\$ 10,869	\$ 46,889	\$ 4,725,583
2021	4,243,105	171,066	120,566	59,131	20,597	46,386	4,660,851
2020	3,878,523	144,402	127,263	57,765	8,114	35,982	4,252,049
2019	3,645,328	124,764	129,227	58,333	4,245	32,884	3,994,781
2018	3,453,866	122,452	148,083	58,162	22,335	29,759	3,834,657
2017	3,418,317	130,764	134,357	58,419	23,386	24,687	3,789,930
2016	3,240,477	138,331	135,842	55,960	18,425	25,128	3,614,163
2015	3,116,520	119,295	137,933	54,461	23,141	24,247	3,475,597
2014	2,963,903	113,641	138,177	54,283	19,231	21,524	3,310,759
2013	2,771,902	111,989	138,706	53,113	16,330	20,825	3,112,865

County of Highland, Virginia

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

	Fiscal Year				
	2013	2014	2015	2016	2017
General fund					
Nonspendable	\$ 31,830	\$ 20,875	\$ 25,966	\$ 20,188	\$ 7,085
Restricted	35,854	53,279	35,367	37,127	63,599
Committed	582,456	522,010	629,306	572,077	793,954
Assigned	5,762	2,291	4,291	4,291	4,291
Unassigned	<u>3,548,282</u>	<u>3,611,770</u>	<u>3,064,653</u>	<u>3,316,899</u>	<u>3,506,585</u>
Total general fund	<u>\$ 4,204,184</u>	<u>\$ 4,210,225</u>	<u>\$ 3,759,583</u>	<u>\$ 3,950,582</u>	<u>\$ 4,375,514</u>
All other governmental funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ -	\$ 2,000	\$ -	\$ -
Capital projects funds	8,641	9,073	-	2,000	11,004
Restricted, reported in:					
Special revenue funds	198,245	198,993	212,760	200,558	156,254
Assigned, reported in:					
Special revenue funds	4,928	386	891	6,095	4,081
Capital projects funds	<u>581,807</u>	<u>456,997</u>	<u>573,270</u>	<u>569,167</u>	<u>366,561</u>
Total all other governmental funds	<u>\$ 793,621</u>	<u>\$ 665,449</u>	<u>\$ 788,921</u>	<u>\$ 777,820</u>	<u>\$ 537,900</u>

Table 4

	2018	2019	2020	2021	2022
\$	21,010	\$ 70,000	\$ 56,696	\$ 180,750	\$ 35,000
	65,025	40,583	42,726	38,031	40,368
	705,643	661,949	708,629	852,479	828,305
	2,291	22,291	42,291	52,291	62,291
	<u>3,406,112</u>	<u>3,554,410</u>	<u>3,779,802</u>	<u>3,659,790</u>	<u>3,966,785</u>
\$	<u><u>4,200,081</u></u>	<u><u>4,349,233</u></u>	<u><u>4,630,144</u></u>	<u><u>4,783,341</u></u>	<u><u>4,932,749</u></u>
\$	4,325	\$ 2,000	\$ -	\$ -	6,076
	11,554	12,387	13,345	-	-
	143,889	128,942	11,235	477,658	430,000
	4,106	6,661	1,515	366,737	831,419
	<u>394,393</u>	<u>237,357</u>	<u>370,526</u>	<u>-</u>	<u>-</u>
\$	<u><u>558,267</u></u>	<u><u>387,347</u></u>	<u><u>396,621</u></u>	<u><u>366,737</u></u>	<u><u>1,267,495</u></u>

