

# COUNTY OF HIGHLAND, VIRGINIA



## FINANCIAL REPORT

YEAR ENDED JUNE 30, 2023

**COUNTY OF HIGHLAND, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2023**

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## County of Highland, Virginia

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### Board of Supervisors

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

### County School Board

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

### Welfare Board Members

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

### Other Officials

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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 .....	George Hogshead
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**

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**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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County of 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.

***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 February 6, 2024, 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 Assoc.*

Staunton, Virginia  
February 6, 2024

## **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, 2023.

### **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 \$10,533,236 (net position). Of this amount, \$7,643,053 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$1,079,790 of which a deficit of \$2,977,387 is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$1,493,649, while the School Board's net position increased by \$1,455,581. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$4,479,204, or 83 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2023 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2023.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,620,681, an increase of \$1,420,437 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 \$10,533,236 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 9,991,274	\$ 9,059,654	\$ 652,189	\$ 924,448	\$ 10,643,463	\$ 9,984,102
Capital assets	1,756,301	1,940,225	854,060	641,520	2,610,361	2,581,745
Total	\$ 11,747,575	\$ 10,999,879	\$ 1,506,249	\$ 1,565,968	\$ 13,253,824	\$ 12,565,847
Deferred Outflows of Resources	\$ 261,498	\$ 327,517	\$ 9,406	\$ 15,736	\$ 270,904	\$ 343,253
Long-term liabilities	\$ 380,820	\$ 379,257	\$ 119,406	\$ 126,188	\$ 500,226	\$ 505,445
Other liabilities	257,707	291,351	24,381	21,946	282,088	313,297
Total	\$ 638,527	\$ 670,608	\$ 143,787	\$ 148,134	\$ 782,314	\$ 818,742
Deferred Inflows of Resources	\$ 2,192,432	\$ 3,001,618	\$ 16,746	\$ 49,153	\$ 2,209,178	\$ 3,050,771
Net investment in capital assets	\$ 1,756,301	\$ 1,940,225	\$ 547,697	\$ 529,991	\$ 2,303,998	\$ 2,470,216
Restricted	573,546	977,321	12,639	18,846	586,185	996,167
Unrestricted	6,848,267	4,737,624	794,786	835,580	7,643,053	5,573,204
Total net position	\$ 9,178,114	\$ 7,655,170	\$ 1,355,122	\$ 1,384,417	\$ 10,533,236	\$ 9,039,587

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 21.87 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 \$7,643,053 or 72.56 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 \$1,493,649.

### Governmental Activities

Governmental activities increased the County's net position by \$1,522,944.

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

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 44,279	\$ 35,890	\$ 435,944	\$ 428,321	\$ 480,223	\$ 441,250
Operating grants and contributions	3,587,595	1,802,311	14,024	9,310	3,601,619	1,875,465
Capital grants and contributions	47,704	62,103	-	-	47,704	141,963
General revenues:						
General property taxes	4,413,656	4,297,382	-	-	4,413,656	4,243,105
Other local taxes	438,905	428,201	-	-	438,905	417,746
Use of money and property	203,138	31,500	279	88	203,417	30,925
Other	66,288	96,695	-	-	66,288	56,388
Grants and contributions not restricted to specific programs	387,387	375,383	-	-	387,387	364,221
Total Revenues	\$ 9,188,952	\$ 7,129,465	\$ 450,247	\$ 437,719	\$ 9,639,199	\$ 7,571,063
Expenses:						
General government	\$ 1,340,828	\$ 1,170,607	\$ -	\$ -	\$ 1,340,827	\$ 1,249,230
Judicial administration	338,202	292,632	-	-	338,202	292,632
Public safety	1,387,986	1,330,044	-	-	1,387,986	1,330,044
Public works	19,740	46,230	-	-	19,740	46,230
Health and welfare	756,991	853,586	-	-	756,991	853,586
Education	3,106,508	2,146,334	-	-	3,106,508	2,146,334
Parks, recreational, and cultural	96,304	103,702	-	-	96,304	103,702
Community development	601,949	223,948	-	-	601,949	223,948
Recreation Commission	-	-	62,431	61,556	62,431	61,556
Refuse Disposal	-	-	381,039	361,623	381,039	361,623
McDowell Water System	-	-	53,572	54,098	53,572	54,098
Total	\$ 7,648,508	\$ 6,167,083	\$ 497,042	\$ 477,277	\$ 8,145,549	\$ 6,722,983
Increase in net position before transfers	\$ 1,540,444	\$ 962,382	\$ (46,795)	\$ (39,558)	\$ 1,493,649	\$ 922,824
Transfers	\$ (17,500)	\$ (17,500)	\$ 17,500	\$ 17,500	\$ -	\$ -
Increase/decrease in net position	\$ 1,522,944	\$ 944,882	\$ (29,295)	\$ (22,058)	\$ 1,493,649	\$ 922,824
Net position, beginning	7,655,170	6,710,288	1,384,417	1,406,475	9,039,587	8,116,763
Net position, ending	\$ 9,178,114	\$ 7,655,170	\$ 1,355,122	\$ 1,384,417	\$ 10,533,236	\$ 9,039,587

## **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 \$7,620,681.

The general fund is the chief operating fund of the County. As of June 30, 2023, total fund balance of the general fund was \$5,608,963, of which \$4,479,204 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 83 percent and total fund balance represents 103 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$1,892,530.

The fund balance of the County's general fund increased by \$676,214 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 \$794,786. 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 \$449,412 increase, which is 8 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$331,495, which is 5.68 percent of the total original budget.

## **Capital Asset and Debt Administration**

### **Capital assets**

The County's investment in capital assets as of June 30, 2023 is \$2,408,490 (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	
	2023	2022	2023	2022	2023	2022
Land	\$ 247,365	\$ 247,365	\$ 3,816	\$ 3,816	\$ 251,181	\$ 251,181
Buildings and improvements	934,455	1,013,058	-	-	934,455	1,013,058
Machinery and equipment	574,481	679,802	-	-	574,481	679,802
Utility plant and equipment	-	-	648,373	632,589	648,373	632,589
Furniture and equipment	-	-	-	5,115	-	5,115
Total	<u>\$ 1,756,301</u>	<u>\$ 1,940,225</u>	<u>\$ 652,189</u>	<u>\$ 641,520</u>	<u>\$ 2,408,490</u>	<u>\$ 2,581,745</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	
	2023	2022	2023	2022	2023	2022
Landfill closure/ post-closure liability	\$ 66,235	\$ 61,813	\$ -	\$ -	\$ 66,235	\$ 61,813
Revenue Bonds	-	-	104,492	111,529	104,492	111,529
Net OPEB Liability	96,358	87,531	3,582	3,865	99,940	91,396
Compensated absences	218,227	229,913	11,332	10,794	229,559	240,707
Total	<u>\$ 380,820</u>	<u>\$ 379,257</u>	<u>\$ 119,406</u>	<u>\$ 126,188</u>	<u>\$ 500,226</u>	<u>\$ 505,445</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 1.9 percent, which is a decrease from the rate of 2.0 percent a year ago. This compares favorably to the state's average unemployment rate of 2.8 percent and the national average rate of 3.8 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 2024 fiscal year.

During fiscal year 2023, unassigned fund balance in the general fund increased \$512,419. 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, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,720,157	\$ 818,121	\$ 7,538,278	\$ 338,472	\$ 111,442
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,035,295	-	2,035,295	-	-
Accounts receivable	39,016	35,144	74,160	-	180
Interest receivable	67	-	67	-	-
Lease receivable	8,866	-	8,866	-	-
Due from primary government	-	-	-	12,638	-
Notes receivable	155,000	-	155,000	-	-
Due from component unit	806,230	-	806,230	-	-
Due from other governmental units	204,500	-	204,500	749,135	-
Inventories	-	-	-	12,952	-
Prepaid items	745	-	745	70,740	-
Net pension asset	21,398	795	22,193	-	-
Capital assets (net of accumulated depreciation):					
Land	247,365	3,816	251,181	13,035	-
Buildings and improvements	934,455	-	934,455	2,209,547	-
Machinery and equipment	574,481	-	574,481	489,781	-
Utility plant and equipment	-	648,373	648,373	-	-
Construction in progress	-	-	-	1,211,087	-
Total assets	\$ 11,747,575	\$ 1,506,249	\$ 13,253,824	\$ 5,107,387	\$ 111,622
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	\$ 230,824	\$ 8,372	\$ 239,196	\$ 634,317	\$ -
OPEB related items	30,674	1,034	31,708	65,175	-
Total Deferred Outflows of Resources	\$ 261,498	\$ 9,406	\$ 270,904	\$ 699,492	\$ -
<b>LIABILITIES</b>					
Accounts payable	\$ 78,173	\$ 23,328	\$ 101,501	\$ 13,318	\$ 11,712
Accrued liabilities	-	-	-	204,745	-
Accrued interest payable	-	150	150	-	-
Due to primary government	-	-	-	806,230	-
Due to component unit	12,638	-	12,638	-	-
Unearned revenue	166,896	903	167,799	-	40,731
Long-term liabilities:					
Due within one year	-	7,388	7,388	-	-
Due in more than one year	380,820	112,018	492,838	3,035,486	-
Total liabilities	\$ 638,527	\$ 143,787	\$ 782,314	\$ 4,059,779	\$ 52,443
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 1,868,195	\$ -	\$ 1,868,195	\$ -	\$ -
Lease related	7,076	-	7,076	-	-
Pension related items	297,204	16,004	313,208	593,804	-
OPEB related items	19,957	742	20,699	73,506	-
Total deferred inflows of resources	\$ 2,192,432	\$ 16,746	\$ 2,209,178	\$ 667,310	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 1,756,301	\$ 547,697	\$ 2,303,998	\$ 3,923,450	\$ -
Restricted:					
Employee pensions	21,398	795	22,193	-	-
Debt service and bond covenants	-	11,844	11,844	-	-
Recording equipment	768	-	768	-	-
Law library	8,103	-	8,103	-	-
Courthouse maintenance	4,072	-	4,072	-	-
E911	6,286	-	6,286	-	-
\$4 for life program	27,876	-	27,876	-	-
Forfeited assets	4,271	-	4,271	-	-
Emergency medical services	479,509	-	479,509	-	-
Opioid abatement	21,263	-	21,263	-	-
School activity funds	-	-	-	133,727	-
Unrestricted	6,848,267	794,786	7,643,053	(2,977,387)	59,179
Total net position	\$ 9,178,114	\$ 1,355,122	\$ 10,533,236	\$ 1,079,790	\$ 59,179

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

# County of Highland, Virginia

Statement of Activities  
Year Ended June 30, 2023

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government administration	\$ 1,340,828	\$ 7,110	\$ 224,931	\$ -
Judicial administration	338,202	4,157	268,031	-
Public safety	1,387,986	33,012	1,043,557	47,704
Public works	19,740	-	-	-
Health and welfare	756,991	-	579,192	-
Education	3,106,508	-	1,471,884	-
Parks, recreation, and cultural	96,304	-	-	-
Community development	601,949	-	-	-
Total governmental activities	<u>\$ 7,648,508</u>	<u>\$ 44,279</u>	<u>\$ 3,587,595</u>	<u>\$ 47,704</u>
Business-type Activities:				
Refuse Disposal	\$ 381,039	\$ 350,456	\$ 14,024	\$ -
McDowell Water System	53,572	35,976	-	-
Recreation Commission	62,431	49,512	-	-
Total business-type activities	<u>\$ 497,042</u>	<u>\$ 435,944</u>	<u>\$ 14,024</u>	<u>\$ -</u>
Total primary government	<u>\$ 8,145,550</u>	<u>\$ 480,223</u>	<u>\$ 3,601,619</u>	<u>\$ 47,704</u>
<b>COMPONENT UNITS:</b>				
School Board	\$ 6,328,925	\$ 78,929	\$ 3,325,971	\$ 1,014,952
Economic Development Authority	58,334	-	32,334	-
Total component units	<u>\$ 6,387,259</u>	<u>\$ 78,929</u>	<u>\$ 3,358,305</u>	<u>\$ 1,014,952</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  
Loss on disposal of capital assets  
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	
\$ (1,108,787)	\$ -	\$ (1,108,787)	\$ -	\$ -	
(66,014)	-	(66,014)	-	-	
(263,713)	-	(263,713)	-	-	
(19,740)	-	(19,740)	-	-	
(177,799)	-	(177,799)	-	-	
(1,634,624)	-	(1,634,624)	-	-	
(96,304)	-	(96,304)	-	-	
(601,949)	-	(601,949)	-	-	
<u>\$ (3,968,930)</u>	<u>\$ -</u>	<u>\$ (3,968,930)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (16,559)	\$ (16,559)	\$ -	\$ -	
-	(17,596)	(17,596)	-	-	
-	(12,919)	(12,919)	-	-	
<u>\$ -</u>	<u>\$ (47,074)</u>	<u>\$ (47,074)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (3,968,930)</u>	<u>\$ (47,074)</u>	<u>\$ (4,016,004)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (1,909,073)	\$ -	
-	-	-	-	(26,000)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,909,073)</u>	<u>\$ (26,000)</u>	
\$ 4,413,656	\$ -	\$ 4,413,656	\$ -	\$ -	
204,645	-	204,645	-	-	
118,462	-	118,462	-	-	
59,048	-	59,048	-	-	
11,208	-	11,208	-	-	
24,824	-	24,824	-	-	
13,829	-	13,829	-	-	
6,889	-	6,889	-	-	
203,138	279	203,417	-	160	
66,288	-	66,288	254,382	-	
387,387	-	387,387	3,110,272	25,501	
-	-	-	-	-	
(17,500)	17,500	-	-	-	
<u>\$ 5,491,874</u>	<u>\$ 17,779</u>	<u>\$ 5,509,653</u>	<u>\$ 3,364,654</u>	<u>\$ 25,661</u>	
\$ 1,522,944	\$ (29,295)	\$ 1,493,649	\$ 1,455,581	\$ (339)	
7,655,170	1,384,417	9,039,587	(375,791)	59,518	
<u>\$ 9,178,114</u>	<u>\$ 1,355,122</u>	<u>\$ 10,533,236</u>	<u>\$ 1,079,790</u>	<u>\$ 59,179</u>	

## **FUND FINANCIAL STATEMENTS**

Balance Sheet  
Governmental Funds  
June 30, 2023

	General	School Capital Improvements	EMS	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,161,676	\$ 752,584	\$ 488,813	\$ 317,084	\$ 6,720,157
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,832,008	-	203,287	-	2,035,295
Accounts receivable	39,016	-	-	-	39,016
Interest receivable	67	-	-	-	67
Lease receivable	8,866	-	-	-	8,866
Notes receivable	155,000	-	-	-	155,000
Due from other funds	31,401	-	-	-	31,401
Due from component unit	349,298	456,932	-	-	806,230
Due from other governmental units	159,527	-	-	44,973	204,500
Prepaid items	745	-	-	-	745
Total assets	<u>\$ 7,737,604</u>	<u>\$ 1,209,516</u>	<u>\$ 692,100</u>	<u>\$ 362,057</u>	<u>\$ 10,001,277</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 63,745	\$ -	\$ 6,465	\$ 7,963	\$ 78,173
Due to other funds	-	-	-	31,401	31,401
Due to component unit	12,638	-	-	-	12,638
Unearned revenue	166,896	-	-	-	166,896
Total liabilities	<u>\$ 243,279</u>	<u>\$ -</u>	<u>\$ 6,465</u>	<u>\$ 39,364</u>	<u>\$ 289,108</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	\$ 1,857,023	\$ -	\$ 206,126	\$ -	\$ 2,063,149
Unavailable revenue - opioid settlement	21,263	-	-	-	21,263
Lease related	7,076	-	-	-	7,076
Total deferred inflows of resources	<u>\$ 1,885,362</u>	<u>\$ -</u>	<u>\$ 206,126</u>	<u>\$ -</u>	<u>\$ 2,091,488</u>
<b>FUND BALANCES:</b>					
Nonspendable:					
Prepaid items	\$ 745	\$ -	\$ -	\$ -	\$ 745
Notes receivable	155,000	-	-	-	155,000
Restricted:					
Recording equipment	768	-	-	-	768
Law library	8,103	-	-	-	8,103
Courthouse maintenance	4,072	-	-	-	4,072
E911	-	-	-	6,286	6,286
\$4 for life program	27,876	-	-	-	27,876
Forfeited assets	-	-	-	4,271	4,271
Emergency medical services	-	-	479,509	-	479,509
Opioid abatement	5,921	-	-	-	5,921
Committed:					
Assessor	58,720	-	-	-	58,720
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	59,729	-	-	-	59,729
Regional jail	76,500	-	-	-	76,500
Comprehensive plan	15,000	-	-	-	15,000
Bus reserve	15,000	-	-	-	15,000
Transportation enhancement project	373,413	-	-	-	373,413
Veteran's memorial	8,912	-	-	-	8,912
Cupola timepiece project	853	-	-	-	853
School expenditures	119,812	-	-	-	119,812
Dangerous dog registry	745	-	-	-	745
EMS Stipends	22,232	-	-	-	22,232
Body armor	5,200	-	-	-	5,200
Taser	5,000	-	-	-	5,000
Assigned:					
Fire prevention programs	62,291	-	-	-	62,291
Special revenue funds	-	-	-	17,060	17,060
Capital projects funds	-	1,209,516	-	295,076	1,504,592
Unassigned	4,479,204	-	-	-	4,479,204
Total fund balances	<u>\$ 5,608,963</u>	<u>\$ 1,209,516</u>	<u>\$ 479,509</u>	<u>\$ 322,693</u>	<u>\$ 7,620,681</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,737,604</u>	<u>\$ 1,209,516</u>	<u>\$ 692,100</u>	<u>\$ 362,057</u>	<u>\$ 10,001,277</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, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	7,620,681
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	247,365	
Buildings and improvements		934,455	
Machinery and equipment		<u>574,481</u>	
			1,756,301
The net pension asset is not an available resource and, therefore, is not reported in the funds			
			21,398
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	\$	194,954	
Unavailable revenue - opioid settlement		<u>21,263</u>	
			216,217
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	230,824	
OPEB related items		<u>30,674</u>	
			261,498
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	\$	(218,227)	
Landfill closure/post-closure costs		(66,235)	
Net OPEB liabilities		<u>(96,358)</u>	
			(380,820)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(297,204)	
OPEB related items		<u>(19,957)</u>	
			<u>(317,161)</u>
Net position of governmental activities		\$	<u>9,178,114</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, 2023

