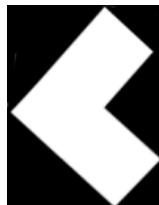


***County of Henry, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2020***



***Creedle, Jones  
& Associates, P.C.***  
***Certified Public Accountants***

## County of Henry, Virginia

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# FINANCIAL SECTION





**Creedle  
Jones  
& Associates**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
Denise C. Williams, CPA, CSEP  
Kimberly W. Jackson, CPA*

*Nadine L. Chase, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Supervisors  
County of Henry, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Henry, Virginia's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of June 30, 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-9 and budgetary comparison information and schedules related to pension and OPEB on pages 98-107, 108-112, and 113-127 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.

### *Other Information*

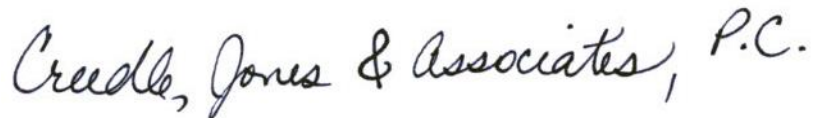
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Henry, Virginia's basic financial statements. The component unit statements and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The component unit statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the component unit statements 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.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the County of Henry, 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 Henry, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Henry, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 24, 2020



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Henry, Virginia presents the following discussion and analysis as an overview of the County of Henry, Virginia's financial activities for the fiscal year ending June 30, 2020. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

### Financial Highlights

At the close of the fiscal year, the assets and deferred outflows of resources of the County's governmental activities, excluding its Component Units, exceeded its liabilities and deferred inflows of resources by \$65,699,568. Of this amount, \$41,376,094 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$1,356,491 with an unrestricted balance of \$65,433.

The County's total net position increased by \$4,725,638 during the current fiscal year. Of this amount, an increase of \$4,562,511 is related to governmental activities and an increase of \$163,127 is attributed to business-type activities.

As of June 30, 2020, the County's Governmental Funds reported combined ending fund balances of \$107,957,529, an increase of \$11,076,267 in comparison with the prior year. Approximately 31.87% of this amount is available for spending at the County's discretion (unassigned fund balance).

At the end of fiscal year 2020, the general fund's unassigned fund balance was \$33,326,867, or approximately 44.75% of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education. Philpott Marina activities represent the business-type activities.

Furthermore, the government-wide financial statements include legally separate entities, the school board and the Industrial Development Authority, for which the County is financially accountable. The County is the fiscal agent for the Henry-Martinsville Social Services, which is supported by funds from the Federal government, Commonwealth of Virginia, County General Fund, and the City of Martinsville, Virginia. Financial information for component units is reported separately from the financial information presented for the primary government itself.

## **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single aggregated presentation.

The County has three types of funds:

*Governmental Funds* - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Children's Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects Funds, all of which are considered to be major funds.

*Proprietary Funds* – The County uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information. The County uses an Internal Service Fund to account for financing of goods and services provided by one department or agency to other departments or agencies of the County government.

*Fiduciary Funds* – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

## **Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

## **Other**

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Current and other assets	\$ 127,718,410	\$ 112,783,385	\$ 151,757	\$ 148,206	\$ 127,870,167	\$ 112,931,591
Capital assets (net)	<u>73,792,068</u>	<u>55,532,069</u>	<u>1,291,058</u>	<u>1,153,941</u>	<u>75,083,126</u>	<u>56,686,010</u>
Total Assets	<u>201,510,478</u>	<u>168,315,454</u>	<u>1,442,815</u>	<u>1,302,147</u>	<u>202,953,293</u>	<u>169,617,601</u>
<b>Deferred Outflows of Resources</b>	<u>4,083,035</u>	<u>2,536,336</u>	<u>-</u>	<u>-</u>	<u>4,083,035</u>	<u>2,536,336</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 205,593,513</u>	<u>\$ 170,851,790</u>	<u>\$ 1,442,815</u>	<u>\$ 1,302,147</u>	<u>\$ 207,036,328</u>	<u>\$ 172,153,937</u>
<b>Liabilities</b>						
Other liabilities	\$ 13,638,905	\$ 8,701,547	\$ 86,324	\$ 57,808	\$ 13,725,229	\$ 8,759,355
Long-term liabilities	<u>125,142,629</u>	<u>98,513,597</u>	<u>-</u>	<u>-</u>	<u>125,142,629</u>	<u>98,513,597</u>
Total Liabilities	<u>138,781,534</u>	<u>107,215,144</u>	<u>86,324</u>	<u>57,808</u>	<u>138,867,858</u>	<u>107,272,952</u>
<b>Deferred Inflows of Resources</b>	<u>1,112,411</u>	<u>2,499,589</u>	<u>-</u>	<u>50,975</u>	<u>1,112,411</u>	<u>2,550,564</u>
<b>Net Position</b>						
Net investment in capital assets	<u>24,323,474</u>	<u>22,568,376</u>	<u>1,291,058</u>	<u>1,153,941</u>	<u>25,614,532</u>	<u>23,722,317</u>
Unrestricted	<u>41,376,094</u>	<u>38,568,681</u>	<u>65,433</u>	<u>39,423</u>	<u>41,441,527</u>	<u>38,608,104</u>
Total Net Position	<u>65,699,568</u>	<u>61,137,057</u>	<u>1,356,491</u>	<u>1,193,364</u>	<u>67,056,059</u>	<u>62,330,421</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 205,593,513</u>	<u>\$ 170,851,790</u>	<u>\$ 1,442,815</u>	<u>\$ 1,302,147</u>	<u>\$ 207,036,328</u>	<u>\$ 172,153,937</u>

The County's combined net position at June 30, 2020 of \$67,056,059 represents an increase of \$4,725,638 from the combined net position at June 30, 2019. 38.20% of the County's net position is reflected in its net investment in capital assets (land, buildings, improvements, etc.). The County uses these assets to provide services to its citizens and, consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources. 61.80% of total net position is unrestricted and available for providing services to the citizens of the County and satisfying creditors.

## Statement of Activities

The following table summarizes revenues and expenses for the primary government:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 479,766	\$ 557,512	\$ 156,418	\$ 155,170	\$ 636,184	\$ 712,682
Grants and contributions	9,729,778	9,112,270	47,475	11,525	9,777,253	9,123,795
<b>General Revenues</b>						
General property taxes, real and personal	28,171,542	28,142,350	-	-	28,171,542	28,142,350
Other taxes	13,826,354	13,397,099	-	-	13,826,354	13,397,099
Grants and contributions not restricted to specific programs	6,536,986	3,924,408	-	-	6,536,986	3,924,408
Unrestricted revenues from use of money and property	2,404,002	2,386,106	-	-	2,404,002	2,386,106
Miscellaneous	68,720	91,646	-	-	68,720	91,646
<b>Total Revenues</b>	<b>61,217,148</b>	<b>57,611,391</b>	<b>203,893</b>	<b>166,695</b>	<b>61,421,041</b>	<b>57,778,086</b>
<b>Expenses</b>						
General government administration	3,131,010	2,557,858	-	-	3,131,010	2,557,858
Judicial administration	3,493,139	2,746,877	-	-	3,493,139	2,746,877
Public safety	16,218,463	16,014,373	-	-	16,218,463	16,014,373
Public works	3,682,516	3,184,809	-	-	3,682,516	3,184,809
Health and welfare	3,807,115	2,808,270	-	-	3,807,115	2,808,270
Education	18,008,268	6,765,458	-	-	18,008,268	6,765,458
Parks, recreation, and cultural	1,967,534	1,375,802	217,361	200,749	2,184,895	1,576,551
Community development	3,046,202	3,228,762	-	-	3,046,202	3,228,762
Interest on long-term debt	3,123,795	2,985,587	-	-	3,123,795	2,985,587
<b>Total Expenses</b>	<b>56,478,042</b>	<b>41,667,796</b>	<b>217,361</b>	<b>200,749</b>	<b>56,695,403</b>	<b>41,868,545</b>
Change in Net Position Before Transfers	4,739,106	15,943,595	(13,468)	(34,054)	4,725,638	15,909,541
<b>Transfers</b>	<b>(176,595)</b>	<b>(41,298)</b>	<b>176,595</b>	<b>41,298</b>	<b>-</b>	<b>-</b>
Change in Net Position	4,562,511	15,902,297	163,127	7,244	4,725,638	15,909,541
Beginning Net Position	61,137,057	45,234,760	1,193,364	1,186,120	62,330,421	46,420,880
Ending Net Position	<u>\$ 65,699,568</u>	<u>\$ 61,137,057</u>	<u>\$ 1,356,491</u>	<u>\$ 1,193,364</u>	<u>\$ 67,056,059</u>	<u>\$ 62,330,421</u>

Governmental activities increased the County's net position by \$4,562,511 for fiscal year 2020. Revenues from governmental activities totaled \$61,217,148. General property taxes comprise the largest source of these revenues, totaling \$28,171,542 or 46.02% of all governmental activities revenue. Business-type activities revenues totaled \$203,893 and expenses totaled \$217,361, increasing the net position by \$163,127.

The total cost of all governmental activities for this fiscal year was \$56,478,042. Education was the County's largest program with expenses totaling \$18,008,268. Public safety, which totals \$16,218,463, represents the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,131,010	\$ (2,584,543)	\$ 2,557,858	\$ (2,046,775)
Judicial administration	3,493,139	(2,175,483)	2,746,877	(1,507,306)
Public safety	16,218,463	(10,026,039)	16,014,373	(10,208,147)
Public works	3,682,516	(3,219,903)	3,184,809	(2,067,851)
Health and welfare	3,807,115	(2,393,855)	2,808,270	(1,846,752)
Parks, recreation, and cultural	1,967,534	(1,946,410)	1,375,802	(1,341,376)
Community development	3,046,202	(2,790,202)	3,228,762	(3,228,762)
Education	18,008,268	(18,008,268)	6,765,458	(6,765,458)
Interest on long-term debt	<u>3,123,795</u>	<u>(3,123,795)</u>	<u>2,985,587</u>	<u>(2,985,587)</u>
Total	<u>\$ 56,478,042</u>	<u>\$ (46,268,498)</u>	<u>\$ 41,667,796</u>	<u>\$ (31,998,014)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The County's governmental funds reported combined ending fund balances of \$107,957,529. The combined governmental fund balance increased \$11,076,267 from the prior year.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$33,326,867. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 44.75% of total fund expenditures, while total fund balance represents 144.46% of that same amount.

The General Fund contributed operating funds to finance the component units as follows: \$17,764,408 School Board operations, \$1,332,053 to finance the Industrial Development Authority, and \$619,679 to the Social Services Board.

The Special Grant Projects Fund has a total fund balance of \$227,222, all of which is assigned for ongoing and future grant projects.

## BUDGETARY HIGHLIGHTS

### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

#### Budgetary Comparison

##### General Fund

For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>			<u>2019</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 27,645,670	\$ 27,645,670	\$ 27,893,373	\$ 27,299,924	\$ 27,299,924	\$ 28,230,794
Other	16,958,674	18,434,900	20,099,858	15,817,077	17,068,702	19,385,352
Intergovernmental	10,448,785	16,377,523	14,031,880	10,409,659	11,202,374	10,651,120
Total	55,053,129	62,458,093	62,025,111	53,526,660	55,571,000	58,267,266
<b>Expenditures</b>	53,684,987	149,610,626	74,475,176	52,169,972	123,829,704	57,494,295
Excess (Deficiency) of Revenues Over Expenditures	1,368,142	(87,152,533)	(12,450,065)	1,356,688	(68,258,704)	772,971
<b>Other Financing Sources (Uses)</b>						
Issuance of debt	-	25,300,000	25,300,000	-	62,168,959	62,336,352
Transfers in (out)	(1,368,142)	(2,197,894)	(1,728,520)	(1,356,688)	(1,706,276)	(1,378,162)
Total	(1,368,142)	23,102,106	23,571,480	(1,356,688)	60,462,683	60,958,190
Net Change in Fund Balance Before Transfer from Surplus	-	(64,050,427)	11,121,415	-	(7,796,021)	61,731,161
Transfer from Surplus Funds	-	64,050,427	-	-	7,796,021	-
Change in Fund Balance	\$ -	\$ -	\$ 11,121,415	\$ -	\$ -	\$ 61,731,161

Final amended budget revenues were more than the original budget by \$7,404,964.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$95,925,639 primarily due to appropriations carried forward on encumbrances, open grants, incomplete capital projects, additional money appropriated to the new jail facility project, and new funding from the CARES Act.

Actual revenues were less than final budget amounts by \$432,982, or .69%, while actual expenditures were \$75,135,450, or 50.22% less than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2020, the County's governmental activities net capital assets after allocation of net school buildings with outstanding debt total \$73,792,068, which represents a net increase of \$18,259,999 or 32.88% over the previous fiscal year-end balance. The business-type activities net capital assets total \$1,291,058, an increase of \$137,117 or 11.88% over the previous fiscal year. The Component Unit School Board's net capital assets after allocation of net school buildings with outstanding debt total \$35,601,440, an increase of \$1,394,616 or 4.08% from the previous year. The Component Unit IDA's net capital assets total \$-0-. The Component Unit Social Services net capital assets total \$74,115, a decrease of \$3,387 or 4.37% from the previous year.