County of Highland, Virginia

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

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
General property taxes	\$ 2,792,621	\$ 3,000,868	\$ 3,105,774	\$ 3,210,564
Other local taxes	375,560	380,560	389,706	401,030
Permits, privilege fees, and regulatory licenses	9,444	18,572	12,971	12,167
Fines and forfeitures	461	200	7,402	4,148
Revenue from use of money and property	43,762	41,590	42,337	39,808
Charges for services	17,244	12,688	14,852	13,132
Miscellaneous	74,892	100,203	31,459	48,241
Intergovernmental:				
Local government	-	-	-	-
Commonwealth	1,150,212	1,333,525	1,192,723	1,327,853
Federal	365,887	280,102	438,392	821,019
Total revenues	<u>\$ 4,830,083</u>	<u>\$ 5,168,308</u>	<u>\$ 5,235,616</u>	<u>\$ 5,877,962</u>
Expenditures				
General government administration	\$ 876,547	\$ 907,832	\$ 908,466	\$ 961,166
Judicial administration	243,248	248,313	255,204	277,099
Public safety	820,142	847,010	928,580	1,088,708
Public works	113,702	62,766	53,477	39,370
Health and welfare	433,413	366,276	373,225	459,318
Education	1,976,386	1,877,290	2,148,131	1,891,452
Parks, recreation, and cultural	50,882	52,178	54,998	57,867
Community development	143,030	155,553	166,046	166,290
Nondepartmental	47,220	91,862	46,994	7,412
Capital projects	76,662	548,408	303,803	815,764
Debt service:				
Principal	143,690	147,611	151,796	75,878
Interest and other fiscal charges	27,660	18,638	9,354	3,645
Total expenditures	<u>\$ 4,952,582</u>	<u>\$ 5,323,737</u>	<u>\$ 5,400,074</u>	<u>\$ 5,843,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (122,499)</u>	<u>\$ (155,429)</u>	<u>\$ (164,458)</u>	<u>\$ 33,993</u>
Other financing sources (uses)				
Transfers in	\$ 488,913	\$ 463,843	\$ 490,251	\$ 435,424
Transfers out	(574,339)	(430,545)	(464,001)	(421,724)
Capital leases	-	-	-	132,205
Total other financing sources (uses)	<u>\$ (85,426)</u>	<u>\$ 33,298</u>	<u>\$ 26,250</u>	<u>\$ 145,905</u>
Net change in fund balances	<u>\$ (207,925)</u>	<u>\$ (122,131)</u>	<u>\$ (138,208)</u>	<u>\$ 179,898</u>
Debt service as a percentage of noncapital expenditures	3.514%	3.481%	3.162%	1.436%

Table 5

	2017	2018	2019	2020	2021	2022
\$	3,424,405	\$ 3,431,495	\$ 3,623,902	\$ 3,757,460	\$ 4,346,806	\$ 4,293,544
	371,613	380,791	349,453	373,526	417,746	428,201
	11,111	10,436	8,006	17,171	16,271	17,380
	3,130	1,332	4,730	1,529	2,157	88
	38,838	52,671	85,710	67,557	30,678	31,500
	11,195	12,492	21,157	16,750	17,209	18,422
	63,791	75,055	53,060	46,295	56,388	70,705
	39,690	48,491	-	80,416	-	-
	1,288,183	1,320,191	1,400,102	1,362,458	1,505,952	1,589,156
	381,879	458,523	464,840	466,001	869,057	650,641
\$	<u>5,633,835</u>	<u>\$ 5,791,477</u>	<u>\$ 6,010,960</u>	<u>\$ 6,189,163</u>	<u>\$ 7,262,264</u>	<u>\$ 7,099,637</u>
\$	1,019,071	\$ 1,033,524	\$ 983,061	\$ 995,186	\$ 1,180,349	\$ 1,196,892
	278,697	285,819	292,841	297,490	297,695	319,322
	948,281	960,998	1,013,468	1,309,137	1,427,263	1,512,613
	38,693	39,245	39,979	40,302	25,155	29,646
	596,500	645,797	688,420	605,060	683,454	903,902
	2,063,961	2,323,813	2,415,749	2,157,348	2,058,982	2,108,260
	60,129	62,940	65,370	70,440	77,732	72,982
	169,001	189,929	175,318	188,825	428,287	226,758
	13,148	8,180	8,540	9,919	15,462	10,627
	216,497	378,018	371,930	96,015	440,389	128,627
	128,246	95,674	49,215	110,694	-	-
	5,893	4,348	2,972	3,836	-	-
\$	<u>5,538,117</u>	<u>\$ 6,028,285</u>	<u>\$ 6,106,863</u>	<u>\$ 5,884,252</u>	<u>\$ 6,634,768</u>	<u>\$ 6,509,629</u>
\$	<u>95,718</u>	<u>\$ (236,808)</u>	<u>\$ (95,903)</u>	<u>\$ 304,911</u>	<u>\$ 627,496</u>	<u>\$ 590,008</u>
\$	509,655	\$ 425,984	\$ 244,730	\$ 338,784	\$ 660,910	\$ 673,101
	(499,681)	(423,050)	(251,030)	(353,510)	(687,435)	(690,601)
	79,320	78,808	80,435	-	-	-
\$	<u>89,294</u>	<u>\$ 81,742</u>	<u>\$ 74,135</u>	<u>\$ (14,726)</u>	<u>\$ (26,525)</u>	<u>\$ (17,500)</u>
\$	<u>185,012</u>	<u>\$ (155,066)</u>	<u>\$ (21,768)</u>	<u>\$ 290,185</u>	<u>\$ 600,971</u>	<u>\$ 572,508</u>
	2.501%	1.718%	0.886%	1.988%	0.000%	0.000%