	General	School Capital Improvements	EMS
<b>REVENUES</b>			
General property taxes	\$ 4,038,766	\$ -	\$ 357,660
Other local taxes	438,905	-	-
Permits, privilege fees, and regulatory licenses	17,580	-	-
Fines and forfeitures	2,513	-	-
Revenue from the use of money and property	210,236	-	-
Charges for services	17,088	-	-
Miscellaneous	46,284	-	1,564
Intergovernmental:			
Local government	-	1,471,884	-
Commonwealth	1,357,292	-	-
Federal	560,029	-	-
Total revenues	<u>\$ 6,688,693</u>	<u>\$ 1,471,884</u>	<u>\$ 359,224</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,281,769	\$ -	\$ -
Judicial administration	358,033	-	-
Public safety	1,009,308	-	286,954
Public works	2,115	-	-
Health and welfare	138,324	-	-
Education	1,892,531	-	-
Parks, recreation, and cultural	78,401	-	-
Community development	608,091	-	-
Nondepartmental	21,469	-	-
Capital projects	24,968	1,213,978	-
Total expenditures	<u>\$ 5,415,009</u>	<u>\$ 1,213,978</u>	<u>\$ 286,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,273,684</u>	<u>\$ 257,906</u>	<u>\$ 72,270</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 18,065	\$ 352,951	\$ -
Transfers out	(615,535)	-	-
Total other financing sources (uses)	<u>\$ (597,470)</u>	<u>\$ 352,951</u>	<u>\$ -</u>
Net change in fund balances	\$ 676,214	\$ 610,857	\$ 72,270
Fund balances - beginning	4,932,749	598,659	407,239
Fund balances - ending	<u>\$ 5,608,963</u>	<u>\$ 1,209,516</u>	<u>\$ 479,509</u>

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

**Exhibit 5**

<b>Other Governmental Funds</b>		<b>Total</b>
\$	-	\$ 4,396,426
	-	438,905
	-	17,580
	-	2,513
	-	210,236
	-	17,088
	23,167	71,015
	-	1,471,884
	250,445	1,607,737
	383,036	943,065
\$	<u>656,648</u>	<u>\$ 9,176,449</u>

\$	-	\$ 1,281,769
	-	358,033
	103,821	1,400,083
	-	2,115
	639,952	778,276
	-	1,892,531
	-	78,401
	-	608,091
	-	21,469
	78,798	1,317,744
\$	<u>822,571</u>	<u>\$ 7,738,512</u>

\$ (165,923) \$ 1,437,937

\$	245,083	\$ 616,099
	(18,064)	(633,599)
\$	<u>227,019</u>	<u>\$ (17,500)</u>

\$	61,096	\$ 1,420,437
	261,597	6,200,244
\$	<u>322,693</u>	<u>\$ 7,620,681</u>

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$ 1,420,437
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 14,285	
Depreciation expense	<u>(198,209)</u>	(183,924)

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

Property taxes	\$ 17,230	
Opioid settlement	<u>(4,727)</u>	12,503

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>(4,422)</u>	(4,422)
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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	\$ 11,686	
Change in pension related items	261,346	
Change in OPEB related items	<u>5,318</u>	<u>278,350</u>

Change in net position of governmental activities	\$ <u><u>1,522,944</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position  
Proprietary Funds  
June 30, 2023

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 91,738	\$ 601,146	\$ 125,237	\$ 818,121
Accounts receivable	7,098	28,046	-	35,144
Total current assets	<u>\$ 98,836</u>	<u>\$ 629,192</u>	<u>\$ 125,237</u>	<u>\$ 853,265</u>
Noncurrent assets:				
Net pension asset	\$ -	\$ 795	\$ -	\$ 795
Capital assets:				
Land	3,816	-	-	3,816
Utility plant and equipment	1,227,952	246,677	20,801	1,495,430
Accumulated depreciation	(672,515)	(157,926)	(16,616)	(847,057)
Net capital assets	<u>\$ 559,253</u>	<u>\$ 88,751</u>	<u>\$ 4,185</u>	<u>\$ 652,189</u>
Total assets	<u>\$ 658,089</u>	<u>\$ 718,738</u>	<u>\$ 129,422</u>	<u>\$ 1,506,249</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ -	\$ 8,372	\$ -	\$ 8,372
OPEB related items	-	1,034	-	1,034
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 9,406</u>	<u>\$ -</u>	<u>\$ 9,406</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 320	\$ 23,008	\$ -	\$ 23,328
Accrued interest payable	150	-	-	150
Unearned revenue	-	-	903	903
Revenue bonds - current portion	7,388	-	-	7,388
Total current liabilities	<u>\$ 7,858</u>	<u>\$ 23,008</u>	<u>\$ 903</u>	<u>\$ 31,769</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 97,104	\$ -	\$ -	\$ 97,104
Compensated absences	-	11,332	-	11,332
Net OBEB liability	-	3,582	-	3,582
Total noncurrent liabilities	<u>\$ 97,104</u>	<u>\$ 14,914</u>	<u>\$ -</u>	<u>\$ 112,018</u>
Total liabilities	<u>\$ 104,962</u>	<u>\$ 37,922</u>	<u>\$ 903</u>	<u>\$ 143,787</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ -	\$ 16,004	\$ -	\$ 16,004
OPEB related items	-	742	-	742
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 16,746</u>	<u>\$ -</u>	<u>\$ 16,746</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 454,761	\$ 88,751	\$ 4,185	\$ 547,697
Restricted:				
Employee pensions	-	795	-	795
Debt service and bond covenants	11,844	-	-	11,844
Unrestricted	86,522	583,930	124,334	794,786
Total net position	<u>\$ 553,127</u>	<u>\$ 673,476</u>	<u>\$ 128,519</u>	<u>\$ 1,355,122</u>

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2023

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Water revenues	\$ 35,976	\$ -	\$ -	\$ 35,976
Refuse disposal	-	314,620	-	314,620
Recycling revenues	-	12,578	-	12,578
Tire disposal	-	4,515	-	4,515
Program income	-	-	47,465	47,465
Other revenues	-	18,743	2,047	20,790
Total operating revenues	<u>\$ 35,976</u>	<u>\$ 350,456</u>	<u>\$ 49,512</u>	<u>\$ 435,944</u>
<b>OPERATING EXPENSES</b>				
Personnel services	\$ 12,010	\$ 141,828	\$ -	\$ 153,838
Contractual services	3,247	206,257	15,541	225,045
Depreciation	23,971	18,430	930	43,331
Supplies	-	-	38,783	38,783
Utilities	-	-	6,780	6,780
Other charges	9,554	14,524	397	24,475
Total operating expenses	<u>\$ 48,782</u>	<u>\$ 381,039</u>	<u>\$ 62,431</u>	<u>\$ 492,252</u>
Operating income (loss)	<u>\$ (12,806)</u>	<u>\$ (30,583)</u>	<u>\$ (12,919)</u>	<u>\$ (56,308)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue (expense)	\$ -	\$ 14,024	\$ -	\$ 14,024
Investment income	36	-	243	279
Interest expense	(4,790)	-	-	(4,790)
Total nonoperating revenues (expenses)	<u>\$ (4,754)</u>	<u>\$ 14,024</u>	<u>\$ 243</u>	<u>\$ 9,513</u>
Income before transfers	<u>\$ (17,560)</u>	<u>\$ (16,559)</u>	<u>\$ (12,676)</u>	<u>\$ (46,795)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 17,500	\$ 17,500
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 17,500</u>
Change in net position	<u>\$ (17,560)</u>	<u>\$ (16,559)</u>	<u>\$ 4,824</u>	<u>\$ (29,295)</u>
Net position - beginning	570,687	690,035	123,695	1,384,417
Net position - ending	<u>\$ 553,127</u>	<u>\$ 673,476</u>	<u>\$ 128,519</u>	<u>\$ 1,355,122</u>

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

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 33,806	\$ 329,694	\$ 48,368	\$ 411,868
Payments to suppliers	(13,303)	(218,730)	(54,324)	(286,357)
Payments to employees	(12,010)	(147,211)	-	(159,221)
Other receipts (payments)	-	18,743	(5,130)	13,613
Net cash provided by (used for) operating activities	\$ 8,493	\$ (17,504)	\$ (11,086)	\$ (20,097)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	\$ -	\$ -	\$ 17,500	\$ 17,500
Intergovernmental revenues	-	14,024	-	14,024
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 14,024	\$ 17,500	\$ 31,524
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Additions to utility plant	\$ -	\$ (54,000)	\$ -	\$ (54,000)
Principal payments on bonds	(7,037)	-	-	(7,037)
Interest expense	(4,807)	-	-	(4,807)
Net cash provided by (used for) capital and related financing activities	\$ (11,844)	\$ (54,000)	\$ -	\$ (65,844)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	\$ 36	\$ -	\$ 243	\$ 279
Net cash provided by (used for) investing activities	\$ 36	\$ -	\$ 243	\$ 279
Net increase (decrease) in cash and cash equivalents	\$ (3,315)	\$ (57,480)	\$ 6,657	\$ (54,138)
Cash and cash equivalents - beginning	95,053	658,626	118,580	872,259
Cash and cash equivalents - ending	\$ 91,738	\$ 601,146	\$ 125,237	\$ 818,121
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (12,806)	\$ (30,583)	\$ (12,919)	\$ (56,308)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 23,971	\$ 18,430	\$ 930	\$ 43,331
(Increase) decrease in accounts receivable	(2,170)	(2,019)	-	(4,189)
(Increase) decrease in net pension asset	-	20,439	-	20,439
(Increase) decrease in deferred outflow of resources	-	6,330	-	6,330
Increase (decrease) in net OPEB liability	-	(283)	-	(283)
Increase (decrease) in deferred inflows of resources	-	(32,407)	-	(32,407)
Increase (decrease) in accounts payable	(502)	2,051	-	1,549
Increase (decrease) in unearned revenue	-	-	903	903
Increase (decrease) in compensated absences	-	538	-	538
Total adjustments	\$ 21,299	\$ 13,079	\$ 1,833	\$ 36,211
Net cash provided by (used for) operating activities	\$ 8,493	\$ (17,504)	\$ (11,086)	\$ (20,097)

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

Statement of Fiduciary Net Position  
 Fiduciary Fund  
 June 30, 2023

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		Custodial Funds
		Special Welfare Fund
		<hr/>
<b>ASSETS</b>		
Cash and cash equivalents	\$	15
Total assets	\$	<hr/> 15 <hr/>
 <b>NET POSITION</b>		
Restricted for:		
Restricted for social service clients	\$	15
Total net position	\$	<hr/> <hr/> 15 <hr/> <hr/>

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
<b>Additions</b>	
Contributions:	
Private contributions	\$ 5
Total contributions	\$ 5
<b>Deductions</b>	
Current:	
Recipient payments	\$ 5,607
Total deductions	5,607
Net increase (decrease) in fiduciary net position	\$ (5,602)
Net position - beginning	5,617
Net position - ending	\$ 15

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



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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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, 2023 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)**

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**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)**

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**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 *capital projects funds* account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The School Capital Improvements Fund is a major fund of the County.

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. The EMS Fund is a major fund of the County.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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

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

The government reports the following nonmajor governmental 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. Nonmajor special revenue funds consist of the Virginia Public Assistance, E-911 and Sheriff's Grants funds.

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

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)**

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**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 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

**4. *Allowance for uncollectible accounts***

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$8,555, at June 30, 2023 and is comprised solely of property taxes. This allowance represents 0.042% 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.

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)**

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**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.

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

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**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.



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

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has 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, HIC, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**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.

*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.

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## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

##### A. Budgetary Information

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

1. Prior to March 30, the County 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, 2023:

Fund	Function	Excess of Expenditures over Appropriations
General Fund	Parks, recreation, and culture	\$ 665
E-911 Fund	Public Safety	6,106
Total Primary Government		<u>\$ 6,771</u>

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 3—DEPOSITS AND INVESTMENTS:

##### Deposits

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

##### 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, 2023 were rated by Standard and Poor’s and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor’s rating scale.

<b>County's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAAm</u></b>
Local Government Investment Pool	\$ 4,203
Total	\$ 4,203

##### Interest Rate Risk

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

	<b><u>Fair Value</u></b>	<b><u>Less than 1 yr</u></b>
Local Government Investment Pool	\$ 4,203	\$ 4,203

##### 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, 2023 (Continued)

### NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 46,147
Local sales taxes	32,479	-
Communication taxes	8,314	-
DMV select	1,844	-
Mobile home tax	6,605	-
Rolling Stock	195	-
Public assistance and welfare administration	11,233	-
Wireless	8,523	-
Commonwealth attorney	6,611	-
Clerk of Circuit Court	14,332	-
Treasurer	6,622	-
Commissioner of Revenue	7,471	-
Sheriff	41,476	-
State VDEM shelter grant	33,577	-
School grants	-	102,000
Federal Government:		
School grants	-	600,988
Public assistance and welfare administration	25,218	-
Total	\$ 204,500	\$ 749,135

### NOTE 5—INTERFUND OBLIGATIONS:

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 31,401	\$ -	\$ 12,638	\$ 349,298
VPA Fund	-	31,401	-	-
School Capital Improvements Fund	-	-	-	456,932
Sub-total	\$ 31,401	\$ 31,401	\$ 12,638	\$ 806,230
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 806,230	\$ -
School Cafeteria Fund	-	-	-	12,638
Sub-total	-	-	806,230	12,638
Total	\$ 31,401	\$ 31,401	\$ 818,868	\$ 818,868

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, 2023 (Continued)****NOTE 6—INTERFUND TRANSFERS:**

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 597,470
Virginia Public Assistance Fund	55,182	-
Recreation Commission	17,500	-
E-911 Fund	37,837	-
County Capital Improvements Fund	134,000	-
School Capital Projects Fund	352,951	-
Total	<u>\$ 597,470</u>	<u>\$ 597,470</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 7—CAPITAL ASSETS:**

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

**Governmental Activities:**

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 247,365	\$ -	\$ -	\$ 247,365
Total capital assets not being depreciated	<u>\$ 247,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,365</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,023,452	\$ -	\$ -	\$ 2,023,452
Machinery and equipment	2,243,782	14,285	(207,343)	2,050,724
Total capital assets being depreciated	<u>\$ 4,267,234</u>	<u>\$ 14,285</u>	<u>\$ (207,343)</u>	<u>\$ 4,074,176</u>
Accumulated depreciation:				
Buildings and improvements	\$ (1,010,394)	\$ (78,603)	\$ -	\$ (1,088,997)
Machinery and equipment	(1,563,980)	(119,606)	207,343	(1,476,243)
Total accumulated depreciation	<u>\$ (2,574,374)</u>	<u>\$ (198,209)</u>	<u>\$ 207,343</u>	<u>\$ (2,565,240)</u>
Total capital assets being depreciated, net	<u>\$ 1,692,860</u>	<u>\$ (183,924)</u>	<u>\$ -</u>	<u>\$ 1,508,936</u>
Governmental activities capital assets, net	<u>\$ 1,940,225</u>	<u>\$ (183,924)</u>	<u>\$ -</u>	<u>\$ 1,756,301</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

*McDowell Water System Fund*

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
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	(648,544)	(23,971)	-	(672,515)
Capital assets being depreciated, net	\$ 579,408	\$ (23,971)	\$ -	\$ 555,437
McDowell water system capital assets, net	\$ 583,224	\$ (23,971)	\$ -	\$ 559,253