### Change in Capital Assets

#### Primary Government

##### Governmental Activities

	<u>Balance July 1, 2019</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2020</u>
Land	\$ 2,136,614	\$ 28,600	\$ 2,165,214
Construction-in-progress	-	22,829,779	22,829,779
Land improvements	3,774,638	968,753	4,743,391
Buildings and improvements	26,410,733	(2,234,091)	24,176,642
Furniture, equipment, and vehicles	19,212,714	304,118	19,516,832
Total Capital Assets	51,534,699	21,897,159	73,431,858
Less: Accumulated depreciation and amortization	(30,972,050)	(1,629,890)	(32,601,940)
Total Capital Assets, Net Before Allocation of Schools	<u>\$ 20,562,649</u>	<u>\$ 20,267,269</u>	<u>40,829,918</u>
Allocation of net school buildings with outstanding debt			32,962,150
Total Capital Assets, Net			<u>\$ 73,792,068</u>

##### Business-Type Activities

	<u>Balance July 1, 2019</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2020</u>
Land and land improvements	\$ 53,076	\$ 37,392	\$ 90,468
Buildings and improvements	1,201,444	166,388	1,367,832
Furniture, equipment, and vehicles	201,534	-	201,534
Total Capital Assets	1,456,054	203,780	1,659,834
Less: Accumulated depreciation and amortization	(302,113)	(66,663)	(368,776)
Total Capital Assets, Net	<u>\$ 1,153,941</u>	<u>\$ 137,117</u>	<u>\$ 1,291,058</u>



**Component Units****School Board**

	<b><u>Balance</u></b> <b><u>July 1, 2019</u></b>	<b><u>Net Additions</u></b> <b><u>and Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2020</u></b>
Land and land improvements	\$ 1,401,743	\$ (229,116)	\$ 1,172,627
Construction in progress	1,082,233	1,539,385	2,621,618
Buildings and improvements	107,095,505	(417,138)	106,678,367
Furniture, equipment, and vehicles	<u>13,859,654</u>	<u>(59,204)</u>	<u>13,800,450</u>
Total Capital Assets	123,439,135	833,927	124,273,062
Less: Accumulated depreciation and amortization	<u>(54,262,891)</u>	<u>(1,446,581)</u>	<u>(55,709,472)</u>
Total Capital Assets, Net Before Allocation to County	<u>\$ 69,176,244</u>	<u>\$ (612,654)</u>	<u>68,563,590</u>
Allocation of net school buildings with outstanding debt			<u>(32,962,150)</u>
Total Capital Assets, Net			<u>\$ 35,601,440</u>

**Note:** School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off.

**IDA**

	<b><u>Balance</u></b> <b><u>July 1, 2019</u></b>	<b><u>Net Additions</u></b> <b><u>and Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2020</u></b>
Equipment	\$ 6,305	\$ -	\$ 6,305
Total Capital Assets	6,305	-	6,305
Less: Accumulated depreciation and amortization	<u>(6,305)</u>	<u>-</u>	<u>(6,305)</u>
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Henry-Martinsville Social Services**

	<b><u>Balance</u></b> <b><u>July 1, 2019</u></b>	<b><u>Net Additions</u></b> <b><u>and Deletions</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2020</u></b>
Machinery and equipment	\$ 321,603	\$ 6,637	\$ 328,240
Less: Accumulated depreciation and amortization	<u>(244,101)</u>	<u>(10,024)</u>	<u>(254,125)</u>
Total Capital Assets, Net	<u>\$ 77,502</u>	<u>\$ (3,387)</u>	<u>\$ 74,115</u>



## Long-Term Debt

As of June 30, 2020, the County's long-term obligations, excluding the Component Units, total \$114,782,689.

	<u>Balance</u> <u>July 1, 2019</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental Activities</b>			
General obligation bonds	\$ 7,501,347	\$ (987,886)	\$ 6,513,461
Lease Revenue Bonds	18,927,000	(772,000)	18,155,000
Lease Revenue Public Facility	60,615,000	5,785,000	66,400,000
Grant Revenue Anticipation Notes	-	19,515,000	19,515,000
Recovery Zone bonds	1,295,000	(100,000)	1,195,000
Landfill obligation	258,191	4,389	262,580
Compensated absences	2,533,278	118,346	2,651,624
LT Agreement	49,600	(19,200)	30,400
	<u>91,179,416</u>	<u>23,543,649</u>	<u>114,723,065</u>
Add: Premiums	179,570	537,188	716,758
Less: Discounts	<u>(678,798)</u>	<u>21,664</u>	<u>(657,134)</u>
Total Governmental Activities	<u>\$ 90,680,188</u>	<u>\$ 24,102,501</u>	<u>\$ 114,782,689</u>

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 11 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Henry, Virginia in June 2020 was 9.3%, an increase of 5.7% from June 2019. This compares unfavorably to the state's rate of 8.1% and favorably to the national rate of 11.1%.
- According to the 2010 U.S. Census, the population in Henry County, Virginia was 54,151, a decrease of 6.5%, since the 2000 U.S. Census. The latest estimate by University of Virginia Weldon Cooper Center for Public Service is a population of 51,019, a decrease of 5.78% from 2010 U.S. census.
- The per capita income in Henry County, Virginia was \$40,545, compared to \$59,657 for the state, according to the latest available estimates from the U.S. Department of Commerce Bureau of Economic Analysis.

The fiscal year 2021 Adopted Budget anticipates General Fund revenues and expenditures to be \$55,842,222, a 1.43% increase over the fiscal year 2020 original budget.

## REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the County of Henry, Director of Finance, P. O. Box 7, Collinsville, Virginia 24078-0007, telephone 276-634-4630, or visit the County's website at [www.henrycountyva.gov](http://www.henrycountyva.gov).

# BASIC FINANCIAL STATEMENTS



County of Henry, Virginia

Statement of Net Position

At June 30, 2020

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total Primary Government	School Board	Industrial Development Authority	Henry-Martinsville Social Services
Assets						
Cash	\$ 43,382,793	\$ 200	\$ 43,382,993	\$ 2,058,021	\$ 968,480	\$ 26,324
Cash - restricted	62,399,891	-	62,399,891	39,490	-	-
Investments	10,613,129	-	10,613,129	-	-	-
Receivables, net	4,881,748	336	4,882,084	129,089	30,406	3,141
Due from County of Henry, Virginia - primary government	-	-	-	2,656,519	2,902,779	-
Internal balances	(142,864)	142,864	-	-	-	-
Due from other governments/agencies	3,043,591	-	3,043,591	2,220,237	48,625	819,030
Inventory	19,111	8,357	27,468	-	29,789,307	-
Investment in CCAT Leveraged Lender, LLC	-	-	-	-	3,753,645	-
Notes receivable	3,461,955	-	3,461,955	-	-	-
Capital Assets						
Land and construction in progress	24,994,993	-	24,994,993	3,794,245	-	-
Other capital assets, net of accumulated depreciation	48,797,075	1,291,058	50,088,133	31,807,195	-	74,115
Capital Assets, Net	73,792,068	1,291,058	75,083,126	35,601,440	-	74,115
Other Assets						
Net OPEB asset - HIC	59,056	-	59,056	-	-	-
Net OPEB asset - health insurance	-	-	-	-	-	18,957
Total Assets	201,510,478	1,442,815	202,953,293	42,704,796	37,493,242	941,567
Deferred Outflows of Resources						
VRS group life	236,846	-	236,846	684,744	-	59,212
VRS health insurance credit	14,883	-	14,883	605,398	-	-
Retiree health insurance	118,582	-	118,582	444,004	-	32,338
VRS pension	3,712,724	-	3,712,724	12,581,595	-	933,404
Total Assets and Deferred Outflows of Resources	\$ 205,593,513	\$ 1,442,815	\$ 207,036,328	\$ 57,020,537	\$ 37,493,242	\$ 1,966,521
Liabilities						
Accounts payable	\$ 4,467,058	\$ 25,519	\$ 4,492,577	\$ 792,671	\$ 16,311	\$ -
Accrued payroll and other liabilities	231,228	2,996	234,224	4,266,476	-	51,940
Accrued interest	808,440	-	808,440	-	-	-
Claims payable	1,234,043	-	1,234,043	-	-	-
Unearned rents	-	57,809	57,809	-	-	-
Unearned grants	2,135,393	-	2,135,393	270,384	2,417,375	-
Due to other governments/agencies	-	-	-	-	10,492	-
Due to component units	4,762,743	-	4,762,743	-	-	-
Due to County of Henry, Virginia - primary government	-	-	-	-	-	796,555
Long-Term Liabilities						
OPEB liabilities						
VRS group life	1,144,033	-	1,144,033	3,401,149	-	286,008
VRS health insurance credit	-	-	-	5,840,275	-	-
Retiree health insurance	453,415	-	453,415	2,686,042	-	-
Due within one year						
Bonds, loans, other	2,274,333	-	2,274,333	616,021	3,461,955	48,057
Due in more than one year						
Landfill obligation	236,322	-	236,322	-	-	-
Compensated absences	2,386,462	-	2,386,462	851,082	-	432,515
VRS net pension liability	8,762,492	-	8,762,492	60,260,062	-	2,202,950
Bonds, capital leases, and loans payable, net	109,885,572	-	109,885,572	583,664	-	-
Total Liabilities	138,781,534	86,324	138,867,858	79,567,826	5,906,133	3,818,025
Deferred Inflows of Resources						
Held for scholarships	-	-	-	39,312	-	-
VRS group life	72,835	-	72,835	299,015	-	18,209
VRS health insurance credit	17,371	-	17,371	221,536	-	-
Retiree health insurance	470,770	-	470,770	1,579,560	-	58,631
VRS pension	551,435	-	551,435	6,835,302	-	138,635
Total Deferred Inflows of Resources	1,112,411	-	1,112,411	8,974,725	-	215,475
Net Position						
Net investment in capital assets	24,323,474	1,291,058	25,614,532	34,496,320	-	74,115
Unrestricted (deficit)	41,376,094	65,433	41,441,527	(66,018,334)	31,587,109	(2,141,094)
Total Net Position (Deficit)	65,699,568	1,356,491	67,056,059	(31,522,014)	31,587,109	(2,066,979)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 205,593,513	\$ 1,442,815	\$ 207,036,328	\$ 57,020,537	\$ 37,493,242	\$ 1,966,521

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

**County of Henry, Virginia**  
Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Industrial Development Authority      Henry-Martinsville Social Services
<b>Primary Government</b>									
<b>Governmental Activities</b>									
General government administration	\$ 3,131,010	\$ 101,248	\$ 445,219	\$ -	\$ (2,584,543)		\$ (2,584,543)		
Judicial administration	3,493,139	10,150	1,307,506	-	(2,175,483)		(2,175,483)		
Public safety	16,218,463	262,709	5,929,715	-	(10,026,039)		(10,026,039)		
Public works	3,682,516	84,535	378,078	-	(3,219,903)		(3,219,903)		
Health and welfare	3,807,115	-	1,413,260	-	(2,393,855)		(2,393,855)		
Parks, recreation, and cultural	1,967,534	21,124	-	-	(1,946,410)		(1,946,410)		
Community development	3,046,202	-	256,000	-	(2,790,202)		(2,790,202)		
Education - local school	17,948,826	-	-	-	(17,948,826)		(17,948,826)		
Education - community college	59,442	-	-	-	(59,442)		(59,442)		
Interest on long-term debt	3,123,795	-	-	-	(3,123,795)		(3,123,795)		
Total Governmental Activities	56,478,042	479,766	9,729,778	-	(46,268,498)		(46,268,498)		
<b>Business-Type Activities</b>									
Philpott Marina - Parks, Recreation, and Cultural	217,361	156,418	47,475	-		\$ (13,468)	(13,468)		
Total Business-Type Activities	217,361	156,418	47,475	-		(13,468)	(13,468)		
Total Primary Government	\$ 56,695,403	\$ 636,184	\$ 9,777,253	\$ -			(46,281,966)		
<b>Component Units</b>									
<b>School Board</b>									
Instruction	\$ 49,292,180	\$ 490,676	\$ 61,742,125	\$ -				\$ 12,940,621	
Administration, attendance, and health	3,423,793	-	-	-				(3,423,793)	
Pupil transportation	5,415,346	-	-	-				(5,415,346)	
Operation and maintenance	6,145,335	-	-	-				(6,145,335)	
School food service - cafeterias	5,375,547	392,764	4,788,572	-				(194,211)	
Special grants	8,509,823	-	-	-				(8,509,823)	
Facilities	2,686,693	-	-	-				(2,686,693)	
Technology	2,888,258	-	440,000	-				(2,448,258)	
Interest	917,135	-	-	-				(917,135)	
Total School Board	84,654,110	883,440	66,970,697	-				(16,799,973)	
<b>Industrial Development Authority</b>									
Economic development	2,797,646	-	1,519,958	-				\$ (1,277,688)	
Interest	87,991	-	-	-				(87,991)	
Total Industrial Development Authority	2,885,637	-	1,519,958	-				(1,365,679)	
<b>Henry-Martinsville Social Services</b>									
Health and welfare	7,684,702	-	6,719,980	-					\$ (964,722)
Total - Component Units	\$ 95,224,449	\$ 883,440	\$ 75,210,635	\$ -					(19,130,374)
<b>General Revenues (Unrestricted)</b>									
General property taxes					28,171,542	-	28,171,542	-	-
Other local taxes					13,826,354	-	13,826,354	-	-
Payments - County of Henry, Virginia					-	-	-	17,948,826	1,332,053
Unrestricted revenues from use of money and property					2,404,002	-	2,404,002	34,679	95,565
Miscellaneous					68,720	-	68,720	1,084,536	-
Grants and contributions not restricted to specific programs					6,536,986	-	6,536,986	-	-
Transfers in (out)					(176,595)	176,595	-	-	-
Total General Revenues and Transfers					50,831,009	176,595	51,007,604	19,068,041	1,427,618
Change in Net Position					4,562,511	163,127	4,725,638	2,268,068	61,939
Net Position (Deficit) - Beginning of Year					61,137,057	1,193,364	62,330,421	(33,790,082)	31,525,170
Net Position (Deficit) - End of Year					\$ 65,699,568	\$ 1,356,491	\$ 67,056,059	\$ (31,522,014)	\$ 31,587,109
									\$ (2,066,979)