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

Fiscal Year	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License	Taxes on Recordation and Wills	Other Local Tax	Total
2022	\$ 192,579	\$ 119,615	\$ 58,249	\$ 10,869	\$ 46,889	\$ 428,201
2021	171,066	120,566	59,131	20,597	46,386	417,746
2020	144,402	127,263	57,765	8,114	35,982	373,526
2019	124,764	129,227	58,333	4,245	32,884	349,453
2018	122,452	148,083	58,162	22,335	29,759	380,791
2017	130,764	134,357	58,419	23,386	24,687	371,613
2016	138,331	135,842	55,960	18,425	25,128	373,686
2015	119,295	137,933	54,461	23,141	24,247	359,077
2014	113,641	138,177	54,283	19,231	21,524	346,856
2013	111,989	138,706	53,113	16,330	20,825	340,963

County of Highland, Virginia

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Minerals/ Mineral Lands	Merchants' Capital
2022	\$ 678,670,700	\$ 26,077,630	\$ 114,560	\$ 143,398	\$ 352,010
2021	674,492,600	24,137,581	120,590	143,398	396,266
2020	674,856,900	24,320,631	113,772	96,200	339,413
2019	672,739,600	23,932,335	119,760	96,200	372,560
2018	671,184,500	22,960,365	122,797	96,200	380,638
2017	691,569,200	22,332,491	126,145	96,200	442,774
2016	689,984,500	21,165,297	97,995	96,200	403,664
2015	685,407,700	20,629,094	103,157	96,200	423,955
2014	684,184,600	20,926,113	14,610	96,200	364,385
2013	680,516,700	22,737,551	15,202	96,200	280,847

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

Source: Commissioner of Revenue

Table 7

	Public Service	Total Taxable Assessed Value	Estimated Actual Taxable Value (1)	Assessed Value as a Percentage of Actual Value (1)
\$	24,537,098	\$ 729,895,396	\$ 703,040,374	96.53%
	24,610,806	723,901,241	698,936,558	96.50%
	24,062,731	723,789,647	698,753,248	96.58%
	22,883,091	720,143,546	695,501,231	96.73%
	22,552,747	717,297,247	693,737,247	96.75%
	20,169,676	734,736,486	711,738,876	97.17%
	18,894,437	730,642,093	708,878,937	97.33%
	16,857,775	723,517,881	702,265,475	97.60%
	15,931,678	721,517,586	700,031,872	97.74%
	15,414,394	719,060,894	695,876,725	97.79%

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

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2022	\$ 0.48	\$ 2.75	\$ 0.48	\$ 1.00	\$ 1.00
2021	0.48	2.75	0.48	1.00	1.00
2020	0.48	2.75	0.48	1.00	1.00
2019	0.48	2.50	0.44	1.00	1.00
2018	0.44	2.50	0.42	1.00	1.00
2017	0.42	2.25	0.42	1.00	1.00
2016	0.42	2.25	0.40	1.00	1.00
2015	0.40	2.25	0.40	1.00	1.00
2014	0.40	2.25	0.37	1.00	1.00
2013	0.37	1.50	0.37	1.00	1.00

(1) Per \$100 of assessed value.

Principal Property Taxpayers
 Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2022		Fiscal Year 2012	
		2022 Assessed Valuation	% of Total Assessed Valuation	2012 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,756,400	1.140%	\$ 7,592,800	1.214%
Red Oak Ranch	Farm	2,710,800	0.399%	2,578,200	0.412%
Bull Pasture Mtn Ranch	Farm	2,032,900	0.300%	1,936,600	0.310%
Tamarack of Highland	Farm	1,786,600	0.263%	-	0.000%
Allen Ervin	Farm	1,629,700	0.240%	-	0.000%
Oksana Simmons	Farm	1,585,900	0.233%	-	0.000%
Sherry Sullenberger	Farm	1,541,400	0.227%	-	0.000%
Dividing Waters Farm (1)	Farm	-	0.000%	2,136,800	0.342%
		<u>\$ 19,043,700</u>	<u>2.802%</u>	<u>\$ 14,244,400</u>	<u>1.936%</u>