*Refuse Disposal Fund*

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets being depreciated:				
Utility plant and equipment	\$ 192,677	\$ 54,000	\$ -	\$ 246,677
Accumulated depreciation	(139,496)	(18,430)	-	(157,926)
Capital assets being depreciated, net	\$ 53,181	\$ 35,570	\$ -	\$ 88,751
Refuse disposal fund capital assets, net	\$ 53,181	\$ 35,570	\$ -	\$ 88,751

*Recreation Commission Fund*

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(15,686)	(930)	-	(16,616)
Capital assets being depreciated, net	\$ 5,115	\$ (930)	\$ -	\$ 4,185
Recreation commission fund capital assets, net	\$ 5,115	\$ (930)	\$ -	\$ 4,185

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2023 (Continued)

### NOTE 7—CAPITAL ASSETS: (CONTINUED)

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

Governmental Activities:	
General government administration	\$ 28,582
Judicial administration	8,738
Public safety	107,148
Public works	13,203
Health and welfare	4,836
Parks, Recreation, and Cultural	35,702
Total depreciation expense - governmental activities	<u>\$ 198,209</u>
Business-type Activities:	
McDowell Water System	\$ 23,971
Refuse disposal	18,430
Recreation Commission	930
Total depreciation expense - business-type activities	<u>\$ 43,331</u>

### Component Unit: School Board

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

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Construction in progress	-	1,211,087	-	1,211,087
Total capital assets not being depreciated	<u>\$ 13,035</u>	<u>\$ 1,211,087</u>	<u>\$ -</u>	<u>\$ 1,224,122</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 4,925,415	\$ -	\$ -	\$ 4,925,415
Furniture, equipment and vehicles	1,443,699	130,886	(21,502)	1,553,083
Total capital assets being depreciated	<u>\$ 6,369,114</u>	<u>\$ 130,886</u>	<u>\$ (21,502)</u>	<u>\$ 6,478,498</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,589,304)	\$ (126,564)	\$ -	\$ (2,715,868)
Furniture, equipment and vehicles	(966,984)	(115,824)	19,506	(1,063,302)
Total accumulated depreciation	<u>\$ (3,556,288)</u>	<u>\$ (242,388)</u>	<u>\$ 19,506</u>	<u>\$ (3,779,170)</u>
Total capital assets being depreciated, net	<u>\$ 2,812,826</u>	<u>\$ (111,502)</u>	<u>\$ (1,996)</u>	<u>\$ 2,699,328</u>
School Board capital assets, net	<u>\$ 2,825,861</u>	<u>\$ 1,099,585</u>	<u>\$ (1,996)</u>	<u>\$ 3,923,450</u>

Depreciation expense was charged to education in the amount of \$242,388.



**COUNTY OF HIGHLAND, VIRGINIA****Notes to Financial Statements  
June 30, 2023 (Continued)****NOTE 8—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, 2023:

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Landfill closure/post-closure costs	\$ 61,813	\$ 4,422	\$ -	\$ 66,235
Compensated absences	229,913	160,749	172,435	218,227
Net OPEB liability	87,531	62,431	53,604	96,358
Total Long-Term Obligations	<u>\$ 379,257</u>	<u>\$ 227,602</u>	<u>\$ 226,039</u>	<u>\$ 380,820</u>

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Landfill closure/post-closure costs	\$ 66,235	\$ -
Compensated absences (payable from the General Fund)	\$ 218,227	\$ -
Net OPEB liability	\$ 96,358	\$ -
Total long-term obligations	<u>\$ 380,820</u>	<u>\$ -</u>

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# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2023 (Continued)

### NOTE 8—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, 2023:

	Balance July 1, 2022	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2023
Direct Borrowings and Placements:				
Revenue Bonds	\$ 111,529	\$ -	\$ 7,037	\$ 104,492
Other Long-Term Obligations:				
Compensated absences	\$ 10,794	\$ 538	\$ -	\$ 11,332
Net OPEB liability	3,865	2,299	2,582	3,582
Total Other Long-Term Obligations	\$ 14,659	\$ 2,837	\$ 2,582	\$ 14,914
Total Long-Term Obligations	\$ 126,188	\$ 2,837	\$ 9,619	\$ 119,406

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

Year Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
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	1,347	8
Total	\$ 104,492	\$ 41,417

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2023 (Continued)

### NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
<b><u>McDowell Water System:</u></b>		
Direct Borrowings and Placements:		
Revenue Bonds:		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 15,240	\$ 2,691
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	10,688	1,845
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	23,209	1,414
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	55,355	1,438
Total revenue bonds	\$ 104,492	\$ 7,388
<b><u>Refuse Disposal Fund:</u></b>		
Other Long-Term Obligations:		
Compensated Absences	\$ 11,332	-
Net OPEB Liability	3,582	-
Total long-term obligations	\$ 119,406	\$ 7,388

The County's outstanding revenue bonds from direct borrowings and direct placements related to business-type activities of \$104,492 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, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Compensated absences	\$ 55,013	\$ 43,596	\$ 41,260	\$ 57,349
Net OPEB liabilities	425,184	136,908	152,506	409,586
Net pension liability	2,014,558	1,893,372	1,339,379	2,568,551
Total Long-Term Obligations	\$ 2,494,755	\$ 2,073,876	\$ 1,533,145	\$ 3,035,486

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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#### NOTE 9—PENSION PLANS:

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##### ***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, 2023 (Continued)

#### NOTE 9—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, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board (Nonprofessional)</b>
Inactive members or their beneficiaries currently receiving benefits	28	15
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	11	4
Inactive members active elsewhere in VRS	11	2
Total inactive members	27	7
Active members	39	8
Total covered employees	94	30

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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#### NOTE 9—PENSION PLANS: (CONTINUED)

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##### ***Contributions***

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

The County's contractually required employer contribution rate for the year ended June 30, 2023 was 10.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$166,255 and \$172,910 for the years ended June 30, 2023 and June 30, 2022, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2023 was 26.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$60,560 and \$37,317 for the years ended June 30, 2023 and June 30, 2022, respectively.

##### ***Net Pension Liability (Asset)***

The net pension liability (NPL) and asset (NPA) are 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 net pension asset and Component Unit School Board's (nonprofessional) net pension liability were measured as of June 30, 2022. The total pension liabilities used to calculate the net pension asset and liability were determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022.

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## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 9—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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

##### Mortality rates:

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

##### Pre-Retirement:

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

##### Post-Retirement:

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

##### Post-Disablement:

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

##### Beneficiaries and Survivors:

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

##### Mortality Improvement:

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

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

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

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



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 9—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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

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

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



**COUNTY OF HIGHLAND, VIRGINIA****Notes to Financial Statements  
June 30, 2023 (Continued)****NOTE 9—PENSION PLANS: (CONTINUED)*****Long-Term Expected Rate of Return***

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

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

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

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

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2023 (Continued)

### NOTE 9—PENSION PLANS: (CONTINUED)

#### Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers 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, 2021	\$ 7,928,083	\$ 8,430,280	\$ (502,197)
Changes for the year:			
Service cost	\$ 200,519	\$ -	\$ 200,519
Interest	537,258	-	537,258
Differences between expected and actual experience	(16,776)	-	(16,776)
Contributions - employer	-	172,346	(172,346)
Contributions - employee	-	84,012	(84,012)
Net investment income	-	(10,336)	10,336
Benefit payments, including refunds	(338,448)	(338,448)	-
Administrative expenses	-	(5,221)	5,221
Other changes	-	196	(196)
Net changes	\$ 382,553	\$ (97,451)	\$ 480,004
Balances at June 30, 2022	\$ 8,310,636	\$ 8,332,829	\$ (22,193)

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

NOTE 9—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, 2021	\$ 1,400,475	\$ 1,054,983	\$ 345,492
Changes for the year:			
Service cost	\$ 18,727	\$ -	\$ 18,727
Interest	92,437	-	92,437
Differences between expected and actual experience	142,097	-	142,097
Assumption changes	-	-	-
Contributions - employer	-	37,316	(37,316)
Contributions - employee	-	10,386	(10,386)
Net investment income	-	(392)	392
Benefit payments, including refunds	(99,527)	(99,527)	-
Administrative expenses	-	(669)	669
Other changes	-	24	(24)
Net changes	\$ 153,734	\$ (52,862)	\$ 206,596
Balances at June 30, 2022	\$ 1,554,209	\$ 1,002,121	\$ 552,088

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County			
Net Pension Liability (Asset)	\$ 944,548	\$ (22,193)	\$ (822,136)
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 716,582	\$ 552,088	\$ 414,097

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2023 (Continued)

### NOTE 9—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2023, the County and Component Unit School Board (nonprofessional) recognized pension expense (income) of \$(100,785) and \$110,451, respectively. At June 30, 2023, 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	\$ -	\$ 75,258	\$ 53,838	\$ -
Change in assumptions	71,721	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	236,730	-	31,062
Impact of change in proportional allocation	1,220	1,220	-	-
Employer contributions subsequent to the measurement date	166,255	-	60,560	-
Total	\$ 239,196	\$ 313,208	\$ 114,398	\$ 31,062

\$166,255 and \$60,560 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	Primary Government	Component Unit School Board (nonprofessional)
2024	\$ (95,568)	\$ 42,162
2025	(97,614)	(12,189)
2026	(162,373)	(21,165)
2027	115,288	13,968

#### *Pension Plan Data*

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

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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#### NOTE 9—PENSION PLANS: (CONTINUED)

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##### **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, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$318,616 and \$314,581 for the years ended June 30, 2023 and June 30, 2022, respectively.

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

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

At June 30, 2023, the school division reported a liability of \$2,016,463 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was .02118% as compared to .02150% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension income of \$41,268. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

NOTE 9—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, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 139,043
Change in assumptions	190,112	-
Net difference between projected and actual earnings on pension plan investments	-	262,905
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,191	160,794
Employer contributions subsequent to the measurement date	318,616	-
Total	\$ 519,919	\$ 562,742

\$318,616 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b><u>Year Ended June 30,</u></b>	
2024	\$ (142,818)
2025	(145,151)
2026	(185,457)
2027	111,987

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 9—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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

##### Mortality rates:

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

###### Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

###### Mortality Improvement:

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

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

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



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 9—PENSION PLANS: (CONTINUED)

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

###### ***Net Pension Liability***

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

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

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

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

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

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

		<b>Rate</b>		
		<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
		<b>(5.75%)</b>	<b>(6.75%)</b>	<b>(7.75%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability (Asset)	\$	3,601,557	\$ 2,016,463	\$ 725,848

###### ***Pension Plan Fiduciary Net Position***

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



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 9—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	\$ 239,196	\$ 313,208	\$ -	\$ 22,193	\$ (100,785)
School Board Nonprofessional	114,398	31,062	552,088	-	110,451
School Board Professional	519,919	562,742	2,016,463	-	(41,268)
Total School Board	<u>\$ 873,513</u>	<u>\$ 907,012</u>	<u>\$ 2,568,551</u>	<u>\$ 22,193</u>	<u>\$ (31,602)</u>

#### NOTE 10—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.

##### *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

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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#### NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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##### ***Benefit Amounts (Continued)***

accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

##### ***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. County contributions to the GLI Plan were \$9,254 and \$9,755 for the years ended June 30, 2023 and June 30, 2022, respectively. School Board contributions to the GLI Plan for professional employees were \$10,919 and \$10,687, for the years ended June 30, 2023 and June 30, 2022 respectively. School Board contributions to the GLI Plan for nonprofessional employees were \$1,281 and \$1,198, for the years ended June 30, 2023 and June 30, 2022 respectively.

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

##### ***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, 2023, the County reported a liability of \$99,940 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.00830% as compared to 0.00780% at June 30, 2021.

At June 30, 2023, the School Board reported liability of \$12,282 for nonprofessional employees and \$109,573 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2022 and June 30, 2021, the participating employer's proportion for nonprofessional employees was 0.00100%, and 0.00110%, respectively. At June 30, 2022, the participating employer's proportion for School Board professional employees was 0.00910% as compared to 0.00920% at June 30, 2021.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

NOTE 10—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, 2023, the County recognized GLI OPEB expense of \$5,671, while the School Board recognized GLI OPEB expense (income) of \$(180), and \$1,849 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, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,914	\$ 4,009
Net difference between projected and actual earnings on GLI OPEB plan investments	-	6,245
Change in assumptions	3,728	9,735
Changes in proportion	10,812	710
Employer contributions subsequent to the measurement date	9,254	-
Total	\$ 31,708	\$ 20,699

  

	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	\$ 973	\$ 493	\$ 8,677	\$ 4,396
Net difference between projected and actual earnings on GLI OPEB plan investments	-	767	-	6,847
Change in assumptions	458	1,196	4,087	10,673
Changes in proportionate share	-	2,400	702	8,500
Employer contributions subsequent to the measurement date	1,281	-	10,919	-
Total	\$ 2,712	\$ 4,856	\$ 24,385	\$ 30,416

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements

June 30, 2023 (Continued)

### NOTE 10—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)***

\$9,254, \$1,281 and \$10,919 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Primary Government	Component Unit School Board	
	Nonprofessional	Professional
Year Ended June 30,	Year Ended June 30,	Year Ended June 30,
2024	2024	2024
\$ 728	\$ (787)	\$ (4,191)
2025	2025	2025
776	(782)	(4,643)
2026	2026	2026
(2,435)	(1,168)	(7,458)
2027	2027	2027
2,391	(365)	348
2028	2028	2028
295	(323)	(1,006)
Thereafter	Thereafter	Thereafter
-	-	-

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

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

**NOTE 10—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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

**NOTE 10—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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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**NOTE 10—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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality 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



NOTE 10—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, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Plan</b>
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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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## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements

June 30, 2023 (Continued)

#### NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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

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

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

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

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

##### *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, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**NOTE 10—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	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 145,424	\$ 99,940	\$ 63,182
School Board's proportionate share of the GLI Plan Net OPEB Liability-nonprofessional employees	\$ 17,871	\$ 12,282	\$ 7,765
School Board's proportionate share of the GLI Plan Net OPEB Liability-professional employees	\$ 159,441	\$ 109,573	\$ 69,272

***GLI Plan Fiduciary Net Position***

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

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**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):**

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***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.

***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$24,468 and \$23,746 for the years ended June 30, 2023 and June 30, 2022, respectively.

**Notes to Financial Statements**  
**June 30, 2023 (Continued)**

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):  
(CONTINUED)**

***Contributions (Continued)***

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

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

At June 30, 2023, the school division reported a liability of \$263,049 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, 2022 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, 2021 and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Program was .02106% as compared to 0.02143% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC OPEB expense of \$17,047. 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 proportionate share and differences between actual and expected contributions.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 10,722
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	264
Change in assumptions	7,685	672
Change in proportion	2,683	22,673
Employer contributions subsequent to the measurement date	24,468	-
Total	\$ <u>34,836</u>	\$ <u>34,331</u>

NOTE 11—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)*

\$24,468 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>		
2024	\$	(4,778)
2025		(5,193)
2026		(6,021)
2027		(4,033)
2028		(2,246)
Thereafter		(1,692)

**Actuarial Assumptions**

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

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

**Mortality Rates – Teachers**

- Pre-Retirement:  
Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:  
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:  
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

##### Mortality Rates – Teachers (Continued)

###### 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 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):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		15.08%

**COUNTY OF HIGHLAND, VIRGINIA****Notes to Financial Statements  
June 30, 2023 (Continued)****NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):  
(CONTINUED)*****Net Teacher Employee HIC OPEB Liability (Continued)***

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

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

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

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

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

\*\* On October 10, 2019, the VRS Board elected a long-term rate of 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, 2023 (Continued)

#### NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

##### ***Discount Rate***

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

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

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

		Rate		
		1% Decrease	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	\$	296,459	\$ 263,049	\$ 234,728

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

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



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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

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##### ***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.

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

*Employees Covered by Benefit Terms*

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>7</u>
Active members	<u>8</u>
Total covered employees	<u>15</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, 2023 was 1.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 \$2,988 and \$2,040 for the years ended June 30, 2023 and June 30, 2022, respectively.