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

County of Henry, Virginia  
Balance Sheet  
Governmental Funds  
At June 30, 2020

	General Fund	Children's Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 38,398,363	\$ -	\$ -	\$ -	\$ 45,668	\$ -	\$ 38,444,031
Cash - restricted	62,399,891	-	-	-	-	-	62,399,891
Investments	10,613,129	-	-	-	-	-	10,613,129
Receivables - net							
Taxes	2,511,010	-	-	-	-	-	2,511,010
Licenses	6,920	-	-	-	-	-	6,920
Accounts	1,436,158	-	-	676	-	4,600	1,441,434
Note receivable	3,461,955	-	-	-	-	-	3,461,955
Due from other funds	491,172	-	-	96,955	2,135	85,876	676,138
Due from component units	1,025,437	-	-	-	-	-	1,025,437
Due from other governments/agencies	2,001,679	322,848	437,912	-	-	281,152	3,043,591
Inventory	19,111	-	-	-	-	-	19,111
Total Assets	<u>\$ 122,364,825</u>	<u>\$ 322,848</u>	<u>\$ 437,912</u>	<u>\$ 97,631</u>	<u>\$ 47,803</u>	<u>\$ 371,628</u>	<u>\$ 123,642,647</u>
<b>Liabilities</b>							
Accounts payable	\$ 4,152,384	\$ 248,875	\$ 5,228	\$ 3,216	\$ 1,302	\$ 13,830	\$ 4,424,835
Accrued liabilities	215,743	-	15,485	-	-	-	231,228
Due to other funds	327,830	73,973	417,199	-	-	-	819,002
Due to component units	5,788,180	-	-	-	-	-	5,788,180
Unavailable revenue - unearned grants	2,004,817	-	-	-	-	130,576	2,135,393
Total Liabilities	12,488,954	322,848	437,912	3,216	1,302	144,406	13,398,638
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - taxes and licenses	2,286,480	-	-	-	-	-	2,286,480
Total Deferred Inflows of Resources	2,286,480	-	-	-	-	-	2,286,480
<b>Fund Balances</b>							
Nonspendable fund balance	19,111	-	-	-	-	-	19,111
Restricted fund balance	59,208,750	-	-	94,415	46,501	-	59,349,666
Committed fund balance	4,014,337	-	-	-	-	-	4,014,337
Committed fund balance - revenue stabilization reserve	3,749,694	-	-	-	-	-	3,749,694
Assigned fund balance	7,270,632	-	-	-	-	227,222	7,497,854
Unassigned fund balance	33,326,867	-	-	-	-	-	33,326,867
Total Fund Balances	<u>107,589,391</u>	<u>-</u>	<u>-</u>	<u>94,415</u>	<u>46,501</u>	<u>227,222</u>	<u>107,957,529</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 122,364,825</u>	<u>\$ 322,848</u>	<u>\$ 437,912</u>	<u>\$ 97,631</u>	<u>\$ 47,803</u>	<u>\$ 371,628</u>	<u>\$ 123,642,647</u>

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

County of Henry, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2020

Total Fund Balances for Governmental Funds \$ 107,957,529

**Total net position reported for governmental activities in the Statement of Net Position is different because:**

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

Land and construction in progress	\$ 2,165,214
Construction-in-progress	22,829,779
School assets associated with debt held by County	32,962,150
Land improvements	4,391,268
Buildings and improvements, net of accumulated depreciation	8,495,253
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>2,948,404</u>

Total Capital Assets 73,792,068

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and licenses 2,286,480

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	3,712,724
Deferred inflows of resources related to pensions	(551,435)
Deferred outflows of resources related to OPEB	370,311
Deferred inflows of resources related to OPEB	<u>(560,976)</u>

Total Deferred Outflows and Inflows of Resources 2,970,624

Internal service funds are used by the County to charge the cost of health insurance benefits to individual funds and the component units. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

4,584,880

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds, capital leases, and notes payable with related premiums	(111,868,485)
Accrued interest payable	(808,440)
OPEB (obligation) asset	(1,538,392)
Net VRS pension liability	(8,762,492)
Landfill closure and post-closure liability	(262,580)
Compensated absences	<u>(2,651,624)</u>

Total (125,892,013)

Total Net Position of Governmental Activities \$ 65,699,568

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

## County of Henry, Virginia

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Governmental Funds

Year Ended June 30, 2020

	General Fund	Children's Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
<b>Revenues</b>							
General property taxes	\$ 27,893,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,893,373
Other local taxes	13,826,354	-	-	-	-	-	13,826,354
Permits, privilege fees, and regulatory licenses	49,950	-	-	-	-	-	49,950
Fines and forfeitures	140,504	-	-	-	-	-	140,504
Use of money and property	2,403,018	-	-	-	984	-	2,404,002
Charges for services	283,675	-	-	5,637	-	-	289,312
Miscellaneous	68,720	-	-	-	-	-	68,720
Recovered costs	3,327,637	-	414,932	2,654	-	1,053,565	4,798,788
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	10,900,545	1,385,239	525,659	-	-	-	12,811,443
Revenue from the Federal Government	3,131,335	28,021	-	-	-	295,965	3,455,321
<b>Total Revenues</b>	<b>62,025,111</b>	<b>1,413,260</b>	<b>940,591</b>	<b>8,291</b>	<b>984</b>	<b>1,349,530</b>	<b>65,737,767</b>
<b>Expenditures</b>							
<b>Current</b>							
General government administration	3,398,733	-	-	-	-	-	3,398,733
Judicial administration	3,021,026	-	-	17,468	-	-	3,038,494
Public safety	15,976,468	-	1,801,875	-	-	-	17,778,343
Public works	3,572,282	-	-	-	15,628	-	3,587,910
Health and welfare - social services component unit	619,680	-	-	-	-	-	619,680
Health and welfare	920,316	2,058,711	-	-	-	-	2,979,027
Education - community college	59,442	-	-	-	-	-	59,442
Education - school board component unit	17,764,408	-	-	-	-	-	17,764,408
Parks, recreation, and cultural	1,933,218	-	-	-	-	-	1,933,218
Community development - IDA component unit	1,332,053	-	-	-	-	-	1,332,053
Community development	2,210,790	-	-	-	-	1,416,047	3,626,837
Nondepartmental	60,252	-	-	-	-	-	60,252
<i>Debt service</i>							
Principal	-	-	-	-	-	-	-
Interest	2,504,708	-	-	-	-	-	2,504,708
Capital outlay	21,101,800	-	-	-	-	-	21,101,800
<b>Total Expenditures</b>	<b>74,475,176</b>	<b>2,058,711</b>	<b>1,801,875</b>	<b>17,468</b>	<b>15,628</b>	<b>1,416,047</b>	<b>79,784,905</b>
Excess (Deficiency) of Revenues Over Expenditures	(12,450,065)	(645,451)	(861,284)	(9,177)	(14,644)	(66,517)	(14,047,138)
<b>Other Financing Sources (Uses)</b>							
Issuance of debt	25,300,000	-	-	-	-	-	25,300,000
Transfers in	-	645,451	861,284	-	-	45,190	1,551,925
Transfers out	(1,728,520)	-	-	-	-	-	(1,728,520)
<b>Total Other Financing Sources (Uses)</b>	<b>23,571,480</b>	<b>645,451</b>	<b>861,284</b>	<b>-</b>	<b>-</b>	<b>45,190</b>	<b>25,123,405</b>
Net Change in Fund Balances	11,121,415	-	-	(9,177)	(14,644)	(21,327)	11,076,267
Fund Balances - Beginning of Year	96,467,976	-	-	103,592	61,145	248,549	96,881,262
Fund Balances - End of Year	<u>\$ 107,589,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,415</u>	<u>\$ 46,501</u>	<u>\$ 227,222</u>	<u>\$ 107,957,529</u>

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



County of Henry, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 11,076,267

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

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 as depreciation expense.

Net capital outlays and dispositions of assets	\$ 21,987,551	
Depreciation expense	<u>(1,728,382)</u>	
		20,259,169

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts recorded as revenues in the fund statements versus the Statement of Activities on a year-to-year basis.

278,169

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Proceeds from new debt	(25,895,586)	
Tower lease	19,200	
Repayment of principal and adjustment to bond premiums	1,896,620	
Change in accrued interest	<u>(79,435)</u>	
Net Adjustment		(24,059,201)

Change in allocation of school's capital assets (new school buildings) that have debt held and payable by the County associated with the buildings.

Change in net school assets allocated to County	<u>(1,999,170)</u>	
		(1,999,170)

Internal service funds are used by the County to charge the cost of health insurance benefits. This is the net income from these funds.

(64,757)

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. Changes in the following accounts are as follows:

Net pension liability	(2,422,197)	
Deferred inflows - VRS pension	11,571	
Deferred outflows - VRS pension	1,342,749	
Deferred outflows - OPEB	203,950	
Deferred inflows - OPEB	177,651	
Other postemployment benefits	(118,955)	
Landfill obligation - closure monitoring	(4,389)	
Compensated absences	<u>(118,346)</u>	
Net Adjustment		<u>(927,966)</u>

Change in Net Position of Governmental Activities	<u>\$ 4,562,511</u>
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The accompanying notes to the financial statements are an integral part of this statement.



## County of Henry, Virginia

## Statement of Net Position

## Proprietary Funds

At June 30, 2020

	<b>Business-Type Activities - Enterprise Fund Philpott Marina Fund #51</b>	<b>Internal Service Fund Self-insurance Fund #58</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 200	\$ 4,938,762
Receivables, net	336	922,384
Inventory	8,357	-
Due from General Fund	142,864	-
Total Current Assets	151,757	5,861,146
<b>Noncurrent Assets</b>		
Capital assets, net	1,291,058	-
Total Noncurrent Assets	1,291,058	-
Total Assets	<u>\$ 1,442,815</u>	<u>\$ 5,861,146</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 25,519	\$ 42,223
Accrued payroll and other liabilities	2,996	-
Claims payable	-	1,234,043
Unearned rents	57,809	-
Total Current Liabilities	86,324	1,276,266
Total Liabilities	86,324	1,276,266
<b>Net Position</b>		
Net investment in capital assets	1,291,058	-
Unrestricted	65,433	4,584,880
Total Net Position	<u>1,356,491</u>	<u>4,584,880</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,442,815</u>	<u>\$ 5,861,146</u>

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

## County of Henry, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

Year Ended June 30, 2020

	Business-Type Activities - <u>Enterprise Fund</u> <u>Philpott Marina</u> <u>Fund #51</u>	<u>Internal</u> <u>Service Fund</u> <u>Self-insurance</u> <u>Fund #58</u>
<b>Operating Revenues</b>		
Charges for services, premiums collected	\$ -	\$ 12,733,994
Charges for services, net - fuel and store sales	82,835	-
Charges for services, net - rentals	73,583	-
Harvest Foundation	47,475	-
	<hr/>	<hr/>
Total Operating Revenues	203,893	12,733,994
<b>Operating Expenses</b>		
Personal services	47,016	-
Fringe benefits	5,059	-
Repairs and maintenance	4,827	-
Food and store purchases for resale	18,320	-
Fuel purchases for resale	38,788	-
Utilities	9,924	-
Office expenses	4,189	-
Insurance	709	-
Other supplies and charges	380	-
Small construction and equipment purchases	21,486	-
Depreciation	66,663	-
Insurance claims paid and transaction fees	-	12,807,892
Health care incentives paid	-	89,175
	<hr/>	<hr/>
Total Operating Expenses	217,361	12,897,067
Operating Loss	(13,468)	(163,073)
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	-	98,316
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	-	98,316
Loss Before Transfers	(13,468)	(64,757)
Operating Transfers In	176,595	-
	<hr/>	<hr/>
Net Operating Transfers	176,595	-
Change in Net Position	163,127	(64,757)
Total Net Position - Beginning of Year	1,193,364	4,649,637
	<hr/>	<hr/>
Total Net Position - End of Year	\$ 1,356,491	\$ 4,584,880