Source: Commissioner of Revenue

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2022	\$ 4,126,216	\$ 3,979,930	96.45%	\$ -	\$ 3,979,930	96.45%
2021	4,059,451	3,910,877	96.34%	112,657	4,023,534	99.12%
2020	4,057,274	3,777,595	93.11%	264,029	4,041,624	99.61%
2019	3,836,601	3,712,765	96.77%	114,820	3,827,585	99.77%
2018	3,640,039	3,528,924	96.95%	107,890	3,636,814	99.91%
2017	3,598,706	3,524,584	97.94%	73,763	3,598,347	99.99%
2016	3,431,640	3,293,710	95.98%	137,872	3,431,582	100.00%
2015	3,326,987	3,200,663	96.20%	126,278	3,326,941	100.00%
2014	3,205,509	3,076,483	95.97%	128,981	3,205,464	100.00%
2013	2,962,159	2,856,212	96.42%	105,904	2,962,116	100.00%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Revenue Bonds			
2022	\$ -	\$ -	\$ 111,529	\$ 111,529	0.10%	\$ 50
2021	-	-	118,242	118,242	0.11%	53
2020	-	-	124,646	124,646	0.12%	55
2019	-	110,694	130,753	241,447	0.23%	107
2018	-	79,474	136,553	216,027	0.22%	95
2017	-	96,340	142,138	238,478	0.24%	104
2016	44,731	100,535	147,440	292,706	0.30%	129
2015	88,939	-	152,491	241,430	0.26%	109
2014	240,735	-	157,321	398,056	0.46%	177
2013	388,346	-	161,923	550,269	0.80%	227

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
(1) See the Schedule of Demographic and Economic Statistics - Table 14.

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2022	\$ -	\$ -	\$ -	0.00%	\$ -
2021	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2016	44,731	-	44,731	0.01%	20
2015	88,939	-	88,939	0.01%	40
2014	240,735	-	240,735	0.03%	107
2013	388,346	-	388,346	0.05%	170

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

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

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

Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2022	\$ 32,475	\$ 48,983	\$ (16,508)	\$ 6,713	\$ 5,115	-139.57%	
2021	41,268	45,427	(4,159)	6,404	5,427	-35.15%	
2020	40,549	46,978	(6,429)	6,107	5,722	-54.35%	
2019	34,391	45,287	(10,896)	5,800	6,031	-92.10%	
2018	35,549	53,170	(17,621)	5,585	6,248	-148.91%	
2017	34,734	48,895	(14,161)	5,302	6,530	-119.68%	
2016	34,371	51,977	(17,606)	5,051	6,781	-148.80%	
2015	28,950	59,705	(30,755)	4,830	7,002	-259.93%	
2014	40,604	58,039	(17,435)	4,602	7,242	-147.21%	
2013	34,711	61,730	(27,019)	4,390	7,442	-228.36%	

Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	School Enrollment	Unemployment Rate
2022	2,226	\$ 111,736,296	\$ 50,196	59	178	2.10%
2021	2,226	103,097,190	46,315	60	209	3.10%
2020	2,246	100,600,586	44,791	58	218	4.90%
2019	2,265	104,445,945	46,113	58	200	2.20%
2018	2,284	99,456,000	43,545	57	193	3.50%
2017	2,300	101,321,946	44,498	57	197	3.20%
2016	2,277	99,006,237	43,481	59	193	3.10%
2015	2,215	92,583,880	41,185	58	183	3.30%
2014	2,245	87,004,975	38,755	57	189	5.61%
2013	2,288	68,648,522	28,297	54	193	6.10%

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

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

Function	Fiscal Year				
	2018	2019	2020	2021	2022
General government	16	16	16	16	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	16	16	17	17	16
Fire and rescue	1	1	5	5	4
Building inspections	2	1	2	2	2
Animal control	0	0	1	1	1
Public works					
General maintenance	3	2	1	1	1
Landfill	6	6	6	6	5
Health and welfare					
Department of social services	6	6	6	6	5
Culture and recreation					
Library	2	2	2	2	2
Totals	<u>57</u>	<u>55</u>	<u>61</u>	<u>61</u>	<u>57</u>

Source: Individual County departments

Capital Asset Statistics by Function
Last Five Fiscal Years

Function	Fiscal Year				
	2018	2019	2020	2021	2022
General government					
Administration buildings	4	4	4	4	4
Vehicles	2	2	2	2	2
Public safety					
Sheriffs department:					
Patrol units	11	11	11	11	11
Building inspections:					
Vehicles	1	1	1	1	1
Animal control:					
Vehicles	0	1	1	1	1
Public works					
General maintenance:					
Trucks/vehicles	1	1	1	1	1
Landfill:					
Vehicles	1	1	1	1	1
Equipment	2	2	2	2	2
Sites	1	1	1	1	1
Component Unit - School Board					
Education:					
Schools	2	2	2	2	2
School buses	7	8	7	7	7
School admin vehicles	7	5	7	7	7

Source: Individual County departments

COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of County of Highland, Virginia as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise County of Highland, Virginia's basic financial statements, and have issued our report thereon dated December 31, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Staunton, Virginia
December 31, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Highland, 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 County of Highland, Virginia's major federal programs for the year ended June 30, 2022. County of Highland, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, County of Highland, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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 County of Highland, 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 County of Highland, 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 County of Highland, 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 County of Highland, 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 County of Highland, 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 County of Highland, 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 County of Highland, 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 County of Highland, 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.