*Net HIC OPEB Liability*

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

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## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 12—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, 2021 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

###### Pre-Retirement:

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

###### Post-Retirement:

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

###### Post-Disablement:

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

###### Beneficiaries and Survivors:

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

###### Mortality Improvement Scale:

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

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

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

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 12—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:

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

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

\*\* On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40<sup>th</sup> 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 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, 2023, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

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

*Changes in Net HIC OPEB Liability*

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 32,595	\$ 2,400	\$ 30,195
Changes for the year:			
Service cost	\$ 225	\$ -	\$ 225
Interest	2,143	-	2,143
Differences between expected and actual experience	(3,866)	-	(3,866)
Assumption changes	(1,795)	-	(1,795)
Contributions - employer	-	2,040	(2,040)
Net investment income	-	8	(8)
Benefit payments	(2,147)	(2,147)	-
Administrative expenses	-	(5)	5
Other changes	-	177	(177)
Net changes	\$ (5,440)	\$ 73	\$ (5,513)
Balances at June 30, 2022	\$ 27,155	\$ 2,473	\$ 24,682

***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	\$ 26,873	\$ 24,682	\$ 22,767

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

NOTE 12—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, 2023, the School Board recognized HIC Plan OPEB expense of \$429. At June 30, 2023, 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>
Differences between expected and actual experience	\$ -	\$ 2,662
Net difference between projected and actual earnings on HIC OPEB plan investments	-	5
Change in assumptions	254	1,236
Employer contributions subsequent to the measurement date	<u>2,988</u>	<u>-</u>
Total	<u>\$ 3,242</u>	<u>\$ 3,903</u>

\$2,988 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2024	\$ (1,603)
2025	(1,695)
2026	(383)
2027	32

***HIC Plan Data***

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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2023 (Continued)

NOTE 13—AGGREGATION OF OPEB PLANS:

		Primary Government			
		Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:					
Group Life Insurance Program (Note 11)		\$ 31,708	\$ 20,699	\$ 99,940	\$ 5,671
Totals		<u>\$ 31,708</u>	<u>\$ 20,699</u>	<u>\$ 99,940</u>	<u>\$ 5,671</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		\$ 2,712	\$ 4,856	\$ 12,282	\$ (180)
School Board Professional		24,385	30,416	109,573	1,849
Teacher Health Insurance Credit Program (Note 12)		34,836	34,331	263,049	17,047
Health Insurance Credit (Note 13)		3,242	3,903	24,682	429
Totals		<u>\$ 65,175</u>	<u>\$ 73,506</u>	<u>\$ 409,586</u>	<u>\$ 19,145</u>

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## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2023:

	Government- wide Financial Statements	Fund Financial Statements
Primary Government:		
Deferred/unavailable revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 194,954
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2023. The uncollected tax billings are not available for the funding of current expenditures.	1,786,388	1,786,388
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	81,807	81,807
Unavailable revenue related to the lease receivable.	7,076	7,076
Unavailable revenue related to the opioid lawsuit settlement due for fiscal years 2024 through 2034.	-	21,263
Total primary government deferred/unavailable revenue	\$ 1,875,271	\$ 2,091,488
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, 2023, to be expended by December 31, 2024.	151,558	151,558
Event registration fees collected in advance for events occurring in the subsequent year.	903	903
Total primary government unearned revenue	\$ 167,799	\$ 167,799

#### NOTE 15—SURETY BONDS:

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



## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

#### NOTE 16—RISK MANAGEMENT:

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association and the Virginia Association of Counties Group Self Insurance Risk Pool, public entity risk pools currently operating as a common risk management and insurance programs for participating local governments. The County pays an annual premium to VML for its general workers compensation insurance coverage and 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 17—LANDFILL CLOSURE AND POST-CLOSURE MONITORING COSTS:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$66,235 at June 30, 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

#### NOTE 18—NOTES RECEIVABLE:

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, 2023 were as follows:

	Loans Receivable July 1, 2022	Issuances	Repayments	Loans Receivable June 30, 2023
Bolar Volunteer Fire Department	\$ 35,000	\$ -	\$ (5,000)	\$ 30,000
Highland County Volunteer Fire Company	-	125,000	-	125,000
Total	<u>\$ 35,000</u>	<u>\$ 125,000</u>	<u>\$ (5,000)</u>	<u>\$ 155,000</u>

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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#### NOTE 19—LEASE RECEIVABLE:

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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 \$100. As of June 30, 2023, the lease receivable balance was \$8,866.

#### NOTE 20—CONSTRUCTION COMMITMENTS:

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The County has one active construction project as of June 30, 2023. At year end, the County's commitment with the contractor is as follows:

##### Component Unit: School Board

Project	Original Contract Amount	Amount Spent to Date	Amount of Contract Remaining at Year End
Roof repair and air handler/boiler replacement	\$ 1,730,123	\$ 1,211,087	\$ 519,036

#### NOTE 21—UPCOMING PRONOUNCEMENTS:

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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.

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

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

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

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2023 (Continued)

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#### NOTE 22—LITIGATION:

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At June 30, 2023, 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:

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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, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 3,980,900	\$ 4,026,900	\$ 4,038,766	\$ 11,866
Other local taxes	361,600	353,600	438,905	85,305
Permits, privilege fees, and regulatory licenses	9,650	17,650	17,580	(70)
Fines and forfeitures	2,000	2,000	2,513	513
Revenue from the use of money and property	33,500	203,500	210,236	6,736
Charges for services	14,475	14,475	17,088	2,613
Miscellaneous	37,305	43,800	46,284	2,484
Intergovernmental:				
Commonwealth	1,242,206	1,351,206	1,357,292	6,086
Federal	159,000	159,000	560,029	401,029
Total revenues	<u>\$ 5,840,636</u>	<u>\$ 6,172,131</u>	<u>\$ 6,688,693</u>	<u>\$ 516,562</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,306,369	\$ 1,322,369	\$ 1,281,769	\$ 40,600
Judicial administration	332,013	359,317	358,033	1,284
Public safety	1,203,481	1,208,880	1,009,308	199,572
Public works	5,433	5,433	2,115	3,318
Health and welfare	138,324	138,324	138,324	-
Education	2,561,330	2,561,330	1,892,530	668,800
Parks, recreation, and cultural	77,736	77,736	78,401	(665)
Community development	252,478	627,478	608,091	19,387
Nondepartmental	7,501	8,237	21,470	(13,233)
Capital projects	-	24,973	24,968	5
Total expenditures	<u>\$ 5,884,665</u>	<u>\$ 6,334,077</u>	<u>\$ 5,415,009</u>	<u>\$ 919,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (44,029)</u>	<u>\$ (161,946)</u>	<u>\$ 1,273,684</u>	<u>\$ 1,435,630</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 18,065	\$ 18,065
Transfers out	-	-	(615,535)	(615,535)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (597,470)</u>	<u>\$ (597,470)</u>
Net change in fund balances	\$ (44,029)	\$ (161,946)	\$ 676,214	\$ 838,160
Fund balances - beginning	44,029	161,946	4,932,749	4,770,803
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,608,963</u>	<u>\$ 5,608,963</u>

Capital Projects Fund-School Capital Improvements Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2023

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental:				
Local government	\$ -	\$ -	\$ 1,471,884	\$ 1,471,884
Total revenues	\$ -	\$ -	\$ 1,471,884	\$ 1,471,884
<b>EXPENDITURES</b>				
Current:				
Capital projects	\$ -	\$ 1,220,634	\$ 1,213,978	\$ 6,656
Total expenditures	\$ -	\$ 1,220,634	\$ 1,213,978	\$ 6,656
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,220,634)	\$ 257,906	\$ 1,478,540
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 1,220,634	\$ 352,951	\$ (867,683)
Total other financing sources (uses)	\$ -	\$ 1,220,634	\$ 352,951	\$ (867,683)
Net change in fund balances	\$ -	\$ -	\$ 610,857	\$ 610,857
Fund balances - beginning	-	-	598,659	598,659
Fund balances - ending	\$ -	\$ -	\$ 1,209,516	\$ 1,209,516

## Special Revenue Fund-EMS Fund

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

Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 358,200	\$ 358,200	\$ 357,660	\$ (540)
Miscellaneous	675	675	1,564	889
Total revenues	<u>\$ 358,875</u>	<u>\$ 358,875</u>	<u>\$ 359,224</u>	<u>\$ 349</u>
<b>EXPENDITURES</b>				
Public safety	\$ 451,822	\$ 290,000	\$ 286,954	\$ 3,046
Total expenditures	<u>\$ 451,822</u>	<u>\$ 290,000</u>	<u>\$ 286,954</u>	<u>\$ 3,046</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (92,947)</u>	<u>\$ 68,875</u>	<u>\$ 72,270</u>	<u>\$ 3,395</u>
Net change in fund balances	\$ (92,947)	\$ 68,875	\$ 72,270	\$ 3,395
Fund balances - beginning	92,947	(68,875)	407,239	476,114
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,509</u>	<u>\$ 479,509</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, 2022

	2022	2021	2020	2019
<b>Total pension liability</b>				
Service cost	\$ 200,519	\$ 177,496	\$ 180,499	\$ 154,618
Interest	537,258	493,815	495,799	491,087
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(16,776)	(94,044)	(395,272)	(212,208)
Changes of assumptions	-	196,451	-	189,970
Benefit payments	(338,448)	(322,820)	(298,037)	(289,585)
<b>Net change in total pension liability</b>	<b>\$ 382,553</b>	<b>\$ 450,898</b>	<b>\$ (17,011)</b>	<b>\$ 333,882</b>
<b>Total pension liability - beginning</b>	<b>7,928,083</b>	<b>7,477,185</b>	<b>7,494,196</b>	<b>7,160,314</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 8,310,636</b>	<b>\$ 7,928,083</b>	<b>\$ 7,477,185</b>	<b>\$ 7,494,196</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 172,346	\$ 155,812	\$ 180,832	\$ 161,912
Contributions - employee	84,012	80,692	79,750	66,429
Net investment income	(10,336)	1,829,952	126,397	417,087
Benefit payments	(338,448)	(322,820)	(298,037)	(289,585)
Administrator charges	(5,221)	(4,511)	(4,241)	(4,071)
Other	196	173	(151)	(264)
<b>Net change in plan fiduciary net position</b>	<b>\$ (97,451)</b>	<b>\$ 1,739,298</b>	<b>\$ 84,550</b>	<b>\$ 351,508</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,430,280</b>	<b>6,690,982</b>	<b>6,606,432</b>	<b>6,254,924</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 8,332,829</b>	<b>\$ 8,430,280</b>	<b>\$ 6,690,982</b>	<b>\$ 6,606,432</b>
<b>County's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (22,193)</b>	<b>\$ (502,197)</b>	<b>\$ 786,203</b>	<b>\$ 887,764</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>100.27%</b>	<b>106.33%</b>	<b>89.49%</b>	<b>88.15%</b>
<b>Covered payroll</b>	<b>\$ 1,806,457</b>	<b>\$ 1,621,467</b>	<b>\$ 1,590,277</b>	<b>\$ 1,407,034</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>-1.23%</b>	<b>-30.97%</b>	<b>49.44%</b>	<b>63.09%</b>

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



Exhibit 15

	2018		2017		2016		2015		2014
\$	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		-		-		-
	(335,177)		(360,531)		(338,460)		(377,894)		(284,210)
\$	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)
	(388)		(581)		(40)		(53)		39
\$	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)  
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020	2019
<b>Total pension liability</b>				
Service cost	\$ 18,727	\$ 23,333	\$ 22,624	\$ 21,471
Interest	92,437	92,031	93,990	91,803
Differences between expected and actual experience	142,097	(38,287)	(27,844)	(2,288)
Changes of assumptions	-	44,234	-	35,821
Benefit payments	(99,527)	(168,512)	(67,068)	(64,597)
<b>Net change in total pension liability</b>	\$ 153,734	\$ (47,201)	\$ 21,702	\$ 82,210
<b>Total pension liability - beginning</b>	1,400,475	1,447,676	1,425,974	1,343,764
<b>Total pension liability - ending (a)</b>	<u>\$ 1,554,209</u>	<u>\$ 1,400,475</u>	<u>\$ 1,447,676</u>	<u>\$ 1,425,974</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 37,316	\$ 39,394	\$ 40,665	\$ 39,821
Contributions - employee	10,386	11,209	12,222	11,973
Net investment income	(392)	235,005	17,779	59,234
Benefit payments	(99,527)	(168,512)	(67,068)	(64,597)
Administrative expense	(669)	(676)	(606)	(582)
Other	24	22	(21)	(37)
<b>Net change in plan fiduciary net position</b>	\$ (52,862)	\$ 116,442	\$ 2,971	\$ 45,812
<b>Plan fiduciary net position - beginning</b>	1,054,983	938,541	935,570	889,758
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,002,121</u>	<u>\$ 1,054,983</u>	<u>\$ 938,541</u>	<u>\$ 935,570</u>
<b>School Division's net pension liability - ending (a) - (b)</b>	\$ 552,088	\$ 345,492	\$ 509,135	\$ 490,404
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	64.48%	75.33%	64.83%	65.61%
<b>Covered payroll</b>	\$ 221,772	\$ 230,492	\$ 247,284	\$ 242,361
<b>School Division's net pension liability as a percentage of covered payroll</b>	248.94%	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

	2018	2017	2016	2015	2014
\$	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)	-	-	-
	(69,651)	(73,744)	(66,091)	(61,327)	(61,249)
\$	114,355	\$ 45,204	\$ 73,485	\$ (15,512)	\$ 30,244
	1,229,409	1,184,205	1,110,720	1,126,232	1,095,988
\$	<u>1,343,764</u>	<u>\$ 1,229,409</u>	<u>\$ 1,184,205</u>	<u>\$ 1,110,720</u>	<u>\$ 1,126,232</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)
	(55)	(84)	(6)	(8)	6
\$	34,515	\$ 61,508	\$ (6,044)	\$ 21,104	\$ 86,808
	855,243	793,735	799,779	778,675	691,867
\$	<u>889,758</u>	<u>\$ 855,243</u>	<u>\$ 793,735</u>	<u>\$ 799,779</u>	<u>\$ 778,675</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 (Asset) VRS Teacher Retirement Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2022

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<b>Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
2022	0.02118%	2,016,463	1,962,519	103%	82.61%
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

For the Years Ended June 30, 2014 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)*</u>	<u>Contributions in Relation to Contractually Required Contribution (2)*</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
<b>Primary Government</b>					
2023	\$ 166,255	\$ 166,255	\$ -	\$ 1,713,720	9.70%
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%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 60,560	\$ 60,560	\$ -	\$ 237,172	25.53%
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%
<b>Component Unit School Board (professional)</b>					
2023	\$ 318,616	\$ 318,616	\$ -	\$ 2,022,121	15.76%
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%

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

Notes to Required Supplementary Information  
Pension Plans  
For the Year Ended June 30, 2023

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

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

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

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement 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, 2022

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)
2022	0.00830%	\$ 99,940	\$ 1,806,457	5.53%	67.21%
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, 2022

<b>Date</b> <b>(1)</b>	<b>Employer's Proportion of the Net GLI OPEB Liability</b> <b>(2)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability</b> <b>(3)</b>	<b>Employer's Covered Payroll</b> <b>(4)</b>	<b>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)</b>
<b>Component Unit School Board (nonprofessional)</b>					
2022	0.00100% \$	12,282 \$	221,772	5.54%	67.21%
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%
<b>Component Unit School Board (professional)</b>					
2022	0.00910% \$	109,573 \$	1,979,044	6.07%	67.21%
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

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2023	\$ 9,254	\$ 9,254	\$ -	\$ 1,713,720	0.54%
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%
<b>Component Unit School Board (nonprofessional)</b>					
2023	\$ 1,281	\$ 1,281	\$ -	\$ 237,172	0.54%
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%
<b>Component Unit School Board (professional)</b>					
2023	\$ 10,919	\$ 10,919	\$ -	\$ 2,022,121	0.54%
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%

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

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

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

**Teachers**

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

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

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

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

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

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, 2022

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)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
				(5)	
2022	0.02106%	\$ 263,049	\$ 1,962,519	13.40%	15.08%
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  
For the Years Ended June 30, 2014 through June 30, 2023

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Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2023	\$ 24,468	\$ 24,468	\$ -	\$ 2,022,121	1.21%
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%

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

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

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

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

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, 2020 through June 30, 2022

	2022	2021	2020
<b>Total HIC OPEB Liability</b>			
Service cost	\$ 225	\$ 343	\$ -
Interest	2,143	2,001	-
Changes in benefit terms	-	-	29,651
Differences between expected and actual experience	(3,866)	-	-
Changes of assumptions	(1,795)	600	-
Benefit payments	(2,147)	-	-
<b>Net change in total HIC OPEB liability</b>	<b>\$ (5,440)</b>	<b>\$ 2,944</b>	<b>\$ 29,651</b>
<b>Total HIC OPEB Liability - beginning</b>	<b>32,595</b>	<b>29,651</b>	<b>-</b>
<b>Total HIC OPEB Liability - ending (a)</b>	<b>\$ 27,155</b>	<b>\$ 32,595</b>	<b>\$ 29,651</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 2,040	\$ 2,120	\$ -
Net investment income	8	289	-
Benefit payments	(2,147)	-	-
Administrator charges	(5)	(9)	-
Other	177	-	-
<b>Net change in plan fiduciary net position</b>	<b>\$ 73</b>	<b>\$ 2,400</b>	<b>\$ -</b>
<b>Plan fiduciary net position - beginning</b>	<b>2,400</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 2,473</b>	<b>\$ 2,400</b>	<b>\$ -</b>
<b>School Board's net HIC OPEB liability - ending (a) - (b)</b>	<b>\$ 24,682</b>	<b>\$ 30,195</b>	<b>\$ 29,651</b>
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>9.11%</b>	<b>7.36%</b>	<b>0.00%</b>
<b>Covered payroll</b>	<b>\$ 221,772</b>	<b>\$ 230,491</b>	<b>\$ -</b>
<b>School Board's net HIC OPEB liability as a percentage of covered payroll</b>	<b>11.13%</b>	<b>13.10%</b>	<b>0.00%</b>