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

## County of Henry, Virginia

## Statement of Cash Flows

## Proprietary Funds

Year Ended June 30, 2020

	<b>Business-Type Activities - Enterprise Fund Philpott Marina Fund #51</b>	<b>Internal Service Fund Self-insurance Fund #58</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 170,473	\$ 11,954,247
Receipts from Harvest Foundation	-	-
Payments for personnel and related costs	(51,997)	-
Payments to suppliers and other operating costs	(88,133)	(12,959,927)
Net Cash Provided by (Used in) Operating Activities	30,343	(1,005,680)
<b>Cash Flows from Noncapital Financing Activities</b>		
Payments on Due to/Due from General Fund	(3,158)	(25,959)
Transfer from other funds	176,595	-
Net Cash Provided by (Used in) Noncapital Financing Activities	173,437	(25,959)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(203,780)	-
Net Cash Used in Capital and Related Financing Activities	(203,780)	-
<b>Cash Flows from Investing Activities</b>		
Interest income	-	98,316
Net Cash Provided by Investing Activities	-	98,316
Net Decrease in Cash and Cash Equivalents	-	(933,323)
Cash and Cash Equivalents - Beginning of Year	200	5,872,085
Cash and Cash Equivalents - End of Year	<u>\$ 200</u>	<u>\$ 4,938,762</u>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (13,468)	\$ (163,073)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>		
Depreciation expense	66,663	-
<i>Changes in assets and liabilities</i>		
Receivables, net	1,063	(779,747)
Inventory	(1,456)	-
Accounts payable	15,446	(62,860)
Accrued expenses and payroll liabilities	78	-
Unearned rents	12,992	-
Unearned grants	(50,975)	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 30,343</u>	<u>\$ (1,005,680)</u>

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

## County of Henry, Virginia

## Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2020

Agency Funds

	<u>Special Welfare</u>	<u>Gateway Streetscape Foundation, Inc.</u>	<u>Jail Inmate</u>	<u>OPEB Trust</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 4,634	\$ -	\$ 105,766	\$ 3,085,931	\$ 3,196,331
Total Assets	<u>\$ 4,634</u>	<u>\$ -</u>	<u>\$ 105,766</u>	<u>\$ 3,085,931</u>	<u>\$ 3,196,331</u>
<b>Liabilities</b>					
Amounts held for others	\$ 4,634	\$ -	\$ 105,766	\$ 3,085,931	\$ 3,196,331
Total Liabilities	<u>\$ 4,634</u>	<u>\$ -</u>	<u>\$ 105,766</u>	<u>\$ 3,085,931</u>	<u>\$ 3,196,331</u>

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

## County of Henry, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2020

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The County of Henry, Virginia (the "County") has a population of approximately 51,019 living within an area of 382 square miles. The County is located in the foothills of the Blue Ridge Mountains, in the southern Piedmont region of Virginia. The borders are shared with Patrick County to the west, Franklin County to the north, Pittsylvania County to the east, and the North Carolina line to the south.

The County was named for Patrick Henry, who lived there from 1780 to 1784. They originally were part of Pittsylvania County, but then went on their own in 1777.

The County of Henry, Virginia (the "County") is governed under the County Administration-Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and cultural, community development, and education.

The financial statements of the County have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

### **1-A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Henry, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

### **Individual Component Unit Disclosures**

#### **Discretely Presented Component Units**

##### *Henry County School Board*

Henry County School Board (the "School Board") is organized as an independently governed school system for operating the public schools in the County. Citizens of the County elect school board members. The School Board is financially dependent on

appropriations by the County Board of Supervisors for current operations, with any surplus funds returned to the County annually. In addition, major capital improvements are financed by long-term debt issued by the County. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, the School Board is considered to be a major component unit of the County. The government-wide statements are shown on the Statement of Net Position and the Statement of Activities, and the School Board governmental fund combining statements are shown in the Other Supplementary Information section.

#### *Industrial Development Authority of Henry County, Virginia*

The Industrial Development Authority of Henry County, Virginia (the "IDA") operates as an enterprise activity by assisting local industry with bond financing. The IDA is a legally separate organization; however, the Board of Supervisors of the County appoints all of the IDA's Board, and the County is legally obligated for the debts of the IDA. The IDA is presented as a discretely presented component unit for reporting purposes. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position and the governmental fund statements are shown in the Other Supplementary Information section.

#### *Henry-Martinsville Social Services Board*

The Henry-Martinsville Social Services Board (the "HMSS") operates the Department of Social Services for both the County and the City. This joint entity was established June 1, 1997. Of the nine Board members, the County appoints six. The County is financially accountable for HMSS because it appoints a majority of the Board members and because the County is legally obligated to finance the deficits of and provide financial support to the Board. The County and the City have an agreement in which the City will reimburse the County for their share of administrative, operating, and maintenance costs that are unreimbursed by state or federal grants. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the governmental fund statements are shown in the Other Supplementary Information section. These entities are collectively included and referred to as the "County."

### **Exclusions from the Reporting Entity**

#### **Related Organization**

##### *Henry County Public Service Authority*

The primary function of Henry County Public Service Authority (the "HCPSA") is to provide water and sewer services to areas of the County. The HCPSA Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for HCPSA comes from state and federal grants as well as from charges for services. The County provides some financial assistance, but HCPSA is not financially dependent on the County. The Board of Supervisors appoints a Board member to the HCPSA from each County district. While not a component unit of the County, HCPSA is considered to be a related organization since the County has determinable ongoing financial interests in or responsibilities for HCPSA. The County contributed \$406,800 to the Authority for fire hydrant rental during the year.

### **1-B. Financial Reporting Model**

The County's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, required and other supplementary information, described as follows:

**Management's Discussion and Analysis** – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

**Government-wide Financial Statements** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the County and its discretely presented component units at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

**Fund Financial Statements** – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

**Reconciliation of Government-wide and Fund Financial Statements** – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

**Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

**GASB-Required Supplementary Pension** – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

#### **1-C. Financial Statement Presentation**

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the County in each of its fund types in the financial statements:

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:

- **General Fund**

The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes. A significant part of the General Fund's revenue is transferred to other funds and component units, principally to finance the operations of the County's Public Schools.



- *Special Revenue Funds*

Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

- *Children's Services Act Fund*

The Children's Services Act Fund accounts for revenue derived from the Commonwealth of Virginia for the care of the localities' special needs children. This special revenue fund is considered a major governmental fund for reporting purposes.

- *E-911 Central Dispatch Fund*

The E-911 Central Dispatch Fund accounts for the financial transactions associated with the operation of the County's 911 Emergency Services Center. Revenues are primarily derived from reimbursements from the City of Martinsville, Virginia, County of Henry, Virginia, the State Compensation Board, and Virginia Wireless Board. This special revenue fund is considered a major governmental fund for reporting purposes.

- *Law Library Fund*

The Law Library Fund accounts for revenue received from other funds for the use of the library. This special revenue fund is considered a major governmental fund for reporting purposes.

- *Fieldale Sanitary District Fund*

Fieldale Sanitary District – This fund accounted for money held in trust for the benefit of the Fieldale Sanitary District through June 30, 2013. Effective July 1, 2013, the Fieldale Sanitary District Board gifted to the County the remaining cash assets of the District. These funds are accounted for as a special revenue fund to be used for street lights and curb maintenance for the community of Fieldale.

- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund at this time, Philpott Marina Fund, which accounts for activities of the Marina for recreational use by the citizens of Henry County and the surrounding area. The Component Unit – IDA Fund is also accounted for as a proprietary fund.

- **Internal Service Funds** – Internal service funds account for financing of goods and services provided by one department or agency to other departments or agencies of the County government. Internal service funds consist of the following:

- *Self-Insurance*

This fund accounts for costs associated with providing health insurance benefits to employees of the County, School Board, and Social Services and with managing claims pertaining thereto.

- **Capital Projects Funds** – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital Projects Funds include the following:

- *Special Grant Projects Fund*

The Special Grant Projects Fund accounts for all financial resources used for recording activity for CDBG and related type grants. This fund is considered a major governmental fund for reporting purposes.

- ***Fiduciary Funds (Agency Funds)*** – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The County maintains the following fiduciary funds:

- **Special Welfare Fund** – The Special Welfare Fund is used to reimburse the Children's Service Act Fund, State Agencies, and others for expenses incurred on behalf of Henry-Martinsville Social Services welfare clients. Income is derived primarily from the Social Security Administration and other local organizations on behalf of the Social Services' clients.
- **Gateway Streetscape Foundation, Inc.** – This fund is used to account for the funds of a local nonprofit organization whose purpose is to improve the Community's aesthetic value by planting flowers and trees on major roadways. This entity was dissolved on June 30, 2020.
- **Jail Inmate Fund** – This fund is comprised of cash on inmates of the Henry County Jail at the time of their arrest or contributions to them from their family members. These funds can only be used for the health and welfare of specific County inmates.
- **OPEB Trust Fund** – This fund is comprised of the money held in trust to fund post-retiree benefits of health insurance for the County, the School Board, and Henry-Martinsville Social Services.

***Component Unit (Henry County School Board)***

The Henry County School Board has the following funds:

School Fund – The School Fund accounts for the general operations and activities of the schools with the exception of the textbook purchases and cafeteria operations.

School Textbook Fund – The School Textbook Fund handles purchases of textbooks for the school system.

School Cafeteria Fund – The School Cafeteria Fund accounts for all school cafeteria operations including federal and state grants, meal charges, and food purchases.

**1-D. Measurement Focus and Basis of Accounting**

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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, judicial administration, public safety, public works, health and welfare, etc.) or a business-type activity.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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 within two months 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 expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

### **1-E-1 Cash and Cash Equivalents**

The County operates a cash and investment pool which most funds utilize. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income.

### **1-E-2 Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

### **1-E-3 Receivables and Payables**

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

The County levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the County Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of Henry County. The Commonwealth of Virginia assesses public utility property. Neither the County nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and real estate is reassessed every four years. The Commissioner of Revenue prorates billings for property incomplete as of January 1, but completed during the year. Any taxes paid after the due date is subject to a 10 percent penalty and an 8 percent interest charge.

Real estate taxes are billed annually and due by December 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10 percent per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance.

Personal property tax assessments on tangible business property are based on a declining graduated percent of cost based on year of acquisition. All motor vehicles are based on 100 percent of loan value of the property as of January 1 of each year. Personal property taxes do not create a lien on property. Any taxes paid after the due date is subject to a 10 percent penalty and an 8 percent interest charge.

Property taxes receivable are included as unavailable revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period.

Any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the County receives taxpayers' payments in fiscal year 2020 from the State for its share of the local personal property tax payment (for personal use motor vehicles), with the remainder collected by the County.

#### **1-E-4 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

#### **1-E-5 Capital Assets**

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

Capital outlays are recorded as expenditures of the General, Children's Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds and as assets in the government-wide financial statements to the extent the County's capitalization thresholds are met. The capitalization thresholds for capitalizing capital assets are \$5,000 and \$100,000 for building additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on general capital assets on a government-wide basis.

In the fund financial statements, maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenditures that meet the County's capitalization policy and materially change capacities or extend useful lives are capitalized in the government-wide financial statements. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings	15-40 years
Equipment	3-15 years

#### **1-E-6 Deferred Outflows/Inflows of Resources**

The Statement of Net Position includes a separate section for deferred outflows of resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences between projected and actual investment earnings.

The Statement of Net Position also includes a separate section for deferred inflows of resources. This represents an acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenues received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred inflows of resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans and notes receivable. The County considers revenues available if they are collected within 60 days of the end of the fiscal year.

#### **1-E-7 *Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

#### **1-E-8 *Pensions***

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. 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 Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's and VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **1-E-9 *Group Life Insurance Program***

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



#### **1-E-10 Health Insurance Credit Program**

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **1-E-11 Teacher Employee Health Insurance Credit Program**

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **1-E-12 Other Postemployment Benefit Plans**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County of Henry, Virginia's OPEB Plan for Retiree's Health Insurance and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. See Notes to the financial statement for more information regarding the Plan.

#### **1-E-13 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

**Governmental Fund Balances** – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

#### ***1-E-14 Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for Philpott Marina. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

#### ***1-E-15 Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

#### ***1-E-16 Long-Term Obligations***

In the Government-wide financial statements and propriety fund types in the Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond insurance costs are reported as deferred charges and amortized over the term of the related debt.



In the Fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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.

#### **1-E-17 Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Children's Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds.

#### **1-E-18 Land and Building – Held for Sale**

The IDA has land and building that are held for resale to potential industries in the County. The assets are recorded at cost. Periodically, incidental rent is received for the use of these facilities.

#### **1-E-19 Unearned Revenues**

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

#### **1-E-20 Adoption of New GASB Statements**

During the fiscal year ended June 30, 2020, the County adopted the following GASB statement:

- Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

This Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

### **1-F. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **2 Stewardship, Compliance, and Accountability**

### ***Budgets and Budgetary Accounting***

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component units. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended and unencumbered appropriations lapse at the end of each fiscal year except as allowed by the Appropriations Resolution.

#### ***Budgetary Data***

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

1. Prior to April 18, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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 fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.
8. The County Administrator is authorized to transfer budgeted amounts within general government departments subject to limitations set in the Appropriations Resolution; however, the School Board and Henry-Martinsville Social Services are authorized to transfer budgeted amounts within each of their respective budget categories.

### ***Expenditures in Excess of Appropriations***

Expenditures did not exceed appropriations at the fund level.

### ***Fund Deficits***

There are no fund deficits.

### 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 amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### **Investments**

##### *Investment Policy*

In accordance with state statutes, the current investment policy of the County authorizes investments in obligations of the United States and agencies thereof, Bankers' Acceptances, commercial paper, repurchase agreements, tax exempt and taxable Municipal Bonds, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the County's position in the pools is the same as the value of the pool shares.

The County's investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below. The County's investments are not subject to foreign currency risk.