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

Staunton, Virginia
December 31, 2022

County of Highland, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Virginia Department of Social Services:			
Guardianship Assistance	93.090	Not Available	\$ 45
Title IV-E Prevention Program	93.472	Not Available	591
Marylee Allen Promoting Safe and Stable Families Program	93.556	Not Available	14,186
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	42,332
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	Not Available	206
Low-Income Home Energy Assistance	93.568	Not Available	7,817
Community-Based Child Abuse Prevention Grants	93.590	Not Available	668
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	9,616
Adoption and Legal Guardianship Incentive Payments	93.603	Not Available	1,907
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	103
Foster Care - Title IV-E	93.658	Not Available	54,798
Adoption Assistance	93.659	Not Available	61,516
Social Services Block Grant	93.667	Not Available	75,490
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Not Available	7,202
Elder Abuse Prevention Interventions Programs	93.747	Not Available	2,876
Children's Health Insurance Program	93.767	Not Available	433
Medicaid Cluster:			
Medical Assistance Program	93.778	Not Available	47,128
Total Department of Health and Human Services			<u>\$ 326,914</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture:			
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 14,462
Virginia Department of Education:			
National School Lunch Program (NSLP)	10.555	202121N11994 1; 202221N11994 1; 202221N89034 1; 202222N11994 1	103,619
Subtotal	10.555		<u>\$ 118,081</u>
Virginia Department of Agriculture:			
School Breakfast Program (SBP)	10.553	202121N11994 1; 202221N11994 1; 202222N11994 1	\$ 38,464
COVID-19 Summer Food Service Program for Children (SFSPC)	10.559	202121N11994 1	17,452
Total Child Nutrition Cluster			<u>\$ 173,997</u>
Virginia Department of Education:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	APE438410000	\$ 58,391
Pandemic EBT Administrative Costs	10.649	202121S900941	614
Virginia Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	<u>87,659</u>
Total Department of Agriculture			<u>\$ 320,661</u>
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	EMP-2020-EP-00005	<u>\$ 7,500</u>
Total Department of Homeland Security			<u>\$ 7,500</u>

County of Highland, Virginia

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Special Education Cluster:			
Special Education-Grants to States	84.027	H027A200107	\$ 56,616
Special Education-Preschool Grants	84.173	H173A200112	2,016
Total Special Education Cluster			<u>\$ 58,632</u>
Rural Education	84.358	Not Available	\$ 53,020
Title I Grants to Local Educational Agencies	84.010	S010A200046	14,147
Student Support and Academic Enrichment Program	84.424	S424A200048	10,000
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200008	<u>42,913</u>
Total Department of Education			<u>\$ 178,712</u>
Department of Treasury:			
Direct Payments:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	\$ 2,500
Pass Through Payments:			
Department of Criminal Justice Services:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	0000120304	<u>22,607</u>
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			<u>\$ 25,107</u>
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	<u>40,499</u>
Total Department of Treasury			<u>\$ 65,606</u>
Total Expenditures of Federal Awards			<u><u>\$ 899,393</u></u>

Notes to Schedule of Expenditures of Federal Awards:

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Highland, Virginia under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Highland, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Highland, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTE C - FOOD DISTRIBUTION

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

NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS

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

Primary government:	
Governmental funds	\$ 650,641
School Board funds	411,714
Payments in lieu of tax received from the Department of the Interior not included on schedule	<u>(162,962)</u>
Total primary government	<u><u>\$ 899,393</u></u>

COUNTY OF HIGHLAND, VIRGINIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no

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

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR section 200.516(a)? yes x no

Identification of major programs:

Assistance Listing
Numbers

Name of Federal Program or Cluster

10.555/10.559 Child Nutrition Cluster
93.667 Social Services Block Grant

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

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

There are no financial statement findings to report.

Section III-Federal Award Findings and Questioned Costs

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

Section IV-Prior Year Findings

There are no prior year findings.