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  
 For the Years Ended June 30, 2021 through June 30, 2023

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Date	Contributions in Relation to					Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		Covered Payroll (5)	
2023	\$ 2,988	\$ 2,988	\$ -	\$ 237,172		1.26%	
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  
 For the Year Ended June 30, 2023

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

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

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

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



## **OTHER SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 21,331	\$ 295,753	\$ 317,084
Due from other governmental units	44,973	-	44,973
Total assets	<u>\$ 66,304</u>	<u>\$ 295,753</u>	<u>\$ 362,057</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,286	\$ 677	\$ 7,963
Due to other funds	31,401	-	31,401
Total liabilities	<u>\$ 38,687</u>	<u>\$ 677</u>	<u>\$ 39,364</u>
<b>FUND BALANCES</b>			
Restricted:			
E911	\$ 6,286	\$ -	\$ 6,286
Forfeited assets	4,271	-	4,271
Assigned:			
Capital projects	-	295,076	295,076
Special revenue funds	17,060	-	17,060
Total fund balances	<u>\$ 27,617</u>	<u>\$ 295,076</u>	<u>\$ 322,693</u>
Total liabilities and fund balances	<u>\$ 66,304</u>	<u>\$ 295,753</u>	<u>\$ 362,057</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2023

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>			
Miscellaneous	\$ 5,578	\$ 17,589	\$ 23,167
Intergovernmental:			
Commonwealth	250,445	-	250,445
Federal	383,036	-	383,036
Total revenues	<u>\$ 639,059</u>	<u>\$ 17,589</u>	<u>\$ 656,648</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	\$ 103,821	\$ -	\$ 103,821
Health and welfare	639,952	-	639,952
Capital projects	-	78,798	78,798
Total expenditures	<u>\$ 743,773</u>	<u>\$ 78,798</u>	<u>\$ 822,571</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (104,714)</u>	<u>\$ (61,209)</u>	<u>\$ (165,923)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ 111,083	\$ 134,000	\$ 245,083
Transfers out	(18,064)	-	(18,064)
Total other financing sources (uses)	<u>\$ 93,019</u>	<u>\$ 134,000</u>	<u>\$ 227,019</u>
Net change in fund balances	\$ (11,695)	\$ 72,791	\$ 61,096
Fund balances - beginning	39,312	222,285	261,597
Fund balances - ending	<u><u>\$ 27,617</u></u>	<u><u>\$ 295,076</u></u>	<u><u>\$ 322,693</u></u>

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2023

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	<b>Sheriff's Grants</b>	<b>E-911</b>	<b>Virginia Public Assistance</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,331	\$ -	\$ -	\$ 21,331
Due from other governmental units	-	8,523	36,450	44,973
Total assets	<u>\$ 21,331</u>	<u>\$ 8,523</u>	<u>\$ 36,450</u>	<u>\$ 66,304</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 2,237	\$ 5,049	\$ 7,286
Due to other funds	-	-	31,401	31,401
Total liabilities	<u>\$ -</u>	<u>\$ 2,237</u>	<u>\$ 36,450</u>	<u>\$ 38,687</u>
<b>FUND BALANCES</b>				
Restricted:				
E911	\$ -	\$ 6,286	\$ -	\$ 6,286
Forfeited assets	4,271	-	-	4,271
Assigned:				
Special revenue funds	17,060	-	-	17,060
Total fund balances	<u>\$ 21,331</u>	<u>\$ 6,286</u>	<u>\$ -</u>	<u>\$ 27,617</u>
Total liabilities and fund balances	<u>\$ 21,331</u>	<u>\$ 8,523</u>	<u>\$ 36,450</u>	<u>\$ 66,304</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2023

	Sheriff's Grants	E-911	Virginia Public Assistance	Total
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 5,578	\$ 5,578
Intergovernmental:				
Commonwealth	6,585	47,704	196,156	250,445
Federal	-	-	383,036	383,036
Total revenues	<u>\$ 6,585</u>	<u>\$ 47,704</u>	<u>\$ 584,770</u>	<u>\$ 639,059</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ 103,821	\$ -	\$ 103,821
Health and welfare	-	-	639,952	639,952
Total expenditures	<u>\$ -</u>	<u>\$ 103,821</u>	<u>\$ 639,952</u>	<u>\$ 743,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,585</u>	<u>\$ (56,117)</u>	<u>\$ (55,182)</u>	<u>\$ (104,714)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 37,837	\$ 73,246	\$ 111,083
Transfers out	-	-	(18,064)	(18,064)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 37,837</u>	<u>\$ 55,182</u>	<u>\$ 93,019</u>
Net change in fund balances	\$ 6,585	\$ (18,280)	\$ -	\$ (11,695)
Fund balances - beginning	14,746	24,566	-	39,312
Fund balances - ending	<u>\$ 21,331</u>	<u>\$ 6,286</u>	<u>\$ -</u>	<u>\$ 27,617</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, 2023

	Sheriff's Grant Funds			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:				
Commonwealth	-	-	6,585	6,585
Federal	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,585</u>	<u>\$ 6,585</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Health and welfare	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,585</u>	<u>\$ 6,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 6,585	\$ 6,585
Fund balances - beginning	-	-	14,746	14,746
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,331</u>	<u>\$ 21,331</u>

E-911 Fund				Virginia Public Assistance			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,578	\$ 5,578
-	-	47,704	47,704	375,504	253,372	196,156	(57,216)
-	-	-	-	383,358	417,858	383,036	(34,822)
\$ -	\$ -	\$ 47,704	\$ 47,704	\$ 758,862	\$ 671,230	\$ 584,770	\$ (86,460)
\$ -	\$ 97,715	\$ 103,821	\$ (6,106)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	959,081	818,704	639,952	178,752
\$ -	\$ 97,715	\$ 103,821	\$ (6,106)	\$ 959,081	\$ 818,704	\$ 639,952	\$ 178,752
\$ -	\$ (97,715)	\$ (56,117)	\$ 41,598	\$ (200,219)	\$ (147,474)	\$ (55,182)	\$ 92,292
\$ -	\$ 97,715	\$ 37,837	\$ (59,878)	\$ 200,219	\$ 147,474	\$ 73,246	\$ (74,228)
-	-	-	-	-	-	(18,064)	(18,064)
\$ -	\$ 97,715	\$ 37,837	\$ (59,878)	\$ 200,219	\$ 147,474	\$ 55,182	\$ (92,292)
\$ -	\$ -	\$ (18,280)	\$ (18,280)	\$ -	\$ -	\$ -	\$ -
-	-	24,566	24,566	-	-	-	-
\$ -	\$ -	\$ 6,286	\$ 6,286	\$ -	\$ -	\$ -	\$ -



Combining Balance Sheet  
Nonmajor Capital Projects Fund  
June 30, 2023

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	<b>County Capital Improvements</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 295,753	\$ 295,753
Total assets	<u>\$ 295,753</u>	<u>\$ 295,753</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 677	\$ 677
Total liabilities	<u>\$ 677</u>	<u>\$ 677</u>
<b>FUND BALANCES</b>		
Assigned:		
Capital projects	\$ 295,076	\$ 295,076
Total fund balances	<u>\$ 295,076</u>	<u>\$ 295,076</u>
Total liabilities and fund balances	<u>\$ 295,753</u>	<u>\$ 295,753</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Capital Projects Fund  
Year Ended June 30, 2023

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	<b>County Capital Improvements</b>	<b>Total</b>
<b>REVENUES</b>		
Miscellaneous	\$ 17,589	\$ 17,589
Total revenues	<u>\$ 17,589</u>	<u>\$ 17,589</u>
<b>EXPENDITURES</b>		
Current:		
Capital projects	\$ 78,798	\$ 78,798
Total expenditures	<u>\$ 78,798</u>	<u>\$ 78,798</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(61,209)</u>	\$ <u>(61,209)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	\$ 134,000	\$ 134,000
Total other financing sources (uses)	<u>\$ 134,000</u>	<u>\$ 134,000</u>
Net change in fund balances	\$ 72,791	\$ 72,791
Fund balances - beginning	<u>222,285</u>	<u>222,285</u>
Fund balances - ending	<u><u>\$ 295,076</u></u>	<u><u>\$ 295,076</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Capital Projects Fund  
Year Ended June 30, 2023

	County Capital Improvements			Variance with Final Budget Positive Negative
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 17,589	\$ 17,589
Total revenues	\$ -	\$ -	\$ 17,589	\$ 17,589
EXPENDITURES				
Current:				
Capital projects	\$ 134,000	\$ 80,000	\$ 78,798	\$ 1,202
Total expenditures	\$ 134,000	\$ 80,000	\$ 78,798	\$ 1,202
Excess (deficiency) of revenues over (under) expenditures	\$ (134,000)	\$ (80,000)	\$ (61,209)	\$ 18,791
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 134,000	\$ 80,000	\$ 134,000	\$ 54,000
Total other financing sources (uses)	\$ 134,000	\$ 80,000	\$ 134,000	\$ 54,000
Net change in fund balances	\$ -	\$ -	\$ 72,791	\$ 72,791
Fund balances - beginning	-	-	222,285	222,285
Fund balances - ending	\$ -	\$ -	\$ 295,076	\$ 295,076

## **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, 2023

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 194,801	\$ 9,944	\$ 133,727	\$ 338,472
Due from primary government	-	12,638	-	12,638
Due from other governmental units	749,135	-	-	749,135
Inventories	-	12,952	-	12,952
Prepaid items	69,940	800	-	70,740
Total assets	<u>\$ 1,013,876</u>	<u>\$ 36,334</u>	<u>\$ 133,727</u>	<u>\$ 1,183,937</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 12,845	\$ 473	\$ -	\$ 13,318
Accrued liabilities	194,801	9,944	-	204,745
Due to primary government	806,230	-	-	806,230
Total liabilities	<u>\$ 1,013,876</u>	<u>\$ 10,417</u>	<u>\$ -</u>	<u>\$ 1,024,293</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	\$ -	\$ 12,952	\$ -	\$ 12,952
Prepaid items	69,940	800	-	70,740
Restricted:				
School activity funds	-	-	133,727	133,727
Assigned:				
School cafeteria	-	12,165	-	12,165
Unassigned	(69,940)	-	-	(69,940)
Total fund balances	<u>\$ -</u>	<u>\$ 25,917</u>	<u>\$ 133,727</u>	<u>\$ 159,644</u>
Total liabilities and fund balances	<u>\$ 1,013,876</u>	<u>\$ 36,334</u>	<u>\$ 133,727</u>	<u>\$ 1,183,937</u>

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

Total fund balances per above \$ 159,644

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 13,035	
Buildings and improvements	2,209,547	
Machinery and equipment	489,781	
Construction in progress	<u>1,211,087</u>	3,923,450

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

Pension related items	\$ 634,317	
OPEB related items	<u>65,175</u>	699,492

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	\$ (57,349)	
Net OPEB liabilities	(409,586)	
Net Pension Liability	<u>(2,568,551)</u>	(3,035,486)

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

Pension related items	\$ (593,804)	
OPEB related items	<u>(73,506)</u>	(667,310)

Net position of governmental activities \$ 1,079,790

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

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>School Activity Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Charges for services	\$ -	\$ 78,929	\$ -	\$ 78,929
Miscellaneous	24,498	-	229,884	254,382
Intergovernmental:				
Local government	1,824,948	67,582	-	1,892,530
Commonwealth	3,259,826	11,092	-	3,270,918
Federal	869,570	106,741	-	976,311
Total revenues	<u>\$ 5,978,842</u>	<u>\$ 264,344</u>	<u>\$ 229,884</u>	<u>\$ 6,473,070</u>
<b>EXPENDITURES</b>				
Education	\$ 4,506,958	\$ 265,073	\$ 216,095	\$ 4,988,126
Capital projects	1,471,884	-	-	1,471,884
Total expenditures	<u>\$ 5,978,842</u>	<u>\$ 265,073</u>	<u>\$ 216,095</u>	<u>\$ 6,460,010</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (729)	\$ 13,789	\$ 13,060
Net change in fund balances	\$ -	\$ (729)	\$ 13,789	\$ 13,060
Fund balances - beginning	-	26,646	119,938	146,584
Fund balances - ending	<u>\$ -</u>	<u>\$ 25,917</u>	<u>\$ 133,727</u>	<u>\$ 159,644</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 \$ 13,060

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	\$ 1,341,973	
Depreciation expense	(242,388)	
		1,099,585

The net effect of various miscellaneous transactions involving capital assets  
 (I.e., sales, trade-ins, and donations) is to decrease net assets. (1,996)

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	93,694
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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	\$ (2,336)	
Change in pension related items	227,456	
Change in OPEB related items	26,118	
		251,238

Change in net position of governmental activities	\$ 1,455,581
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**County of Highland, Virginia**

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	24,498	24,498
Intergovernmental:				
Local government	2,478,642	2,478,642	1,824,948	(653,694)
Commonwealth	3,208,208	3,223,238	3,259,826	36,588
Federal	839,680	839,680	869,570	29,890
Total revenues	<u>\$ 6,526,530</u>	<u>\$ 6,541,560</u>	<u>\$ 5,978,842</u>	<u>\$ (562,718)</u>
EXPENDITURES				
Education	\$ 6,526,530	\$ 6,541,560	\$ 4,506,958	\$ 2,034,602
Capital projects	-	-	1,471,884	(1,471,884)
Total expenditures	<u>\$ 6,526,530</u>	<u>\$ 6,541,560</u>	<u>\$ 5,978,842</u>	<u>\$ 562,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 40

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 25,000	\$ 25,000	\$ 78,929	\$ 53,929
-	-	-	-
82,688	82,688	67,582	(15,106)
16,172	16,172	11,092	(5,080)
145,920	145,920	106,741	(39,179)
<u>\$ 269,780</u>	<u>\$ 269,780</u>	<u>\$ 264,344</u>	<u>\$ (5,436)</u>
\$ 269,780	\$ 269,780	\$ 265,073	\$ 4,707
-	-	-	-
<u>\$ 269,780</u>	<u>\$ 269,780</u>	<u>\$ 265,073</u>	<u>\$ 4,707</u>
\$ -	\$ -	\$ (729)	\$ (729)
\$ -	\$ -	\$ (729)	\$ (729)
-	-	26,646	26,646
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,917</u>	<u>\$ 25,917</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, 2023

	<u>Component Unit Economic Development Authority</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 111,442
Accounts receivable	180
Total current assets	<u>\$ 111,622</u>
Total assets	<u>\$ 111,622</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 11,712
Unearned revenue	40,731
Total liabilities	<u>\$ 52,443</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 59,179</u>
Total net position	<u><u>\$ 59,179</u></u>

Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Economic Development Authority  
Year Ended June 30, 2023

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
<b>OPERATING EXPENSES</b>	
Contractual expenses	\$ 480
Dues and memberships	500
Marketing	21,890
Supplies	225
Other charges	1,572
Total operating expenses	\$ <u>24,667</u>
Operating income (loss)	\$ <u>(24,667)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental:	
Contribution from Highland County	\$ 31,395
Contribution from Town of Monterey	939
Commonwealth	25,501
Interest income	160
Grants awarded	(33,667)
Total nonoperating revenues (expenses)	\$ <u>24,328</u>
Change in net position	\$ <u>(339)</u>
Net position - beginning	<u>59,518</u>
Net position - ending	\$ <u><u>59,179</u></u>

Statement of Cash Flows  
Discretely Presented Component Unit - Economic Development Authority  
Year Ended June 30, 2023

	<b>Component Unit Economic Development Authority</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 11,053
Payments to suppliers	(19,230)
Net cash provided by (used for) operating activities	\$ (8,177)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental revenues	\$ 57,835
Grant awarded	(33,667)
Net cash provided by (used for) noncapital financing activities	\$ 24,168
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 160
Net cash provided by (used for) investing activities	\$ 160
Net increase (decrease) in cash and cash equivalents	\$ 16,151
Cash and cash equivalents - beginning	95,291
Cash and cash equivalents - ending	\$ 111,442
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (24,667)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	(180)
Increase (decrease) in accounts payable	5,437
Increase (decrease) in unearned revenue	11,233
Total adjustments	\$ 16,490
Net cash provided by (used for) operating activities	\$ (8,177)