#### **Credit Risk**

As required by State statute, the policy requires that commercial paper have a short-term debt rating of no less than "A-1" or "P-1" or "F-1" (or its equivalent) from Moody's Investors Service or Standard & Poor's or Fitch. Municipal Bonds must have a rating of "AA" or higher by at least two of the following National Credit Rating Agencies: Moody's Investors Service, Standard & Poor's or Fitch.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the County has established stringent credit standards for these investments to minimize portfolio risk.

#### **Concentration of Credit Risk**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. The Policy establishes limitations on the holdings as follows:

1. The portfolio will be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or Agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit.
2. The maximum percentage of the Investment Portfolio in each eligible security type is limited as follows:

U.S. Treasury	100%
Agency Securities (no more than 35% in any one agency)	100%
Money Market Mutual Funds	100%
Repurchase Agreements	40%
Municipal Obligations (no more than 5%* in any one issuer)	20%
Bankers Acceptances (no more than 5%* in any one bank)	20%
Negotiable Certificates of Deposit (no more than 5%* in any one bank)	20%
Commercial Paper (no more than 5%* in any one issuing corporation)	20%
Virginia Local Government Investment Pool	100%
Virginia State Non-Arbitrage Program	100% of Bond Proceeds
<i>*or \$1 Million, whichever is greater</i>	

### **Interest Rate Risk**

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase.

### **Custodial Credit Risk**

The Policy requires that all investment securities purchased by the County be held by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, all of the County's investments are held in a custodian's trust department in the County's name.

The County's investments consist of the following:

	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Municipal bonds	\$ 1,913,857	1.90
U.S. Government bonds	2,297,882	2.40
Collateralized Money Market - Trustee	5,157,125	N/A
Money Market - SNAP	62,399,891	N/A
Certificates of deposit	<u>17,140,097</u>	4.40
	<u>\$ 88,908,852</u>	

County's investments by credit rating consist of the following:

<b>Rating (Moody's or S&amp;P)</b>	<b>Fair Value</b>
AA+ or higher	\$ 4,211,739
Unrated	<u>84,697,113</u>
	<u>\$88,908,852</u>

Cash and investments are reflected in the financial statements as follows:

	<u>Component Units</u>					<u>Total</u>
	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>	
<b>Deposits and Investments</b>						
Cash on hand	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ 1,325
Demand deposits	95,042,852	110,400	2,097,511	968,480	26,324	98,245,567
Bonds	4,211,739	-	-	-	-	4,211,739
Certificates of deposit	17,140,097	-	-	-	-	17,140,097
OPEB Trust	-	3,085,931	-	-	-	3,085,931
	<u>\$ 116,396,013</u>	<u>\$ 3,196,331</u>	<u>\$ 2,097,511</u>	<u>\$ 968,480</u>	<u>\$ 26,324</u>	<u>\$ 122,684,659</u>
<b>Statement of Net Position</b>						
<b>Deposits and Investments</b>						
Cash and cash equivalents	\$ 116,396,013	\$ -	\$ 2,097,511	\$ 968,480	\$ 26,324	\$ 119,488,328
Fiduciary fund cash	-	3,196,331	-	-	-	3,196,331
	<u>\$ 116,396,013</u>	<u>\$ 3,196,331</u>	<u>\$ 2,097,511</u>	<u>\$ 968,480</u>	<u>\$ 26,324</u>	<u>\$ 122,684,659</u>

### **Fair Value**

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments by Fair Value Level</b>				
Municipal bonds	\$ -	\$ 1,913,857	\$ -	\$ 1,913,857
U.S. Government bonds	-	2,297,882	-	2,297,882
	<u>\$ -</u>	<u>\$ 4,211,739</u>	<u>\$ -</u>	<u>\$ 4,211,739</u>

The Component Unit – IDA owns 42.80% of CCAT Leveraged Lender, LLC. The capital account balance per the Schedule K-1 as of June 30, 2020 is \$3,753,645.

## 4 Receivables

Receivables at June 30, 2020 consist of the following:

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>	<u>Agency Funds</u>
<b>Accounts Receivable</b>						
Property taxes	\$ 3,740,443	\$ -	\$ -	\$ -	\$ -	\$ -
Business licenses	6,920	-	-	-	-	-
Meals taxes	5,599	-	-	-	-	-
Other miscellaneous	2,358,219	336	129,089	30,406	3,141	-
Total	6,111,181	336	129,089	30,406	3,141	-
Allowance for uncollectibles	(1,229,433)	-	-	-	-	-
Net Accounts Receivable	<u>\$ 4,881,748</u>	<u>\$ 336</u>	<u>\$ 129,089</u>	<u>\$ 30,406</u>	<u>\$ 3,141</u>	<u>\$ -</u>
<b>Notes Receivable</b>						
Notes receivable	\$ 3,461,955	\$ -	\$ -	\$ -	\$ -	\$ -
Net Notes Receivable	<u>\$ 3,461,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Note:** The Self-Insurance Fund receivable of \$922,384 is in Governmental Activities per GASB 34 for Exhibit 1.

## 5 Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia</b>		
<b>General Fund</b>		
From General Fund to Central Dispatch Fund	\$ -	\$ 861,284
From General Fund to Special Grant Projects Fund	-	45,190
From General Fund to Children's Services Act Fund	-	645,451
From General Fund to Philpott Marina Fund	-	176,595
<b>Children's Services Act Fund</b>		
From General Fund to Children's Services Act Fund	645,451	-
<b>Special Grant Projects Fund</b>		
From General Fund to Special Grant Projects Fund	45,190	-
<b>Central Dispatch Fund</b>		
From General Fund to Central Dispatch Fund	861,284	-
Total Governmental Funds	1,551,925	1,728,520
<b>Proprietary Funds</b>		
<b>Philpott Marina Fund</b>		
From General Fund to Philpott Marina Fund	176,595	-
Total	<u>\$ 1,728,520</u>	<u>\$ 1,728,520</u>

Transfers between major governmental funds were primarily to support operations of the funds.

## 6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia to Component Units</b>		
<b>Primary Government - County of Henry, Virginia</b>		
To Component Unit - Social Services	\$ -	\$ 619,680
To Component Unit - Industrial Development Authority	-	1,332,053
To Component Unit - School Board	-	17,764,408
<b>Component Unit - Social Services</b>		
From Primary Government - County of Henry, Virginia	619,680	-
<b>Component Unit - Industrial Development Authority</b>		
From Primary Government - County of Henry, Virginia	1,332,053	-
<b>Component Unit - School Board</b>		
From Primary Government - County of Henry, Virginia	17,764,408	-
	<u>\$ 19,716,141</u>	<u>\$ 19,716,141</u>
<b>Component Unit - School Board - Transfers</b>		
<b>School Fund</b>		
From School to School Textbook Fund	\$ -	\$ 545,677
<b>School Textbook Fund</b>		
From School to School Textbook Fund	545,677	-
	<u>\$ 545,677</u>	<u>\$ 545,677</u>

*The remainder of this page is left blank intentionally.*

## 7 Due from/to Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2020 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>County of Henry, Virginia</b>		
<b>Governmental Funds</b>		
General Fund to Philpott Marina	\$ -	\$ 142,864
Children's Services Act Fund to General Fund	73,973	73,973
E-911 Central Dispatch Fund to General Fund	417,199	417,199
Fieldale Sanitary District from General Fund	2,135	2,135
Law Library Fund from General Fund	96,955	96,955
Special Grant Projects Fund from General Fund	<u>85,876</u>	<u>85,876</u>
	676,138	819,002
<b>Proprietary Funds</b>		
Philpott Marina from General Fund	<u>142,864</u>	-
Totals	<u>\$ 819,002</u>	<u>\$ 819,002</u>
<b>Primary Government and Component Units - Interfund Accounts</b>		
<b>Primary Government</b>		
Due to Industrial Development Authority from County	\$ -	\$ 2,586,976
Due to Industrial Site Project from County	-	315,803
Due from Social Services to County	796,555	-
Due to School Fund from County	-	2,885,401
Due from School Cafeteria Fund to County	<u>228,882</u>	-
Total	<u>1,025,437</u>	5,788,180
Net Due from Component Units to Primary Government	(4,762,743)	
<b>Component Unit - Industrial Development Authority</b>		
Due to Industrial Development Authority from County	2,586,976	-
Due to Regional Industrial Site Project from County	<u>315,803</u>	-
Total	<u>2,902,779</u>	-
Net Due from Primary Government to Component Unit IDA	2,902,779	
<b>Component Unit - Social Services</b>		
Due from Social Services to County	-	<u>796,555</u>
Total	-	<u>796,555</u>
Net Due to Primary Government from Component Unit Social Services		796,555
<b>Component Unit - School Board</b>		
Due from School Cafeteria Fund to County	-	228,882
Due from School Textbook Fund to School Fund	7,192	7,192
Due to School Fund from County	<u>2,885,401</u>	-
Total	<u>2,892,593</u>	<u>236,074</u>
Net Due to Primary Government from Component Unit School Board		<u>(2,656,519)</u>
Total Net Due from/to Primary Government and Component Units	<u>\$ (1,859,964)</u>	<u>\$ (1,859,964)</u>



## 8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2020, are as follows:

	<b>Governmental Activities</b>	<b>School Board</b>	<b>Henry- Martinsville Social Services</b>
<b>Commonwealth of Virginia</b>			
State and local sales taxes	\$ 901,233	\$ 1,079,646	\$ -
Communications tax	315,784	-	-
Auto rental tax	4,949	-	-
Mobile home tax	8,080	-	-
Compensation Board	536,488	-	-
Comprehensive services	322,848	-	-
911 funds	39,985	-	-
Emergency services	9,177	-	-
School food program	-	15,222	-
Other reimbursements	42,469	42,219	-
Public assistance	-	-	186,368
	<u>2,181,013</u>	<u>1,137,087</u>	<u>186,368</u>
<b>Federal Government</b>			
Title VIB Flow-Through	-	330,916	-
Title VI Rural and Low Income	-	17,017	-
Preschool Handicapped	-	10,469	-
Title I	-	354,263	-
Title II	-	76,083	-
Title III	-	30,702	-
Title IV	-	31,694	-
School food program	-	102,521	-
CTE federal payments - Carl Perkins	-	42,414	-
QSCB interest subsidy	-	75,508	-
Law enforcement	33,041	-	-
Community development grants	281,152	-	-
Victim witness	41,277	-	-
Transportation grants	6,656	-	-
Public assistance	-	-	348,379
Other reimbursements	<u>102,525</u>	<u>11,563</u>	<u>-</u>
	464,651	1,083,150	348,379
<b>Other Governmental Entities</b>			
City of Martinsville, VA - 911 funds	397,927	-	-
Social Services operations - City of Martinsville, VA	-	-	284,283
	<u>\$ 3,043,591</u>	<u>\$ 2,220,237</u>	<u>\$ 819,030</u>

## 9 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	<b>Balance July 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance June 30, 2020</b>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 2,136,614	\$ 20,500	\$ -	\$ 8,100	<b>\$ 2,165,214</b>
Construction-in-progress	-	<u>22,829,779</u>	-	-	<u><b>22,829,779</b></u>
Total Capital Assets Not Being Depreciated	2,136,614	22,850,279	-	8,100	<b>24,994,993</b>
<b>Capital Assets, Depreciable</b>					
Land improvements	3,774,638	3,049,175	2,080,422	-	<b>4,743,391</b>
Buildings and improvements	26,410,733	155,496	2,849,042	459,455	<b>24,176,642</b>
Furniture, equipment, and vehicles	<u>19,212,714</u>	<u>923,397</u>	<u>619,279</u>	-	<u><b>19,516,832</b></u>
Total Capital Assets - Depreciable	49,398,085	4,128,068	5,548,743	459,455	<b>48,436,865</b>
<b>Less: Accumulated depreciation for</b>					
Land improvements	306,127	45,996	-	-	<b>352,123</b>
Buildings and improvements	14,736,493	485,441	-	459,455	<b>15,681,389</b>
Furniture, equipment, and vehicles	<u>15,929,430</u>	<u>1,196,945</u>	<u>557,947</u>	-	<u><b>16,568,428</b></u>
Total Accumulated Depreciation	<u>30,972,050</u>	<u>1,728,382</u>	<u>557,947</u>	<u>459,455</u>	<u><b>32,601,940</b></u>
Other Capital Assets, Net	<u>18,426,035</u>	<u>2,399,686</u>	<u>4,990,796</u>	-	<u><b>15,834,925</b></u>
Net Capital Assets before Allocation from School	<u>\$20,562,649</u>	<u>\$25,249,965</u>	<u>\$4,990,796</u>	<u>\$ 8,100</u>	<b>40,829,918</b>
Add: Net school buildings allocated to County with outstanding debt					<u><b>32,962,150</b></u>
Net Capital Assets					<u><b>\$73,792,068</b></u>

Depreciation expense was allocated as follows:

General government administration	\$ 215,302
Judicial administration	262,365
Public safety	1,047,054
Public works	71,438
Health and welfare	226
Parks, recreation, and cultural	<u>131,997</u>
Total Depreciation Expense	<u><b>\$ 1,728,382</b></u>