## **SUPPORTING SCHEDULES**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,257,200	\$ 3,257,200	\$ 3,264,190	\$ 6,990
Real and personal public service corporation taxes	128,000	113,000	113,318	318
Personal property taxes	563,000	605,000	609,450	4,450
Mobile home taxes	3,000	3,000	3,486	486
Machinery and tools taxes	1,000	1,000	1,088	88
Merchants Capital taxes	3,700	3,700	3,698	(2)
Penalties	15,000	26,000	25,283	(717)
Interest	10,000	18,000	18,253	253
Total general property taxes	\$ 3,980,900	\$ 4,026,900	\$ 4,038,766	\$ 11,866
Other local taxes:				
Local sales and use taxes	\$ 120,000	\$ 120,000	\$ 204,645	\$ 84,645
Consumers' utility taxes	128,000	118,000	118,462	462
Consumption taxes	5,600	5,600	6,889	1,289
Motor vehicle licenses	56,000	58,000	59,048	1,048
Bank stock taxes	14,000	14,000	13,829	(171)
Taxes on recordation and wills	15,000	15,000	11,208	(3,792)
Hotel and motel room taxes	23,000	23,000	24,824	1,824
Total other local taxes	\$ 361,600	\$ 353,600	\$ 438,905	\$ 85,305
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 1,247	\$ (753)
Transfer fees	150	150	227	77
Permits and other licenses	7,500	15,500	16,106	606
Total permits, privilege fees, and regulatory licenses	\$ 9,650	\$ 17,650	\$ 17,580	\$ (70)
Fines and forfeitures:				
Court fines and forfeitures	\$ 2,000	\$ 2,000	\$ 2,513	\$ 513
Total fines and forfeitures	\$ 2,000	\$ 2,000	\$ 2,513	\$ 513
Revenue from use of money and property:				
Revenue from use of money	\$ 27,500	\$ 197,500	\$ 203,138	\$ 5,638
Revenue from use of property	6,000	6,000	7,098	1,098
Total revenue from use of money and property	\$ 33,500	\$ 203,500	\$ 210,236	\$ 6,736
Charges for services:				
Charges for law enforcement and traffic control	\$ 14,275	\$ 14,275	\$ 15,432	\$ 1,157
Charges for courthouse maintenance	-	-	1,256	1,256
Charges for Commonwealth's Attorney	-	-	258	258
Charges for other services	200	200	12	(188)
Charges for law library	-	-	130	130
Total charges for services	\$ 14,475	\$ 14,475	\$ 17,088	\$ 2,613
Miscellaneous:				
Miscellaneous revenue	\$ 37,305	\$ 43,800	\$ 46,239	\$ 2,439
Donations	-	-	45	45
Total miscellaneous	\$ 37,305	\$ 43,800	\$ 46,284	\$ 2,484
Total revenue from local sources	\$ 4,439,430	\$ 4,661,925	\$ 4,771,372	\$ 109,447

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2023 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 2,500	\$ 15,500	\$ 16,018	\$ 518
Taxes on deeds	32,000	30,000	29,514	(486)
Motor vehicle carriers' tax	-	-	195	195
State recordation tax	5,000	5,000	-	(5,000)
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	\$ 206,552	\$ 217,552	\$ 212,779	\$ (4,773)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 78,933	\$ 78,933	\$ 78,299	\$ (634)
Sheriff	564,142	643,142	574,633	(68,509)
Commissioner of revenue	88,200	88,200	88,880	680
Treasurer	78,136	78,136	77,942	(194)
Registrar/electoral board	36,750	36,750	58,109	21,359
Clerk of the Circuit Court	166,093	188,093	189,732	1,639
Total shared expenses	\$ 1,012,254	\$ 1,113,254	\$ 1,067,595	\$ (45,659)
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Fire prevention program	-	-	30,000	30,000
Other state grants	20,400	17,400	46,918	29,518
Total other categorical aid	\$ 23,400	\$ 20,400	\$ 76,918	\$ 56,518
Total categorical aid	\$ 1,035,654	\$ 1,133,654	\$ 1,144,513	\$ 10,859
Total revenue from the Commonwealth	\$ 1,242,206	\$ 1,351,206	\$ 1,357,292	\$ 6,086
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 159,000	\$ 159,000	\$ 174,608	\$ 15,608
Total noncategorical aid	\$ 159,000	\$ 159,000	\$ 174,608	\$ 15,608
Categorical aid:				
Emergency management planning grant	\$ -	\$ -	\$ 7,500	\$ 7,500
Asset Forfeiture	-	-	2,921	2,921
Coronavirus State and Local Fiscal Recovery Fund	-	-	375,000	375,000
Total categorical aid	\$ -	\$ -	\$ 385,421	\$ 385,421
Total revenue from the federal government	\$ 159,000	\$ 159,000	\$ 560,029	\$ 401,029
Total General Fund	\$ 5,840,636	\$ 6,172,131	\$ 6,688,693	\$ 516,562
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 5,578	\$ 5,578
Total revenue from local sources	\$ -	\$ -	\$ 5,578	\$ 5,578

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Special Revenue Funds: (continued)</b>				
<b>Virginia Public Assistance Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 242,372	\$ 242,372	\$ 179,182	\$ (63,190)
Comprehensive Services Act program	133,132	11,000	16,974	5,974
Total categorical aid	\$ 375,504	\$ 253,372	\$ 196,156	\$ (57,216)
Total revenue from the Commonwealth	\$ 375,504	\$ 253,372	\$ 196,156	\$ (57,216)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 383,358	\$ 417,858	\$ 379,890	\$ (37,968)
Comprehensive Services Act program	-	-	3,146	3,146
Total categorical aid	\$ 383,358	\$ 417,858	\$ 383,036	\$ (34,822)
Total revenue from the federal government	\$ 383,358	\$ 417,858	\$ 383,036	\$ (34,822)
Total Virginia Public Assistance Fund	\$ 758,862	\$ 671,230	\$ 584,770	\$ (86,460)
<b>E-911 Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 47,704	\$ 47,704
Total categorical aid	\$ -	\$ -	\$ 47,704	\$ 47,704
Total revenue from the Commonwealth	\$ -	\$ -	\$ 47,704	\$ 47,704
Total E-911 fund	\$ -	\$ -	\$ 47,704	\$ 47,704
<b>Sheriff's Grants Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 6,585	\$ 6,585
Total categorical aid	\$ -	\$ -	\$ 6,585	\$ 6,585
Total revenue from the Commonwealth	\$ -	\$ -	\$ 6,585	\$ 6,585
Total Sheriff's Grants Fund	\$ -	\$ -	\$ 6,585	\$ 6,585
<b>EMS Fund:</b>				
Revenue from local sources:				
General property taxes:				
EMS fee	\$ 355,000	\$ 355,000	\$ 353,574	\$ (1,426)
Penalties and interest	3,200	3,200	4,086	886
Total general property taxes	\$ 358,200	\$ 358,200	\$ 357,660	\$ (540)
Miscellaneous:				
Miscellaneous revenue	\$ 675	\$ 675	\$ 1,564	\$ 889
Total miscellaneous revenue	\$ 675	\$ 675	\$ 1,564	\$ 889
Total revenue from local sources	\$ 358,875	\$ 358,875	\$ 359,224	\$ 349
Total EMS Fund	\$ 358,875	\$ 358,875	\$ 359,224	\$ 349



Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Refunds and recoveries	\$ -	\$ -	\$ 17,589	\$ 17,589
Total miscellaneous revenue	\$ -	\$ -	\$ 17,589	\$ 17,589
Total revenue from local sources	\$ -	\$ -	\$ 17,589	\$ 17,589
Total County Capital Improvements fund	\$ -	\$ -	\$ 17,589	\$ 17,589
<b>School Capital Projects Fund:</b>				
Intergovernmental:				
Revenues from local governments:				
Contribution from Component Unit School Board	\$ -	\$ -	\$ 1,471,884	\$ 1,471,884
Total revenues from local governments	\$ -	\$ -	\$ 1,471,884	\$ 1,471,884
Total School Capital Projects fund	\$ -	\$ -	\$ 1,471,884	\$ 1,471,884
Total Primary Government	\$ 6,958,373	\$ 7,202,236	\$ 9,176,449	\$ 1,974,213
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Miscellaneous revenue	\$ -	\$ -	\$ 1,851	\$ 1,851
Refunds and recoveries	-	-	22,647	22,647
Total miscellaneous	\$ -	\$ -	\$ 24,498	\$ 24,498
Total revenue from local sources	\$ -	\$ -	\$ 24,498	\$ 24,498
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,478,642	\$ 2,478,642	\$ 1,824,948	\$ (653,694)
Total revenues from local governments	\$ 2,478,642	\$ 2,478,642	\$ 1,824,948	\$ (653,694)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 263,911	\$ 263,911	\$ 283,384	\$ 19,473
Basic school aid	1,248,394	1,248,394	1,298,180	49,786
Hold harmless	47,649	47,649	47,649	-
Gifted and talented	2,336	2,336	2,371	35
Remedial education	12,062	12,062	10,226	(1,836)
Textbook payment	5,523	5,523	5,605	82
Vocational standards of quality payments	80,514	80,514	36,055	(44,459)
No loss funding	200,000	200,000	-	(200,000)
Social security fringe benefits	29,244	29,244	29,679	435
Retirement fringe benefits	68,208	68,208	69,222	1,014
Group life insurance instructional	2,086	2,086	2,117	31
State lottery payments	-	-	200,000	200,000
Early reading intervention	2,528	2,528	-	(2,528)
Salary supplement	28,503	28,503	28,947	444
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	878	878	1,710	832
At risk funding	49,598	49,598	50,182	584
School construction funds	1,020,570	1,020,570	1,014,952	(5,618)
Other state funds	40,155	55,185	30,087	(25,098)
Total categorical aid	\$ 3,208,208	\$ 3,223,238	\$ 3,259,826	\$ 36,588
Total revenue from the Commonwealth	\$ 3,208,208	\$ 3,223,238	\$ 3,259,826	\$ 36,588

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 Year Ended June 30, 2023 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 44,790	\$ 44,790	\$ 54,676	\$ 9,886
Title I	59,600	59,600	59,700	100
Title VI-B, special education flow-through	58,640	58,640	124,702	66,062
Title VI-B, special education pre-school	-	-	2,826	2,826
Improving teacher quality	8,400	8,400	8,358	(42)
Perkins carryover	4,480	4,480	-	(4,480)
Title IV	10,000	10,000	10,000	-
ESSER II CRRSA Funds	72,500	72,500	67,470	(5,030)
ESSER III CRRSA Funds	359,000	359,000	307,455	(51,545)
Coronavirus State and Local Fiscal Recovery Fund	200,000	200,000	234,383	34,383
Rural education achievement program	22,270	22,270	-	(22,270)
Total categorical aid	\$ 839,680	\$ 839,680	\$ 869,570	\$ 29,890
Total revenue from the federal government	\$ 839,680	\$ 839,680	\$ 869,570	\$ 29,890
Total School Operating Fund	\$ 6,526,530	\$ 6,541,560	\$ 5,978,842	\$ (562,718)
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 25,000	\$ 25,000	\$ 78,929	\$ 53,929
Total revenue from local sources	\$ 25,000	\$ 25,000	\$ 78,929	\$ 53,929
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 82,688	\$ 82,688	\$ 67,582	\$ (15,106)
Total revenues from local governments	\$ 82,688	\$ 82,688	\$ 67,582	\$ (15,106)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 16,172	\$ 16,172	\$ 11,092	\$ (5,080)
Total revenue from the Commonwealth	\$ 16,172	\$ 16,172	\$ 11,092	\$ (5,080)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 145,920	\$ 145,920	\$ 91,070	\$ (54,850)
USDA commodities received	-	-	15,671	15,671
Total categorical aid	\$ 145,920	\$ 145,920	\$ 106,741	\$ (39,179)
Total revenue from the federal government	\$ 145,920	\$ 145,920	\$ 106,741	\$ (39,179)
Total School Cafeteria Fund	\$ 269,780	\$ 269,780	\$ 264,344	\$ (5,436)
<b>School Activity Funds</b>				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 229,884	\$ 229,884
Total miscellaneous	\$ -	\$ -	\$ 229,884	\$ 229,884
Total School Activity Funds	\$ -	\$ -	\$ 229,884	\$ 229,884
Total Discretely Presented Component Unit - School Board	\$ 6,796,310	\$ 6,811,340	\$ 6,473,070	\$ (338,270)

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 29,711	\$ 33,111	\$ 33,400	\$ (289)
Total legislative	\$ 29,711	\$ 33,111	\$ 33,400	\$ (289)
General and financial administration:				
County administrator	\$ 153,654	\$ 169,654	\$ 169,562	\$ 92
Legal services	55,000	43,800	43,216	584
Independent auditor	40,000	43,800	43,716	84
Commissioner of revenue	150,126	152,426	152,432	(6)
Assessor	54,900	54,900	56,800	(1,900)
Treasurer	158,886	160,586	160,506	80
Central Purchasing	537,142	537,142	500,120	37,022
Total general and financial administration	\$ 1,149,708	\$ 1,162,308	\$ 1,126,352	\$ 35,956
Board of elections:				
Electoral board and officials	\$ 14,633	\$ 14,633	\$ 11,518	\$ 3,115
Registrar	112,317	112,317	110,499	1,818
Total board of elections	\$ 126,950	\$ 126,950	\$ 122,017	\$ 4,933
Total general government administration	\$ 1,306,369	\$ 1,322,369	\$ 1,281,769	\$ 40,600
Judicial administration:				
Courts:				
Circuit court	\$ 6,582	\$ 25,286	\$ 24,012	\$ 1,274
Clerk of the circuit court	219,650	223,750	223,757	(7)
Total courts	\$ 226,232	\$ 249,036	\$ 247,769	\$ 1,267
Commonwealth's attorney:				
Commonwealth's attorney	\$ 105,781	\$ 110,281	\$ 110,264	\$ 17
Total commonwealth's attorney	\$ 105,781	\$ 110,281	\$ 110,264	\$ 17
Total judicial administration	\$ 332,013	\$ 359,317	\$ 358,033	\$ 1,284
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 993,565	\$ 943,965	\$ 769,708	\$ 174,257
Total law enforcement and traffic control	\$ 993,565	\$ 943,965	\$ 769,708	\$ 174,257
Fire and rescue services:				
Volunteer emergency operations	\$ 13,001	\$ 68,000	\$ 67,714	\$ 286
Total fire and rescue services	\$ 13,001	\$ 68,000	\$ 67,714	\$ 286
Correction and detention:				
Sheriff	\$ 48,000	\$ 48,000	\$ 48,139	\$ (139)
Total correction and detention	\$ 48,000	\$ 48,000	\$ 48,139	\$ (139)
Inspections:				
Building	\$ 100,807	\$ 100,807	\$ 90,445	\$ 10,362
Total inspections	\$ 100,807	\$ 100,807	\$ 90,445	\$ 10,362

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Medical examiner	\$ 200	\$ 200	\$ 40	\$ 160
Emergency management grants	47,908	47,908	33,262	14,646
Total other protection	<u>\$ 48,108</u>	<u>\$ 48,108</u>	<u>\$ 33,302</u>	<u>\$ 14,806</u>
Total public safety	<u>\$ 1,203,481</u>	<u>\$ 1,208,880</u>	<u>\$ 1,009,308</u>	<u>\$ 199,572</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 5,433	\$ 5,433	\$ 2,115	\$ 3,318
Total maintenance of general buildings and grounds	<u>\$ 5,433</u>	<u>\$ 5,433</u>	<u>\$ 2,115</u>	<u>\$ 3,318</u>
Total public works	<u>\$ 5,433</u>	<u>\$ 5,433</u>	<u>\$ 2,115</u>	<u>\$ 3,318</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 93,764	\$ 93,764	\$ 93,764	\$ -
Total health	<u>\$ 93,764</u>	<u>\$ 93,764</u>	<u>\$ 93,764</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 7,060	\$ 7,060	\$ 7,060	\$ -
Total mental health and mental retardation	<u>\$ 7,060</u>	<u>\$ 7,060</u>	<u>\$ 7,060</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>\$ 138,324</u>	<u>\$ 138,324</u>	<u>\$ 138,324</u>	<u>\$ -</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,561,330	\$ 2,561,330	\$ 1,892,530	\$ 668,800
Total education	<u>\$ 2,561,330</u>	<u>\$ 2,561,330</u>	<u>\$ 1,892,530</u>	<u>\$ 668,800</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 77,736	\$ 77,736	\$ 78,401	\$ (665)
Total library	<u>\$ 77,736</u>	<u>\$ 77,736</u>	<u>\$ 78,401</u>	<u>\$ (665)</u>
Total parks, recreation, and cultural	<u>\$ 77,736</u>	<u>\$ 77,736</u>	<u>\$ 78,401</u>	<u>\$ (665)</u>
Community development:				
Planning and community development:				
Planning	\$ 16,434	\$ 16,434	\$ 13,501	\$ 2,933
Community development	44,722	419,722	416,572	3,150
Swimming pool	90,259	90,259	81,895	8,364
Economic Development	37,891	37,891	47,865	(9,974)
Total planning and community development	<u>\$ 189,306</u>	<u>\$ 564,306</u>	<u>\$ 559,833</u>	<u>\$ 4,473</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 63,172	\$ 63,172	\$ 48,258	\$ 14,914
Total cooperative extension program	\$ 63,172	\$ 63,172	\$ 48,258	\$ 14,914
Total community development	\$ 252,478	\$ 627,478	\$ 608,091	\$ 19,387
Nondepartmental:				
Miscellaneous	\$ 7,501	\$ 8,237	\$ 21,470	\$ (13,233)
Total nondepartmental	\$ 7,501	\$ 8,237	\$ 21,470	\$ (13,233)
Capital projects:				
Capital outlay	\$ -	\$ 24,973	\$ 24,968	\$ 5
Total capital projects	\$ -	\$ 24,973	\$ 24,968	\$ 5
Total General Fund	\$ 5,884,665	\$ 6,334,077	\$ 5,415,009	\$ 919,068
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 744,204	\$ 778,704	\$ 600,868	\$ 177,836
Comprehensive services	214,877	40,000	39,084	916
Total welfare and social services	\$ 959,081	\$ 818,704	\$ 639,952	\$ 178,752
Total health and welfare	\$ 959,081	\$ 818,704	\$ 639,952	\$ 178,752
Total Virginia Public Assistance Fund	\$ 959,081	\$ 818,704	\$ 639,952	\$ 178,752
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ 97,715	\$ 103,821	\$ (6,106)
Total public safety	\$ -	\$ 97,715	\$ 103,821	\$ (6,106)
Total E-911 Fund	\$ -	\$ 97,715	\$ 103,821	\$ (6,106)
<b>EMS Fund:</b>				
Public safety:				
Fire and rescue services				
Emergency Management Services	\$ 451,822	\$ 290,000	\$ 286,954	\$ 3,046
Total EMS Fund	\$ 451,822	\$ 290,000	\$ 286,954	\$ 3,046
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects:				
Equipment and other capital outlay	\$ 134,000	\$ 80,000	\$ 78,346	\$ 1,654
Jail renovation	-	-	452	(452)
Total County Capital Improvements Fund	\$ 134,000	\$ 80,000	\$ 78,798	\$ 1,202