**Business-Type Activities**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
<b>Capital Assets, Depreciable</b>				
Land improvements	53,076	38,592	1,200	90,468
Buildings and improvements	1,201,444	166,388	-	1,367,832
Furniture, equipment, and vehicles	201,534	-	-	201,534
Total Capital Assets - Depreciable	1,456,054	204,980	1,200	1,659,834
<b>Less: Accumulated depreciation for</b>				
Land improvements	9,222	3,981	-	13,203
Buildings and improvements	207,576	42,529	-	250,105
Furniture, equipment, and vehicles	85,315	20,153	-	105,468
Total Accumulated Depreciation	302,113	66,663	-	368,776
Other Capital Assets, Net	1,153,941	138,317	1,200	1,291,058
Net Capital Assets	<u>\$ 1,153,941</u>	<u>\$ 138,317</u>	<u>\$ 1,200</u>	<u>\$ 1,291,058</u>
Depreciation expense was allocated as follows:				
Marina expenses	\$ 66,663			
Total Depreciation Expense	<u>\$ 66,663</u>			

*The remainder of this page is left blank intentionally.*

**Component Unit - School Board**

	<b>Balance July 1, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance June 30, 2020</b>
<b>Capital Assets Not Being Depreciated</b>					
Land and land improvements	\$ 1,401,743	\$ 17,500	\$ 238,516	\$ (8,100)	\$ 1,172,627
Construction in progress - school renovations	<u>1,082,233</u>	<u>1,539,385</u>	<u>-</u>	<u>-</u>	<u>2,621,618</u>
Total Capital Assets Not Being Depreciated	2,483,976	1,556,885	238,516	(8,100)	3,794,245
<b>Capital Assets, Depreciable</b>					
Buildings and improvements	107,095,505	129,645	87,328	(459,455)	106,678,367
Furniture and equipment	<u>13,859,654</u>	<u>1,050,128</u>	<u>1,109,332</u>	<u>-</u>	<u>13,800,450</u>
Total Capital Assets, Depreciable	120,955,159	1,179,773	1,196,660	(459,455)	120,478,817
<b>Less: Accumulated depreciation for</b>					
Land and land improvements	14,733	-	-	-	14,733
Buildings and improvements	43,401,531	2,329,304	87,328	(459,455)	45,184,052
Furniture and equipment	<u>10,846,627</u>	<u>752,752</u>	<u>1,088,692</u>	<u>-</u>	<u>10,510,687</u>
Total Accumulated Depreciation	<u>54,262,891</u>	<u>3,082,056</u>	<u>1,176,020</u>	<u>(459,455)</u>	<u>55,709,472</u>
Other Capital Assets, Net	<u>66,692,268</u>	<u>(1,902,283)</u>	<u>20,640</u>	<u>-</u>	<u>64,769,345</u>
Net Capital Assets before Allocation to County	<u>\$ 69,176,244</u>	<u>\$ (345,398)</u>	<u>\$ 259,156</u>	<u>\$ (8,100)</u>	<u>68,563,590</u>
Less: Net school buildings allocated to County with outstanding debt					<u>(32,962,150)</u>
Net Capital Assets					<u>\$ 35,601,440</u>

**Component Unit - IDA**

	<b>Balance July 1, 2019</b>	<b>Increases</b>	<b>Transfer to Henry County/ Decreases</b>	<b>Balance June 30, 2020</b>
<b>Capital Assets - Depreciable</b>				
Equipment	\$ 6,305	\$ -	\$ -	\$ 6,305
Total Capital Assets - Depreciable	6,305	-	-	6,305
<b>Less: Accumulated depreciation for</b>				
Equipment	<u>6,305</u>	<u>-</u>	<u>-</u>	<u>6,305</u>
Total Accumulated Depreciation	<u>6,305</u>	<u>-</u>	<u>-</u>	<u>6,305</u>
Net Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### Component Unit - Henry-Martinsville Social Services

	Balance July 1, 2019	Increases	Transfer to Henry County/ Decreases	Balance June 30, 2020
<b>Other Capital Assets</b>				
Machinery and equipment	\$ 321,603	\$ 22,680	\$ 16,043	\$ 328,240
Total Other Capital Assets	321,603	22,680	16,043	328,240
<b>Less: Accumulated depreciation for</b>				
Machinery and equipment	244,101	26,067	16,043	254,125
Total Accumulated Depreciation	244,101	26,067	16,043	254,125
Other Capital Assets, Net	77,502	(3,387)	-	74,115
Net Capital Assets	\$ 77,502	\$ (3,387)	\$ -	\$ 74,115

## 10 Compensated Absences

County employees earn vacation based on length of service and sick leave at the rate of one day per month. Twenty-five percent of the amount for unused sick leave is paid for upon termination. All accumulated unused vacation is paid upon termination.

## 11 Long-Term Debt

### A. Long-term Debt Payable

The schedule below represents long-term debt payable at June 30, 2020:

#### Primary Government

Description	Original Issue	Next Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2020
Va. Public School Authority Bonds - 2007B	\$ 2,711,471	\$ 142,221	5.10	2028	\$ 1,250,534
Va. Public School Authority Bonds - 2006	6,009,728	322,005	4.60-5.10	2027	2,415,173
Va. Public School Authority Bonds - 2005	2,342,487	129,188	4.60-5.10	2026	831,554
VML/VACO Recovery Zone Bonds - 2010	2,000,000	100,000	2.00-6.57	2030	1,195,000
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	340,000	0.00	2027	2,016,200
Lease Revenue Bonds - 2015	10,000,000	461,000	2.50	2036	8,936,000
Lease Revenue Bonds - 2016	10,000,000	415,000	2.40	2036	9,219,000
Lease Revenue Bonds - 2018	60,615,000	-	3.62-5.00	2051	60,615,000
Lease Revenue Bonds - 2019A	5,785,000	-	3.00-5.00	2051	5,785,000
Grant Revenue Anticipation Notes - 2019B	19,515,000	-	2.00	2023	19,515,000
					<u>\$ 111,778,461</u>

#### Component Unit - Industrial Development Authority

Description	Original Issue	Next Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2020
County of Henry, VA	\$ 3,461,955	\$ 3,461,955	2.50	2021	\$ 3,461,955
					<u>\$ 3,461,955</u>

## Component Unit - Schools

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2020</u>
Technology Lease Dated 4/15/19	\$ 582,216	\$ 145,554	0.00	2023	\$ 436,662
Technology Lease Dated 6/27/18	611,957	150,778	2.85	2022	305,858
Technology Lease Dated 6/12/17	626,725	159,163	2.98	2021	159,163
Technology Lease Dated 12/1/19	275,056	65,961	2.781	2023	203,437
					<u>\$ 1,105,120</u>

### B. Governmental Obligation

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Position for the year ended June 30, 2020:

#### Primary Government

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Lease Revenue bonds	\$60,615,000	\$ 5,785,000	\$ -	\$ 66,400,000	\$ -
Grant Revenue Anticipation notes	-	19,515,000	-	19,515,000	-
Subtotal - County	60,615,000	25,300,000	-	85,915,000	-
General obligations bonds - public schools	7,501,347	-	987,886	6,513,461	933,414
Lease Revenue bonds	18,927,000	-	772,000	18,155,000	876,000
Recovery Zone bonds	1,295,000	-	100,000	1,195,000	100,000
Subtotal - School-related debt	27,723,347	-	1,859,886	25,863,461	1,909,414
Subtotal - County and school	88,338,347	25,300,000	1,859,886	111,778,461	1,909,414
Add: Bond premiums	179,570	595,586	58,398	716,758	75,963
Less: Bond discounts	(678,798)	-	(21,664)	(657,134)	(21,664)
Subtotal after premiums and discounts	87,839,119	25,895,586	1,896,620	111,838,085	1,963,713
Note payable to Verizon (Tower)	49,600	-	19,200	30,400	19,200
Landfill closure monitoring	258,191	4,389	-	262,580	26,258
Compensated absences	2,533,278	1,721,238	1,602,892	2,651,624	265,162
	<u>\$90,680,188</u>	<u>\$27,621,213</u>	<u>\$3,518,712</u>	<u>\$114,782,689</u>	<u>\$2,274,333</u>

Compensated absences expenses are allocated by department and by fund. The change in compensated absences for the Statement of Activities is charged to general government.

Debt service on the preceding long-term debt in future years is as follows:

**Primary Government**

Fiscal Year Ending June 30.	Grant Anticipation Notes/ Lease Revenue Bonds County		Lease Revenue Bonds School Board		General Obligation Bonds School Board		Recovery Zone Bonds		Totals		Long-Term Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ 3,073,331	\$ 876,000	\$ 444,656	\$ 933,414	\$ 198,086	\$ 100,000	\$ 42,543	\$ 1,909,414	\$ 3,313,960	\$ 19,200	\$ -
2022	100,000	3,071,331	970,000	423,171	887,387	169,480	105,000	39,164	2,062,387	3,279,975	11,200	-
2023	105,000	3,067,231	1,006,000	399,418	902,212	140,654	110,000	35,616	2,123,212	3,243,501	-	-
2024	19,625,000	2,867,781	1,044,000	374,790	917,195	111,673	115,000	31,899	21,701,195	3,011,353	-	-
2025	110,000	2,668,231	1,087,000	349,238	933,430	81,437	115,000	28,013	2,245,430	2,777,681	-	-
2026-2030	2,840,000	13,089,656	5,598,000	1,342,006	1,939,823	76,158	650,000	74,237	11,027,823	13,240,051	-	-
2031-2035	5,905,000	12,020,394	6,234,000	629,719	-	-	-	-	12,139,000	12,020,394	-	-
2036-2040	13,145,000	10,261,131	1,340,000	32,828	-	-	-	-	14,485,000	10,261,131	-	-
2041-2045	17,670,000	7,120,731	-	-	-	-	-	-	17,670,000	7,120,731	-	-
2046-2050	21,555,000	3,237,469	-	-	-	-	-	-	21,555,000	3,237,469	-	-
2051	4,860,000	98,522	-	-	-	-	-	-	4,860,000	98,522	-	-
	<u>\$85,915,000</u>	<u>\$60,575,808</u>	<u>\$18,155,000</u>	<u>\$3,995,826</u>	<u>\$6,513,461</u>	<u>\$777,488</u>	<u>\$1,195,000</u>	<u>\$251,472</u>	<u>\$111,778,461</u>	<u>\$61,604,768</u>	<u>\$30,400</u>	<u>\$-</u>

**C. Long-Term Agreement**

The County entered into a long-term agreement with Verizon in 2008 for construction and renovations made to a tower. The agreement was for \$265,600 and will be paid back over approximately 14 years in lieu of Verizon paying rent. The annual amount is \$19,200.

**D. Component Units**

Following is a summary of the changes in long-term liabilities that are recorded in the component units for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
<b>School Board</b>					
Technology Lease Dated 4/15/19	\$ 582,216	\$ -	\$ 145,554	\$ 436,662	\$ 145,554
Technology Lease Dated 6/27/18	452,453	-	146,595	305,858	150,778
Technology Lease Dated 6/12/17	313,720	-	154,557	159,163	159,163
Technology Lease Dated 6/24/16	95,104	-	95,104	-	-
Technology Lease Dated 12/1/19	-	275,056	71,619	203,437	65,961
Subtotal Leases	1,443,493	275,056	613,429	1,105,120	521,456
Compensated absences	794,668	556,268	405,289	945,647	94,565
Total	<u>\$ 2,238,161</u>	<u>\$ 831,324</u>	<u>\$ 1,018,718</u>	<u>\$ 2,050,767</u>	<u>\$ 616,021</u>

Estimated principal maturities for future years is as follows:

Fiscal Year Ending June 30.	Principal	Interest
2021	\$ 521,456	\$ 19,128
2022	368,429	8,248
2023	215,235	1,938
	<u>\$1,105,120</u>	<u>\$ 29,314</u>

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
<b>Industrial Development Authority</b>					
County of Henry, Virginia	\$ 3,461,955	\$ -	\$ -	\$ <u>3,461,955</u>	\$ 3,461,955
Total	\$ <u>3,461,955</u>	\$ -	\$ -	\$ <u>3,461,955</u>	\$ <u>3,461,955</u>

Estimated principal maturities for future years ended June 30 follows:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 3,461,955	\$ 44,717
	\$ <u>3,461,955</u>	\$ <u>44,717</u>

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
<b>Henry-Martinsville Social Services</b>					
Compensated absences	\$ 403,070	\$ 264,056	\$ 186,554	\$ <u>480,572</u>	\$ 48,057
Total	\$ <u>403,070</u>	\$ <u>264,056</u>	\$ <u>186,554</u>	\$ <u>480,572</u>	\$ <u>48,057</u>

## 12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2020 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Social Services</u>
<b>Net Investment in Capital Assets</b>					
Cost of capital assets	\$ 106,394,008	\$ 1,659,834	\$ 91,310,912	\$ 6,305	\$ 328,240
Less: Accumulated depreciation	(32,601,940)	(368,776)	(55,709,472)	(6,305)	(254,125)
Book value	73,792,068	1,291,058	35,601,440	-	74,115
Less: Capital related debt	(49,408,970)	-	(1,105,120)	-	-
Less: Bond premiums	(716,758)	-	-	-	-
Add: Bond discounts	657,134	-	-	-	-
Net Investment in Capital Assets	\$ <u>24,323,474</u>	\$ <u>1,291,058</u>	\$ <u>34,496,320</u>	\$ -	\$ <u>74,115</u>



## 13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes and other local taxes and licenses are comprised of the following:

### Governmental Funds

Delinquent taxes not collected within 60 days	\$ 2,214,120
Other liabilities	59,841
Delinquent business licenses	6,920
Delinquent meals taxes	<u>5,599</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 2,286,480</u>
--	---------------------

### Governmental Activities - Primary Government

Deferred inflows for OPEB	\$ 560,976
Deferred inflows for VRS pension liability	<u>551,435</u>

Total Deferred Inflows of Resources - Governmental Activities	<u>\$ 1,112,411</u>
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### School Board - Fund Basis

Held for scholarships	\$ 39,312
	<u>\$ 39,312</u>

### School Board - Component Unit - Governmental Activities

Held for scholarships	\$ 39,312
Deferred inflows for OPEB	2,100,111
Deferred inflows for VRS pension liability	<u>6,835,302</u>
	<u>\$ 8,974,725</u>

### Henry-Martinsville Social Services

Deferred inflows for OPEB	\$ 76,840
Deferred inflows for VRS pension liability	<u>138,635</u>
	<u>\$ 215,475</u>

## 14 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 Risk Sharing Association and Virginia Association of Counties Group Self-Insurance Risk Pool, both public entity risk pools currently operating as a common risk management and insurance program for participating local governments. In the event of a loss deficit and depletion of all available excess insurance, the pool 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 dishonesty and employee health and accident insurance. The component units carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety Bond coverage is as follows:

Treasurer	\$ 750,000
Commissioner of Revenue	3,000
Clerk of Circuit Court	124,000
Sheriff	30,000
Employees of above officers - blanket bond	1,000,000
County Administrator	1,000,000
Employees of County and Board members - blanket bond	1,000,000
Clerk of the School Board	10,000
Director of Public Welfare	100,000
Employees of Social Services - blanket bond	100,000

## 15 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited 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). Pursuant to the requirements of the Uniform Guidance, 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 disallowance of current grant program expenditures, if any, would be immaterial.

## 16 Litigation

The City of Martinsville has filed a notice with the Commission on Local Government related to its proposed reversion to town status. Reversion would bring the residents of the City within the County. The reversion process will be lengthy. Reversion will be evaluated by the Commission on Local Government and a three-judge panel to be appointed by the Virginia Supreme Court. The City hopes to conclude reversion by July 1, 2022. Reversion will impact the services that are provided by County, County expenses for those services, and County revenues, among other things. New revenues from the town will be insufficient to cover the costs of the new services the County will be providing in the town. New services could cost the County an additional \$3 million to \$6 million per year. In the initial year of reversion, there also will be significant one-time expenses in the nature of capital expenditures and on-boarding costs for new personnel and facilities related to the County's new service obligations. One-time expenses could cost the County between \$2 million and \$4 million in the initial year of reversion.

At June 30, 2020, there were no other matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

## 17 Performance Agreements

The County has signed performance agreements with various companies that have located within the County. As part of many of these agreements, the County has agreed to pay cash incentives to the companies. As of June 30, 2020, the County had no outstanding commitments for future payments under these agreements.

## 18 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

### Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 2,889,190,270</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 288,919,027
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>111,778,461</u>
Legal Debt Margin - June 30, 2020	<u>\$ 177,140,566</u>

**Note:** Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes capital leases, landfill closure, and compensated absences.

## 19 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

	<u>School Board</u>
Appropriation from General Fund	\$ 17,764,408
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	1,999,170
Adjustment for the net allocation of internal service self-insurance fund services and costs	45,134
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	<u>(1,859,886)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 17,948,826</u>

## 20 Pension Plan

### Plan Description

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

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

## RETIREMENT PLAN PROVISIONS

### PLAN 1

#### *About Plan 1*

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

#### *Eligible Members*

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

#### *Hybrid Opt-In Election*

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

### PLAN 2

#### *About Plan 2*

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

#### *Eligible Members*

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

#### *Hybrid Opt-In Election*

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

### HYBRID RETIREMENT PLAN

#### *About the Hybrid Retirement Plan*

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

#### *Eligible Members*

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees\*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

#### *\*Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

### **PLAN 1**

#### ***Retirement Contributions***

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

#### ***Service Credit***

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

#### ***Vesting***

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

### **PLAN 2**

#### ***Retirement Contributions***

Same as Plan 1.

#### ***Service Credit***

Same as Plan 1.

#### ***Vesting***

Same as Plan 1.

### **HYBRID RETIREMENT PLAN**

#### ***Retirement Contributions***

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

#### ***Service Credit***

##### **Defined Benefit Component:**

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

##### **Defined Contributions Component:**

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

#### ***Vesting***

##### **Defined Benefit Component:**

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

##### **Defined Contributions Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

## PLAN 1

### *Calculating the Benefit*

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

### *Average Final Compensation*

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

### *Service Retirement Multiplier*

**VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

**Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

## PLAN 2

### *Calculating the Benefit*

See definition under Plan 1.

### *Average Final Compensation*

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

### *Service Retirement Multiplier*

**VRS:** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

**Sheriffs and regional jail superintendents:** Same as Plan 1.

**Political subdivision hazardous duty employees:** Same as Plan 1.

## HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

### *Calculating the Benefit*

#### **Defined Benefit Component:**

See definition under Plan 1.

#### **Defined Contribution Component:**

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

### *Average Final Compensation*

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

### *Service Retirement Multiplier*

#### **Defined Benefit Component:**

**VRS:** The retirement multiplier for the defined benefit component 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.

**Sheriffs and regional jail superintendents:** Not applicable.

**Political subdivision hazardous duty employees:** Not applicable.

#### **Defined Contribution Component**

Not applicable.



**PLAN 1**  
*Normal Retirement Age*

**VRS:** Age 65.

**Political subdivisions hazardous duty employees:**  
Age 60.

*Earliest Unreduced Retirement Eligibility*

**VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

**Political subdivisions hazardous duty employees:**  
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

*Earliest Reduced Retirement Eligibility*

**VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

**Political subdivisions hazardous duty employees:**  
Age 50 with at least five years of service credit.

*Cost-of-Living Adjustment (COLA) in Retirement*

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

*Eligibility:*

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the

**PLAN 2**  
*Normal Retirement Age*

**VRS:** Normal Social Security retirement age.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

*Earliest Unreduced Retirement Eligibility*

**VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

*Earliest Reduced Retirement Eligibility*

**VRS:** Age 60 with at least five years (60 months) of service credit.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

*Cost-of-Living Adjustment (COLA) in Retirement*

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

*Eligibility:*

Same as Plan 1

**HYBRID  
RETIREMENT PLAN**  
*Normal Retirement Age*

**Defined Benefit Component:**

**VRS:** Same as Plan 2.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Earliest Unreduced Retirement Eligibility*

**Defined Benefit Component:**

**VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Earliest Reduced Retirement Eligibility*

**Defined Benefit Component:**

**VRS:** Age 60 with at least five years (60 months) of service credit.

**Political subdivisions hazardous duty employees:**  
Not applicable

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Cost-of-Living Adjustment (COLA) in Retirement*

**Defined Benefit Component:**

Same as Plan 2

**Defined Contribution Component:**

Not applicable

*Eligibility:*

Same as Plan 1 and Plan 2

### **PLAN 1**

#### *Exceptions to COLA Effective Dates:*

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

#### ***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

#### ***Purchase of Prior Service***

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

### **PLAN 2**

#### *Exceptions to COLA Effective Dates:*

Same as Plan 1

#### ***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

#### ***Purchase of Prior Service***

Same as Plan 1

### **HYBRID RETIREMENT PLAN**

#### *Exceptions to COLA Effective Dates:*

Same as Plan 1 and Plan 2

#### ***Disability Coverage***

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

#### ***Purchase of Prior Service***

##### **Defined Benefit Component:**

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

##### **Defined Contribution Component:**

Not applicable



### ***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Primary Government - County</u></b>	<b><u>School Board - General Employees</u></b>
	<b><u>Number</u></b>	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	295	226
Inactive members:		
Vested inactive members	56	13
Non-vested inactive members	81	32
LTD	0	0
Active elsewhere in VRS	<u>135</u>	<u>37</u>
Total inactive members	272	82
Active members	<u>388</u>	<u>186</u>
Total covered employees	<u>955</u>	<u>494</u>

### ***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 and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

**If the employer used the certified rate:** The County of Henry, Virginia's political subdivision contractually required contribution rate for the year ended June 30, 2020 was 10.80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The County of Henry, Virginia school board – general employees' contribution rate was 7.85%.

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 of Henry, Virginia for the County employees were \$1,889,554 and \$1,822,437 for the years ended June 30, 2020 and June 30, 2019, respectively.

For the County of Henry, Virginia school board – general employees, employer contributions were \$269,568 and \$260,464 for the years ended June 30, 2020 and June 30, 2019, respectively.

Each school divisions - teachers contractually required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, which 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 of Henry, Virginia school division - teachers were \$5,936,940 and \$5,736,683 for the years ended June 30, 2020 and June 30, 2019, respectively.

### **Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For County of Henry, Virginia, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

### **Net Pension Liability – Teacher Employee Retirement Plan**

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, 2019, 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	\$49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employer's Net Pension Liability (Asset)	<u><u>\$13,160,567</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

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.

### **Actuarial Assumptions – General Employees and School Division - Teachers**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan and VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

	<b><u>General Employees</u></b>	<b><u>Teachers</u></b>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*	6.75%, net of pension plan investment expenses, including inflation*

*\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

### **Political Subdivisions**

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount rate	Decrease rate from 7.00% to 6.75%

### **School Divisions**

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males 1.0% increase compounded from ages 70-90; and females set back 3 years with 1.5% increase compounded from ages 65-75 and 2% increase compounded from ages 75-90.

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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 *

*\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

*\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.*

### 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; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in Net Pension Liability

#### Primary Government - County

(Includes Component Unit - Henry-Martinsville Social Services)

	<u>Increase (Decrease)</u>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2018	\$ 83,767,769	\$ 75,873,029	\$ 7,894,740
<b>Changes for the Year</b>			
Service cost	1,896,600	-	1,896,600
Interest	5,718,525	-	5,718,525
Benefit changes	-	-	-
Assumption changes	2,553,947	-	2,553,947
Differences between expected and actual experience	529,829	-	529,829
Contributions - employer	-	1,822,437	(1,822,437)
Contributions - employee	-	835,537	(835,537)
Net investment income	-	5,023,320	(5,023,320)
Benefit payments, including refunds of employee contributions	(4,149,107)	(4,149,107)	-
Administrative expenses	-	(49,928)	49,928
Other changes	-	(3,167)	3,167
Net Changes	<u>6,549,794</u>	<u>3,479,092</u>	<u>3,070,702</u>
Balances at June 30, 2019	<u>\$ 90,317,563</u>	<u>\$ 79,352,121</u>	<u>\$ 10,965,442</u>

**NOTE:** This Net Pension Liability is allocated between the Primary Government Henry County and the Component Unit Henry - Martinsville Social Services.

**Component Unit School Board -  
General Employees**

		<u><b>Total Pension Liability (a)</b></u>	<u><b>Increase (Decrease) Plan Fiduciary Net Position (b)</b></u>	<u><b>Net Pension Liability (a) - (b)</b></u>
Balances at June 30, 2018	\$	18,404,058	\$ 17,659,175	\$ 744,883
<b>Changes for the Year</b>				
Service cost		345,967	-	345,967
Interest		1,241,141	-	1,241,141
Benefit changes		-	-	-
Assumptions changes		423,690	-	423,690
Differences between expected and actual experience		85,406	-	85,406
Contributions - employer		-	260,364	(260,364)
Contributions - employee		-	165,284	(165,284)
Net investment income		-	1,139,282	(1,139,282)
Benefit payments, including refunds of employee contributions		(1,346,947)	(1,346,947)	-
Administrative expenses		-	(12,002)	12,002
Other changes		-	(713)	713
Net Changes		<u>749,257</u>	<u>205,268</u>	<u>543,989</u>
Balances at June 30, 2019	\$	<u>19,153,315</u>	\$ <u>17,864,443</u>	\$ <u>1,288,872</u>

***Sensitivity of the County of Henry, Virginia's and County of Henry, Virginia School Division's  
– Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the County of Henry, Virginia and County of Henry, Virginia school division - teachers proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the County of Henry, Virginia and County of Henry, Virginia school division - teachers 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:

	<u><b>1.00% Decrease 5.75%</b></u>	<u><b>Current Discount Rate 6.75%</b></u>	<u><b>1.00% Increase 7.75%</b></u>
<b>Primary Government - County (includes Component Unit - Henry-Martinsville Social Services)</b>			
Political subdivision's Net Pension Liability	\$ <u>22,504,563</u>	\$ <u>10,965,442</u>	\$ <u>1,767,665</u>
<b>Component Unit School Board - General Employees</b>	\$ <u>3,119,136</u>	\$ <u>1,288,872</u>	\$ <u>(194,240)</u>
<b>School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan</b>			
Net Pension Liability	\$ <u>88,777,260</u>	\$ <u>58,971,190</u>	\$ <u>34,327,090</u>



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

For the year ended June 30, 2020, the County of Henry, Virginia recognized pension expense of \$3,254,180.

For the year ended June 30, 2020, the County of Henry, Virginia school board - general employees recognized pension expense of \$403,346.

At June 30, 2020, the County of Henry, Virginia school division - teachers reported a liability of \$58,971,190 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The County of Henry, Virginia school division - teachers proportion of the Net Pension Liability was based on the County of Henry, Virginia school division - teachers actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division - teachers proportion was 0.44809% as compared to 0.45652% at June 30, 2018.