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2023 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Capital Projects Fund: (Continued)</b>				
<b>School Capital Projects Fund:</b>				
Capital projects:				
Building services	\$ -	\$ 1,220,634	\$ 1,213,978	\$ 6,656
Total School Capital Projects Fund	\$ -	\$ 1,220,634	\$ 1,213,978	\$ 6,656
Total Primary Government	\$ 7,429,568	\$ 8,841,130	\$ 7,738,512	\$ 1,102,618
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 17,740	\$ 17,740	\$ 39,025	\$ (21,285)
Executive administration services	215,760	215,760	198,139	17,621
Total administration of schools	\$ 233,500	\$ 233,500	\$ 237,164	\$ (3,664)
Instruction costs:				
Elementary and secondary schools	\$ 2,617,640	\$ 2,617,640	\$ 2,324,882	\$ 292,758
Guidance services	74,540	74,540	76,361	(1,821)
Media services	918,940	918,940	814,423	104,517
Office of the principal	332,610	332,610	323,733	8,877
Total instruction costs	\$ 3,943,730	\$ 3,943,730	\$ 3,539,399	\$ 404,331
Operating costs:				
Pupil transportation	\$ 314,900	\$ 329,930	\$ 302,758	\$ 27,172
Operation and maintenance of school plant	2,034,400	2,034,400	427,637	1,606,763
Total operating costs	\$ 2,349,300	\$ 2,364,330	\$ 730,395	\$ 1,633,935
Total education	\$ 6,526,530	\$ 6,541,560	\$ 4,506,958	\$ 2,034,602
Capital projects:				
School capital projects	\$ -	\$ -	\$ 1,471,884	\$ (1,471,884)
Total capital projects	\$ -	\$ -	\$ 1,471,884	\$ (1,471,884)
Total School Operating Fund	\$ 6,526,530	\$ 6,541,560	\$ 5,978,842	\$ 562,718
<b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 269,780	\$ 269,780	\$ 265,073	\$ 4,707
Total school food services	\$ 269,780	\$ 269,780	\$ 265,073	\$ 4,707
Total education	\$ 269,780	\$ 269,780	\$ 265,073	\$ 4,707
Total School Cafeteria Fund	\$ 269,780	\$ 269,780	\$ 265,073	\$ 4,707
<b>School Activity Funds</b>				
Education:				
Miscellaneous	\$ -	\$ -	\$ 216,095	\$ (216,095)
Total education	\$ -	\$ -	\$ 216,095	\$ (216,095)
Total School Activity Funds	\$ -	\$ -	\$ 216,095	\$ (216,095)
Total Discretely Presented Component Unit - School Board	\$ 6,796,310	\$ 6,811,340	\$ 6,460,010	\$ 351,330

## **STATISTICAL INFORMATION**

County of Highland, Virginia

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental Activities					
Net investment in capital assets	\$ 1,873,361	\$ 1,624,207	\$ 1,638,325	\$ 1,656,165	\$ 1,719,475
Restricted	-	-	-	219,853	208,914
Unrestricted	4,768,406	3,487,996	3,800,788	3,767,367	3,559,979
Total governmental activities net position	<u>\$ 6,641,767</u>	<u>\$ 5,112,203</u>	<u>\$ 5,439,113</u>	<u>\$ 5,643,385</u>	<u>\$ 5,488,368</u>
Business-type Activities					
Net investment in capital assets	\$ 731,731	\$ 690,502	\$ 663,491	\$ 636,872	\$ 609,846
Restricted	17,629	18,244	18,846	18,846	18,846
Unrestricted	757,689	729,148	778,715	799,895	816,614
Total business-type activities net position	<u>\$ 1,507,049</u>	<u>\$ 1,437,894</u>	<u>\$ 1,461,052</u>	<u>\$ 1,455,613</u>	<u>\$ 1,445,306</u>
Primary government					
Net investment in capital assets	\$ 2,605,092	\$ 2,314,709	\$ 2,301,816	\$ 2,293,037	\$ 2,329,321
Restricted	17,629	18,244	18,846	238,699	227,760
Unrestricted	5,526,095	4,217,144	4,579,503	4,567,262	4,376,593
Total primary government net position	<u>\$ 8,148,816</u>	<u>\$ 6,550,097</u>	<u>\$ 6,900,165</u>	<u>\$ 7,098,998</u>	<u>\$ 6,933,674</u>



Table 1

Fiscal Year					
2019	2020	2021	2022	2023	
\$ 1,716,417	\$ 1,677,834	\$ 1,996,600	\$ 1,940,225	\$ 1,756,301	
169,525	53,961	515,689	977,321	573,546	
3,634,852	4,167,419	4,197,999	4,737,624	6,848,267	
<u>\$ 5,520,794</u>	<u>\$ 5,899,214</u>	<u>\$ 6,710,288</u>	<u>\$ 7,655,170</u>	<u>\$ 9,178,114</u>	
\$ 603,095	\$ 576,840	\$ 555,811	\$ 529,991	\$ 547,697	
18,846	18,846	18,846	40,080	12,639	
826,216	847,326	831,818	814,346	794,786	
<u>\$ 1,448,157</u>	<u>\$ 1,443,012</u>	<u>\$ 1,406,475</u>	<u>\$ 1,384,417</u>	<u>\$ 1,355,122</u>	
\$ 2,319,512	\$ 2,254,674	\$ 2,552,411	\$ 2,470,216	\$ 2,303,998	
188,371	72,807	534,535	1,017,401	586,185	
4,461,068	5,014,745	5,029,817	5,551,970	7,643,053	
<u>\$ 6,968,951</u>	<u>\$ 7,342,226</u>	<u>\$ 8,116,763</u>	<u>\$ 9,039,587</u>	<u>\$ 10,533,236</u>	

County of Highland, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Expenses</b>					
Governmental Activities:					
General government administration	\$ 991,119	\$ 1,041,826	\$ 969,269	\$ 1,044,258	\$ 1,093,250
Judicial administration	259,111	243,105	261,868	276,845	284,983
Public safety	942,248	970,089	970,542	1,081,259	1,050,709
Public works	118,027	67,985	34,565	52,679	52,921
Health and welfare	373,259	370,547	454,484	602,845	645,087
Education	2,183,982	2,316,485	2,060,324	2,106,438	2,408,542
Parks, recreation, and cultural	90,387	90,404	84,826	95,302	100,272
Community development	155,553	288,549	756,201	169,001	216,422
Interest on long-term debt	14,445	5,038	2,586	4,822	4,348
Total governmental activities expenses	\$ 5,128,131	\$ 5,394,028	\$ 5,594,665	\$ 5,433,449	\$ 5,856,534
Business-type Activities:					
Refuse Disposal	\$ 293,029	\$ 291,471	\$ 276,589	\$ 302,433	\$ 325,013
McDowell Water System	65,271	66,707	58,758	55,425	59,418
Recreation Commission	43,559	42,973	52,814	55,257	50,145
Total business-type activities expenses	\$ 401,859	\$ 401,151	\$ 388,161	\$ 413,115	\$ 434,576
Total primary government expenses	\$ 5,529,990	\$ 5,795,179	\$ 5,982,826	\$ 5,846,564	\$ 6,291,110
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government administration	\$ 669	\$ 669	\$ 720	\$ 392	\$ 366
Judicial administration	2,018	9,681	6,101	5,025	3,014
Public safety	28,773	24,857	22,626	20,019	20,880
Operating grants and contributions	1,154,398	1,202,330	1,361,469	1,362,068	1,414,588
Capital grants and contributions	189,865	167,874	503,865	54,690	75,753
Total governmental activities program revenues	\$ 1,375,723	\$ 1,405,411	\$ 1,894,781	\$ 1,442,194	\$ 1,514,601
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 329,774	\$ 327,873	\$ 320,544	\$ 322,668	\$ 329,308
McDowell Water System	40,604	28,950	34,371	34,734	35,549
Recreation commission	39,310	40,817	44,739	45,023	42,838
Operating grants and contributions	31,931	20,566	24,998	14,740	24,577
Capital grants and contributions	13,900	-	-	-	-
Total business-type activities program revenues	\$ 455,519	\$ 418,206	\$ 424,652	\$ 417,165	\$ 432,272
Total primary government program revenues	\$ 1,831,242	\$ 1,823,617	\$ 2,319,433	\$ 1,859,359	\$ 1,946,873
Net (expense) / revenue					
Governmental Activities	\$ (3,752,408)	\$ (3,988,617)	\$ (3,699,884)	\$ (3,991,255)	\$ (4,341,933)
Business-type Activities	53,660	17,055	36,491	4,050	(2,304)
Total primary government net expense	\$ (3,698,748)	\$ (3,971,562)	\$ (3,663,393)	\$ (3,987,205)	\$ (4,344,237)

Table 2  
Page 1 of 2

Fiscal Year					
2019	2020	2021	2022	2023	
\$ 1,030,748	\$ 1,093,375	\$ 1,249,230	\$ 1,170,607	\$ 1,340,827	
306,194	298,969	317,999	292,632	338,202	
1,102,196	1,325,589	1,429,970	1,330,044	1,387,986	
57,113	47,354	37,072	46,230	19,740	
683,751	579,137	681,598	853,586	756,991	
2,534,181	2,275,557	2,058,982	2,146,334	3,106,509	
98,841	107,009	117,826	103,702	96,304	
175,093	188,825	428,287	223,948	601,949	
5,543	1,265	-	-	-	
\$ 5,993,660	\$ 5,917,080	\$ 6,320,964	\$ 6,167,083	\$ 7,648,508	
\$ 322,787	\$ 345,461	\$ 356,663	\$ 361,623	\$ 381,039	
51,318	52,700	50,854	54,098	53,572	
44,353	46,864	68,045	61,556	62,431	
\$ 418,458	\$ 445,025	\$ 475,562	\$ 477,277	\$ 497,042	
\$ 6,412,118	\$ 6,362,105	\$ 6,796,526	\$ 6,644,360	\$ 8,145,550	
\$ 276	\$ 276	\$ 131	\$ 11,283	\$ 7,110	
8,201	8,201	3,830	1,651	4,157	
25,416	25,416	31,676	34,193	33,012	
1,518,561	1,518,561	1,868,825	1,802,311	3,587,595	
-	-	141,963	62,103	47,704	
\$ 1,552,454	\$ 1,552,454	\$ 2,046,425	\$ 1,911,541	\$ 3,679,578	
\$ 326,801	\$ 326,801	\$ 348,540	\$ 347,721	\$ 350,456	
34,391	34,391	41,268	32,475	35,976	
45,735	45,735	15,805	48,125	49,512	
7,241	7,241	6,640	9,310	14,024	
-	-	-	-	-	
\$ 414,168	\$ 414,168	\$ 412,253	\$ 437,631	\$ 449,968	
\$ 1,966,622	\$ 1,966,622	\$ 2,458,678	\$ 2,349,172	\$ 4,129,546	
\$ (4,441,206)	\$ (4,441,206)	\$ (4,274,539)	\$ (4,255,542)	\$ (3,968,930)	
(4,290)	(4,290)	(63,309)	(39,646)	(47,074)	
\$ (4,445,496)	\$ (4,445,496)	\$ (4,337,848)	\$ (4,295,188)	\$ (4,016,004)	

County of Highland, Virginia

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Property taxes	\$ 2,963,903	\$ 3,116,520	\$ 3,240,477	\$ 3,418,317	\$ 3,453,866
Local sales and use taxes	113,641	119,295	138,331	130,764	122,452
Consumer utility taxes	138,177	137,933	135,842	134,357	148,083
Motor vehicle licenses	54,283	54,461	55,960	58,419	58,162
E-911 taxes	33,704	30,629	27,344	-	-
Bank stock taxes	19,231	23,141	18,425	23,386	22,335
Other local taxes	21,524	24,247	25,128	24,687	29,759
Unrestricted grants and contributions	269,364	260,911	283,538	292,994	336,864
Unrestricted revenues from use of money and property	41,590	42,337	39,808	38,838	52,671
Miscellaneous	100,203	31,459	48,241	63,791	75,055
Transfers	33,298	26,250	13,700	9,974	2,934
Total governmental activities	\$ 3,788,918	\$ 3,867,183	\$ 4,026,794	\$ 4,195,527	\$ 4,302,181
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 2,234	\$ 383	\$ 367	\$ 485	\$ 666
Transfers	(33,298)	(26,250)	(13,700)	(9,974)	(2,934)
Total business-type activities	\$ (31,064)	\$ (25,867)	\$ (13,333)	\$ (9,489)	\$ (2,268)
Total primary government	\$ 3,757,854	\$ 3,841,316	\$ 4,013,461	\$ 4,186,038	\$ 4,299,913
<b>Change in Net Position</b>					
Governmental Activities	\$ 36,510	\$ (121,416)	\$ 326,910	\$ 204,272	\$ (39,752)
Business-type Activities	22,596	(2,812)	23,158	(5,439)	(4,572)
Total primary government	\$ 59,106	\$ (124,228)	\$ 350,068	\$ 198,833	\$ (44,324)

Fiscal Year					
2019	2020	2021	2022	2023	
\$ 3,645,328	\$ 3,645,328	\$ 4,243,105	\$ 4,297,382	\$ 4,413,656	
124,764	124,764	171,066	192,579	204,645	
129,227	129,227	120,566	119,615	118,462	
58,333	58,333	59,131	58,249	59,048	
-	-	-	-	-	
4,245	4,245	20,597	10,869	11,208	
32,884	32,884	46,386	46,889	45,542	
346,381	346,381	364,221	375,383	387,387	
85,710	85,710	30,678	20,263	203,138	
53,060	53,060	56,388	96,695	66,288	
(6,300)	(6,300)	(26,525)	(17,500)	(17,500)	
\$ 4,473,632	\$ 4,473,632	\$ 5,085,613	\$ 5,200,424	\$ 5,491,874	
\$ 841	\$ 841	\$ 247	\$ 88	\$ 279	
6,300	6,300	26,525	17,500	17,500	
\$ 7,141	\$ 7,141	\$ 26,772	\$ 17,588	\$ 17,779	
\$ 4,480,773	\$ 4,480,773	\$ 5,112,385	\$ 5,218,012	\$ 5,509,653	
\$ 32,426	\$ 32,426	\$ 811,074	\$ 944,882	\$ 1,522,944	
2,851	2,851	(36,537)	(22,058)	(29,295)	
\$ 35,277	\$ 35,277	\$ 774,537	\$ 922,824	\$ 1,493,649	

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
2023	\$ 4,413,656	\$ 204,645	\$ 118,462	\$ 59,048	\$ 11,208	\$ 45,542	\$ 4,852,561
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

County of Highland, Virginia

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

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

Table 4

Fiscal Year				
2019	2020	2021	2022	2023
\$ 70,000	\$ 56,696	\$ 180,750	\$ 35,000	\$ 155,745
40,583	42,726	38,031	40,368	46,740
661,949	708,629	852,479	828,305	864,983
22,291	42,291	52,291	62,291	62,291
3,554,410	3,779,802	3,659,790	3,966,785	4,479,204
<u>\$ 4,349,233</u>	<u>\$ 4,630,144</u>	<u>\$ 4,783,341</u>	<u>\$ 4,932,749</u>	<u>\$ 5,608,963</u>
\$ 2,000	\$ -	\$ -	\$ 6,076	\$ -
12,387	13,345	-	-	-
128,942	11,235	477,658	430,000	490,066
6,661	1,515	366,737	831,419	1,521,652
237,357	370,526	-	-	-
<u>\$ 387,347</u>	<u>\$ 396,621</u>	<u>\$ 366,737</u>	<u>\$ 1,267,495</u>	<u>\$ 2,011,718</u>



# County of Highland, Virginia

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

	Fiscal Year				
	2014	2015	2016	2017	2018
<b>Revenues</b>					
General property taxes	\$ 3,000,868	\$ 3,105,774	\$ 3,210,564	\$ 3,424,405	\$ 3,431,495
Other local taxes	380,560	389,706	401,030	371,613	380,791
Permits, privilege fees, and regulatory licenses	18,572	12,971	12,167	11,111	10,436
Fines and forfeitures	200	7,402	4,148	3,130	1,332
Revenue from use of money and property	41,590	42,337	39,808	38,838	52,671
Charges for services	12,688	14,852	13,132	11,195	12,492
Miscellaneous	100,203	31,459	48,241	63,791	75,055
Intergovernmental:					
Local government	-	-	-	39,690	48,491
Commonwealth	1,333,525	1,192,723	1,327,853	1,288,183	1,320,191
Federal	280,102	438,392	821,019	381,879	458,523
Total revenues	\$ 5,168,308	\$ 5,235,616	\$ 5,877,962	\$ 5,633,835	\$ 5,791,477
<b>Expenditures</b>					
General government administration	\$ 907,832	\$ 908,466	\$ 961,166	\$ 1,019,071	\$ 1,033,524
Judicial administration	248,313	255,204	277,099	278,697	285,819
Public safety	847,010	928,580	1,088,708	948,281	960,998
Public works	62,766	53,477	39,370	38,693	39,245
Health and welfare	366,276	373,225	459,318	596,500	645,797
Education	1,877,290	2,148,131	1,891,452	2,063,961	2,323,813
Parks, recreation, and cultural	52,178	54,998	57,867	60,129	62,940
Community development	155,553	166,046	166,290	169,001	189,929
Nondepartmental	91,862	46,994	7,412	13,148	8,180
Capital projects	548,408	303,803	815,764	216,497	378,018
Debt service:					
Principal	147,611	151,796	75,878	128,246	95,674
Interest and other fiscal charges	18,638	9,354	3,645	5,893	4,348
Total expenditures	\$ 5,323,737	\$ 5,400,074	\$ 5,843,969	\$ 5,538,117	\$ 6,028,285
Excess (deficiency) of revenues over (under) expenditures	\$ (155,429)	\$ (164,458)	\$ 33,993	\$ 95,718	\$ (236,808)
Other financing sources (uses)					
Transfers in	\$ 463,843	\$ 490,251	\$ 435,424	\$ 509,655	\$ 425,984
Transfers out	(430,545)	(464,001)	(421,724)	(499,681)	(423,050)
Capital leases	-	-	132,205	79,320	78,808
Total other financing sources (uses)	\$ 33,298	\$ 26,250	\$ 145,905	\$ 89,294	\$ 81,742
Net change in fund balances	\$ (122,131)	\$ (138,208)	\$ 179,898	\$ 185,012	\$ (155,066)
Debt service as a percentage of noncapital expenditures	3.481%	3.162%	1.436%	2.501%	1.718%

Table 5

Fiscal Year				
2019	2020	2021	2022	2023
\$ 3,623,902	\$ 3,757,460	\$ 4,346,806	\$ 4,293,544	\$ 4,396,426
349,453	373,526	417,746	428,201	438,905
8,006	17,171	16,271	17,380	17,580
4,730	1,529	2,157	88	2,513
85,710	67,557	30,678	31,500	210,236
21,157	16,750	17,209	18,422	17,088
53,060	46,295	56,388	70,705	71,015
-	80,416	-	-	1,471,884
1,400,102	1,362,458	1,505,952	1,589,156	1,607,737
464,840	466,001	869,057	650,641	943,065
<u>\$ 6,010,960</u>	<u>\$ 6,189,163</u>	<u>\$ 7,262,264</u>	<u>\$ 7,099,637</u>	<u>\$ 9,176,449</u>
\$ 983,061	\$ 995,186	\$ 1,180,349	\$ 1,196,892	\$ 1,281,769
292,841	297,490	297,695	319,322	358,033
1,013,468	1,309,137	1,427,263	1,512,613	1,400,083
39,979	40,302	25,155	29,646	2,115
688,420	605,060	683,454	903,902	778,276
2,415,749	2,157,348	2,058,982	2,108,260	1,892,531
65,370	70,440	77,732	72,982	78,401
175,318	188,825	428,287	226,758	608,091
8,540	9,919	15,462	10,627	21,469
371,930	96,015	440,389	128,627	1,317,744
49,215	110,694	-	-	-
2,972	3,836	-	-	-
<u>\$ 6,106,863</u>	<u>\$ 5,884,252</u>	<u>\$ 6,634,768</u>	<u>\$ 6,509,629</u>	<u>\$ 7,738,512</u>
<u>\$ (95,903)</u>	<u>\$ 304,911</u>	<u>\$ 627,496</u>	<u>\$ 590,008</u>	<u>\$ 1,437,937</u>
\$ 244,730	\$ 338,784	\$ 660,910	\$ 673,101	\$ 616,099
(251,030)	(353,510)	(687,435)	(690,601)	(633,599)
80,435	-	-	-	-
<u>\$ 74,135</u>	<u>\$ (14,726)</u>	<u>\$ (26,525)</u>	<u>\$ (17,500)</u>	<u>\$ (17,500)</u>
<u>\$ (21,768)</u>	<u>\$ 290,185</u>	<u>\$ 600,971</u>	<u>\$ 572,508</u>	<u>\$ 1,420,437</u>
0.886%	1.988%	0.000%	0.000%	0.000%

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

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<b>Fiscal Year</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
2023	\$ 204,645	\$ 118,462	\$ 59,048	\$ 11,208	\$ 45,542	\$ 438,905
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

## County of Highland, Virginia

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

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<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Minerals/ Mineral Lands</b>	<b>Merchants' Capital</b>
2023	\$ 682,498,000	\$ 29,320,227	\$ 108,825	\$ 143,398	\$ 370,023
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

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

Source: Commissioner of Revenue

Table 7

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	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value (1)</b>
\$	23,360,853	\$ 735,801,326	\$ 705,612,182	96.72%
	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%

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
2023	\$ 0.48	\$ 2.75	\$ 0.48	\$ 1.00	\$ 1.00
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

(1) Per \$100 of assessed value.

Principal Property Taxpayers  
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2023		Fiscal Year 2013	
		2023 Assessed Valuation	% of Total Assessed Valuation	2013 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%	1,512,500	0.000%
Allen Ervin	Farm	1,629,700	0.240%	1,625,100	0.000%
Oksana Simmons	Farm	1,585,900	0.233%	1,109,400	0.000%
Sherry Sullenberger	Farm	1,541,400	0.227%	1,541,800	0.000%
Dividing Waters Farm (1)	Farm	-	0.000%	2,136,800	0.342%
		<u>\$ 19,043,700</u>	<u>2.802%</u>	<u>\$ 20,033,200</u>	<u>2.278%</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
2023	\$	4,231,400	\$ 4,092,482	96.72%	\$ -	\$ 4,092,482	96.72%
2022		4,126,216	3,979,930	96.45%	-	3,979,930	96.45%
2021		4,059,451	3,910,877	96.34%	130,604	4,041,481	99.56%
2020		4,057,274	3,777,595	93.11%	272,799	4,050,394	99.83%
2019		3,836,601	3,712,765	96.77%	122,223	3,834,988	99.96%
2018		3,640,039	3,528,924	96.95%	109,498	3,638,422	99.96%
2017		3,598,706	3,524,584	97.94%	74,053	3,598,637	100.00%
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%	128,982	3,205,465	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				
2023	\$ -	\$ -	\$ 104,492	\$	104,492	0.09%	\$ 47
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

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

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

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2023	\$ -	\$ -	\$ -	0.00%	\$ -
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

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

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

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

Pledged-Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds					
	Water	Less:	Net	Debt Service		Coverage
	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest	
2023	\$ 35,976	\$ 48,782	\$ (12,806)	\$ 7,037	\$ 4,790	-108.28%
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%

Demographic and Economic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age (1)</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2023	2,234 \$	112,774,554 \$	50,481	59	200	1.90%
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%

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

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

Function	Fiscal Year				
	2019	2020	2021	2022	2023
General government	16	16	16	16	19
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	16	17	17	16	14
Fire and rescue	1	5	5	4	8
Building inspections	1	2	2	2	2
Animal control	0	1	1	1	1
Public works					
General maintenance	2	1	1	1	1
Landfill	6	6	6	5	8
Health and welfare					
Department of social services	6	6	6	5	5
Culture and recreation					
Library	2	2	2	2	2
Totals	<u>55</u>	<u>61</u>	<u>61</u>	<u>57</u>	<u>65</u>

Source: Individual County departments

Capital Asset Statistics by Function  
Last Five Fiscal Years

Function	Fiscal Year				
	2019	2020	2021	2022	2023
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	12
Building inspections:					
Vehicles	1	1	1	1	1
Animal control:					
Vehicles	1	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	8	7	7	7	7
School admin vehicles	5	7	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**

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**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, 2023, 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 February 6, 2024.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

## County of Highland, Virginia's Response to Finding

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

## Purpose of This Report

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

*Robinson, Farmer, Cox Assoc.*

Staunton, Virginia

February 6, 2024



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

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**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, 2023. 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, 2023.

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

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

We are required to be independent of 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 Assoc.*

Staunton, Virginia

February 6, 2024

County of Highland, Virginia

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
Virginia Department of Social Services:				
Guardianship Assistance	93.090	Not Available	\$ 20	\$ -
Title IV-E Prevention Program	93.472	Not Available	711	-
Marylee Allen Promoting Safe and Stable Families Program	93.556	Not Available	15,616	-
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	44,511	-
Refugee and Entrant Assistance - State/Replacement Designee				
Administered Programs	93.566	Not Available	213	-
Low-Income Home Energy Assistance	93.568	Not Available	9,158	-
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child				
Care and Development Fund	93.596	Not Available	10,455	-
Adoption and Legal Guardianship Incentive Payments	93.603	Not Available	1,996	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	73	-
Foster Care - Title IV-E	93.658	Not Available	25,812	-
Adoption Assistance	93.659	Not Available	80,018	-
Social Services Block Grant	93.667	Not Available	48,025	-
John H. Chafee Foster Care Program for Successful	93.674	Not Available	365	-
Transition to Adulthood				
Elder Abuse Prevention Interventions Programs	93.747	Not Available	10,104	-
Children's Health Insurance Program	93.767	Not Available	362	-
Medicaid Cluster:				
Medical Assistance Program	93.778	Not Available	45,941	-
Total Department of Health and Human Services			\$ 293,380	\$ -
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Virginia Department of Agriculture:				
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 15,670	\$ -
Virginia Department of Education:				
		202221N11994 1;		
		202222N11994 1;		
		202222N89034 1;		
		202322N11994 1;		
		202322N89034 1;		
National School Lunch Program (NSLP)	10.555	202323N11994 1	65,091	-
Subtotal	10.555		\$ 80,761	\$ -
Virginia Department of Agriculture:				
		202221N11994 1;		
		202222N11994 1;		
		202322N11994 1;		
School Breakfast Program (SBP)	10.553	202323N11994 1	\$ 25,351	\$ -
Total Child Nutrition Cluster			\$ 106,112	\$ -
Virginia Department of Education:				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	APE438410000	\$ 54,676	\$ -
Pandemic EBT Administrative Costs	10.649	202222S900941	628	-
Virginia Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program	10.561	Not Available	89,459	-
Total Department of Agriculture			\$ 250,875	\$ -
Department of Justice:				
Pass Through Payments:				
Department of Criminal Justice Service:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	20-D4034AD16	\$ 2,921	\$ -
Total Department of Justice			2,921	-

County of Highland, Virginia

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023 (Continued)

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Homeland Security				
Pass Through Payments:				
Department of Emergency Services:				
Emergency Management Performance Grants	97.042	'EMP-2021-EP-00004	\$ 7,500	\$ -
Total Department of Homeland Security			\$ 7,500	\$ -
Department of Education:				
Pass Through Payments:				
Department of Education:				
Special Education Cluster:				
		H027A210107; H027X210107; H027A220107 H173X210112; H173A210112		
Special Education-Grants to States	84.027		\$ 124,702	\$ -
Special Education-Preschool Grants	84.173		2,826	-
Total Special Education Cluster			\$ 127,528	\$ -
Supporting Effective Instruction State Grants	84.367	S367A210044	8,358	-
Title I Grants to Local Educational Agencies	84.010	S010A210046	59,700	-
Student Support and Academic Enrichment Program	84.424	S424A210048	10,000	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200008	357,075	-
ARP Elementary and Secondary School Emergency Relief Fund	84.425U	S425U200008	17,850	-
Subtotal	84.425		\$ 374,925	\$ -
Total Department of Education			\$ 580,511	\$ -
Department of Treasury:				
Direct Payments:				
Local Assistance and Tribal Consistency Fund	21.032	Not applicable	\$ 75,000	\$ -
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not applicable	300,000	300,000
Pass Through Payments:				
Department of Education:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Pandemic Bonus	21.027	SLFRP1026	34,384	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds - HVAC	21.027	SLFRP1026	200,000	-
Virginia Department of Social Services:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Available	197	-
Subtotal			\$ 534,581	\$ 300,000
Total Department of Treasury			\$ 609,581	\$ 300,000
Total Expenditures of Federal Awards			\$ 1,744,768	\$ 300,000

County of Highland, Virginia

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023 (Continued)

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	\$ 943,065
Payments in lieu of tax received from the Department of the Interior not included on schedule	(174,608)
Total primary government	<u>768,457</u>
Component units:	
School Board funds	976,311
Total County of Highland, Virginia	<u>\$ 1,744,768</u>

**COUNTY OF HIGHLAND, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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

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Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        yes   x   no
- Significant deficiency(ies) identified?   x   yes        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:

<i>Assistance Listing Numbers</i>	<i>Name of Federal Program or Cluster</i>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
84.425	COVID-19 Elementary and Secondary School Emergency Relief Fund

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

Auditee qualified as low-risk auditee?        yes   x   no

**Section II-Financial Statement Findings**

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2023-001 Significant Deficiency

Criteria: County staff is permitted to make purchases using the County credit card. According to the credit card and travel policy provided by the County staff, all receipts for purchases should be turned into the County Administrator's office upon the employee's return to work. No personal use of the credit card is permitted.

Condition: During procurement testing it was observed that some credit card purchases selected for testing were not supported by sufficient supporting documentation. In some cases, the individual making purchases was not clear upon review of the supporting documentation available. The business purpose of several charges was not apparent based on review of supporting documentation.



**COUNTY OF HIGHLAND, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2023**

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**Section I-Summary of Auditors' Results (Continued)**

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Context:	The County has a written credit card and travel policy maintained by the County Administrator's office; however, the policy was not formally adopted by the Board of Supervisors. There is currently no policy to approve credit card purchases prior to initialization of purchases, and there is no procedure in place for signing out the credit card prior to use.
Effect:	Insufficient internal controls over credit card use increases the likelihood for misuse of the County's funds.
Cause:	There is a lack of segregation of duties between those making credit card purchases, and the individual responsible for reconciling charges with supporting documentation, and remitting payment to the credit card company. The policy in place has not been adequately enforced.
Recommendation:	We recommend that the County formally adopt a credit card policy that includes specific procedures for accessing the credit card, authorizing purchases, remitting documentation supporting the business purpose of each transaction, and enforcement in cases where the policy has been violated. Employees should be educated on proper use, policies, and procedures for credit card purchases. Additionally, we recommend the County enhance its monitoring of credit card purchases on a timely basis to ensure any unauthorized use of the County credit card is discovered and remedied in a timely fashion.
Management's Response:	Highland County Board of Supervisors officially adopted a Credit Card Policy on February 6, 2024, and this policy will be sent out to all staff that have access to use the County Credit card. At this time the County Administrator's office has also implemented a sign out process to additionally be able to track Credit card usage, this card number will no longer be given out to individual departments for online purchases or necessary subscriptions if an item needs to be purchased employees will have to have this done through the County Administration office to ensure that all receipts are maintained.

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

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

**Section IV-Prior Year Findings**

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There are no prior year findings.