For the year ended June 30, 2020, the County of Henry, Virginia school division - teachers recognized pension expense of \$5,506,218. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the County of Henry, Virginia, County of Henry, Virginia school division – general employees and County of Henry, Virginia school division - teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Primary Government - County</b> (Includes Component Unit - Henry-Martinsville Social Services)		
Differences between expected and actual experience	\$ 974,212	\$ -
Change in assumptions	1,782,362	19,194
Net difference between projected and actual earnings on pension plan investments	-	670,876
Employer contributions subsequent to the measurement date	<u>1,889,554</u>	<u>-</u>
Total - County and Social Services	<u>\$ 4,646,128</u>	<u>\$ 690,070</u>

**Note:** Amounts allocated between the Primary Government and the Component Unit – Henry- Martinsville Social Services.



	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Component Unit School Board - General Employees</b>		
Differences between expected and actual experience	\$ 44,147	\$ 15,929
Change in assumptions	219,009	-
Net difference between projected and actual earnings on pension plan investments	-	144,295
Employer contributions subsequent to the measurement date	<u>293,078</u>	<u>-</u>
Total	<u>\$ 556,234</u>	<u>\$ 160,224</u>

**Component Unit School Board - Teachers**

Differences between expected and actual experience	\$ -	\$ 3,776,174
Change in assumptions	5,839,530	-
Net difference between projected and actual earnings on pension plan investments	-	1,294,867
Changes in proportion and differences between Employer contributions and proportionate share of contributions	56,273	1,604,037
Employer contributions subsequent to the measurement date	<u>6,129,558</u>	<u>-</u>
Total	<u>\$ 12,025,361</u>	<u>\$ 6,675,078</u>

\$1,889,554 for the County, \$293,078 for School Board General Employees and \$6,129,558 for the Teachers reported as deferred outflows of resources related to pensions resulting from the County of Henry, Virginia and the County of Henry, Virginia 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, 2021. 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 -  
County (Includes Component Unit -  
Henry-Martinsville Social Services)**

2021	\$ 1,357,363
2022	388,816
2023	273,577
2024	46,748
2025	-
Thereafter	-

**Year Ended  
June 30,**

**Component Unit School Board -  
General Employees**

2021	\$ 239,858
2022	(147,931)
2023	(1,829)
2024	12,834
2025	-
Thereafter	-

**Component Unit School Board -  
Teachers**

2021	\$ (562,274)
2022	(1,503,540)
2023	193,214
2024	710,740
2025	382,585
Thereafter	-

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Fiduciary Net Position is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

***Payables to the Pension Plan***

The political subdivision, school board general employees, and teachers recognize \$231,457, \$41,287, and \$754,830, respectively of payables to a pension plan outstanding at the end of the reporting period. This amount represents June 2020 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

## **21 Other Post-Employment Benefits - Group Life Insurance Program**

***Plan Description***

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

## GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

### Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

### Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

### Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

### Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute 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 \$8,463 as of June 30, 2020.

### Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the County were \$93,616 and \$89,584 for the years ended June 30, 2020 and June 30, 2019, respectively.

For the component unit school board – general employees, contributions to the Group Life Insurance Program were \$19,515 and \$18,416 for the years ended June 30, 2020 and June 30, 2019, respectively.

For the component unit school board – teacher, contributions to the Group Life Insurance Program were \$203,372 and \$194,646 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the entities reported a liability of \$1,430,041 for the political subdivision, \$294,047 for the component unit school board – general employees, and \$3,107,102 for the component unit school board – teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 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, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .08788% for the political subdivision, .01807% for the school board – general employees, and .19094% for the school board – teacher as compared to .08709% for the political subdivision, .01883% for the component unit school board – general employees, and .19325% for the component unit school board – teacher at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expenses of \$36,754 for the political subdivision, \$7,378 for the component unit school board – general employees, and \$60,274 for component unit school board – teacher. 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, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

**Political Subdivision**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 95,106	\$ 18,548
Net difference between projected and actual earnings on GLI OPEB program investments	-	29,374
Change in assumptions	90,284	43,122
Changes in proportion	17,052	-
Employer contributions subsequent to the measurement date	<u>93,616</u>	<u>-</u>
Total	<u>\$ 296,058</u>	<u>\$ 91,044</u>

**Component Unit School Board  
General Employees**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,556	\$ 3,814
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,040
Change in assumptions	18,564	8,867
Changes in proportion	8,528	10,139
Employer contributions subsequent to the measurement date	<u>19,515</u>	<u>-</u>
Total	<u>\$ 66,163</u>	<u>\$ 28,860</u>

**Component Unit School Board Teacher**

Differences between expected and actual experience	\$ 206,641	\$ 40,302
Net difference between projected and actual earnings on GLI OPEB program investments	-	63,822
Change in assumptions	196,164	93,693
Changes in proportion	12,404	72,338
Employer contributions subsequent to the measurement date	<u>203,372</u>	<u>-</u>
Total	<u>\$ 618,581</u>	<u>\$ 270,155</u>

\$93,616 for the political subdivision, \$19,515 for school board – general employees, and \$203,372 for school board – teacher 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, 2021. 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:

**Political Subdivision**

**Year Ended  
June 30,**

2021	\$ 8,587
2022	8,588
2023	21,029
2024	32,384
2025	31,966
Thereafter	8,844

**Component Unit School Board  
General Employees**

**Year Ended  
June 30,**

2021	\$ 1,623
2022	1,624
2023	4,182
2024	5,156
2025	4,148
Thereafter	1,055

**Component Unit School Board  
Teacher**

**Year Ended  
June 30,**

2021	\$ (535)
2022	(532)
2023	26,499
2024	49,189
2025	54,549
Thereafter	15,884

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
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*

*\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

## **Mortality rates – General State Employees**

### **Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

### **Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

### **Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

## **Mortality rates – Teachers**

### **Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

### **Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

### **Post-Disablement:**

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

### **Mortality rates – SPORS Employees**

#### **Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

#### **Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

#### **Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

### **Mortality rates – VaLORS Employees**

#### **Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

#### **Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

#### **Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.



The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

#### **Mortality rates – JRS Employees**

##### **Pre-Retirement:**

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

##### **Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

##### **Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

#### **Mortality rates – Largest Ten Locality Employers - General Employees**

##### **Pre-Retirement:**

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

##### **Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

**Pre-Retirement:**

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

**Post-Retirement:**

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

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

**Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

### **Net GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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

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

The long-term expected rate of return on the System's investments was determined using a lognormal 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><u>Asset Class (Strategy)</u></b>	<b><u>Target Allocation</u></b>	<b><u>Arithmetic Long-Term Expected Rate of Return</u></b>	<b><u>Weighted Average Long-Term Expected Rate of Return</u></b>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

### **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 member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate 6.75%	1.00% Increase (7.75%)
<b>State Agency's Proportionate Share of the Group Life Insurance Plan</b>			
Net OPEB Liability - Political Subdivision	\$ 1,878,679	\$ 1,430,041	\$ 1,066,209
Net OPEB Liability - School Division	386,296	294,047	219,235
Net OPEB Liability - Teacher	4,081,872	3,107,102	2,316,591

### **Group Life Insurance Program Fiduciary Net Position**

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### **Payables to the VRS Group Life Insurance OPEB Plan**

The political subdivision and school board recognize \$19,882 and \$54,421, respectively of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2020 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

## 22 Other Post-Employment Benefits - Health Insurance Credit Program

### Plan Description

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

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS	
<b>Eligible Employees</b>	<p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li> </ul>
<b>Benefit Amounts</b>	<p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li><b>At Retirement</b> – 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.</li> <li><b>Disability Retirement</b> – 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.</li> </ul>
<b>Health Insurance Credit Program Notes:</b>	<ul style="list-style-type: none"> <li>The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans.</li> <li>Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

### Employees Covered by Benefit Terms

As of the June 30, 2018 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	38
Inactive members:	
Vested inactive members	-
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	38
Active members	128
Total covered employees	<u>166</u>



### Contributions

The contribution requirement 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 County of Henry, Virginia's contractually required employer contribution rate for the year ended June 30, 2020 was 0.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 County of Henry, Virginia to the Political Subdivision Health Insurance Credit Program were \$2,427 and \$2,294 for the years ended June 30, 2020 and June 30, 2019, respectively.

### Net HIC OPEB Liability

The County of Henry, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2019. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

### Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	
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*

*\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

### Mortality rates – Non-Largest Ten Locality Employers - General Employees

#### Pre-Retirement:

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

#### Post-Retirement:

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

#### Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

##### **Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

##### **Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

##### **Post-Disablement:**

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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



<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

### **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 ending June 30, 2019, the rate contributed by the entity for the HIC 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, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

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

	<b>Total HIC OPEB Liability (a)</b>	<b><u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)</b>	<b>Net HIC OPEB Liability (a) - (b)</b>
Balances at June 30, 2018	\$ 253,467	\$ 327,144	\$ (73,677)
<b>Changes for the Year</b>			
Service cost	5,029	-	5,029
Interest	17,135	-	17,135
Benefit changes	-	-	-
Assumption changes	6,716	-	6,716
Differences between expected and actual experience	7,981	-	7,981
Contributions - employer	-	2,294	(2,294)
Net investment income	-	20,410	(20,410)
Benefit payments	(17,372)	(17,372)	-
Administrative expenses	-	(440)	440
Other changes	-	(24)	24
Net Changes	<u>19,489</u>	<u>4,868</u>	<u>14,621</u>
Balances at June 30, 2019	<u>\$ 272,956</u>	<u>\$ 332,012</u>	<u>\$ (59,056)</u>

***Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate***

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision'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:

	<b><u>1% Decrease</u> <u>(5.75%)</u></b>	<b><u>Current Discount</u> <u>Rate (6.75%)</u></b>	<b><u>1% Increase</u> <u>(7.75%)</u></b>
<b>Political subdivision's</b>			
Net HIC OPEB Liability (Asset)	\$ (29,292)	\$ (59,056)	\$ (84,398)

***Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB***

For the year ended June 30, 2020, the County of Henry, Virginia recognized Health Insurance Credit Program OPEB expense \$(2,953). At June 30, 2020, the County of Henry, Virginia reported deferred outflows of resources and deferred inflows of resources related to the County of Henry, Virginia's Health Insurance Credit Program from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,764	\$ 8,001
Change in assumptions	5,692	5,248
Net difference between projected and actual earnings on HIC OPEB program investments	-	4,122
Employer contributions subsequent to the measurement date	<u>2,427</u>	<u>-</u>
Total	<u>\$ 14,883</u>	<u>\$ 17,371</u>

\$2,427 reported as deferred outflows of resources related to the HIC OPEB resulting from the County of Henry, Virginia'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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended  
June 30,**

2021	\$ (3,225)
2022	(3,223)
2023	(569)
2024	(113)
2025	964
Thereafter	1,251

**Health Insurance Credit Program Plan Data**

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the Political Subdivision Health Insurance Credit Program OPEB Plan**

The political subdivision recognizes \$205 of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2020 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

## 23 Other Post-Employment Benefits - Teacher Employee Health Insurance Credit Program

### Plan Description

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

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

#### TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

##### Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

##### Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- **At Retirement** – For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- **Disability Retirement** – 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.

##### Health Insurance Credit Program Notes:

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

### **Contributions**

The contribution requirement 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, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County of Henry, Virginia school division to the VRS Teacher Employee Health Insurance Credit Program were \$469,099 and \$449,032 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the County of Henry, Virginia's school division reported a liability of \$5,840,275 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The County of Henry, Virginia school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the County of Henry, Virginia school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the County of Henry, Virginia school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.44613% as compared to 0.45430% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$456,197. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the County of Henry, Virginia school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 33,079
Change in assumptions	135,930	40,582
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	369	-
Changes in proportion	-	147,875
Employer contributions subsequent to the measurement date	<u>469,099</u>	<u>-</u>
Total	<u>\$ 605,398</u>	<u>\$ 221,536</u>

\$469,099 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

**Year Ended  
June 30,**

2021	\$	(18,931)
2022		(18,937)
2023		(16,378)
2024		(17,234)
2025		(14,286)
Thereafter		529

**Actuarial Assumptions**

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

*\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.*

**Mortality rates – Teachers**

**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

**Net Teacher Employee HIC OPEB Liability**

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$ 1,438,114
Plan Fiduciary Net Position	<u>129,016</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.97%

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 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		5.13%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

*\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.*

### 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 ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 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 County of Henry, Virginia School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the County of Henry, Virginia school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the County of Henry, Virginia 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:

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate 6.75%</b>	<b>1% Increase (7.75%)</b>
<b>School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan</b>			
Net HIC OPEB Liability	\$ 6,536,261	\$ 5,840,275	\$ 5,249,036

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

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at [http://www.varetire.org/Pdf/Publications/2019\\_annual-report.pdf](http://www.varetire.org/Pdf/Publications/2019_annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### ***Payables to the Teacher Health Insurance Credit Program OPEB Plan***

The school division – teacher recognize \$45,605 of payables to a teacher health insurance program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2020 legally required contributions to the OPEB plan due by July 10 per VRS reporting requirements.

## **24 Other Postemployment Benefits (OPEB)–Healthcare**

### **General Information About the OPEB Plan**

#### ***Summary of Plan Provisions***

The following is our understanding of the plan provisions for retiree coverage. Where the following differs from the official plan rules, the valuation should be revised.

#### **Eligibility Conditions**

A retiring employee participating in the Employer's medical program with at least 15 years of County service, and retires under the VRS plan is eligible to elect post-retirement coverage.

#### **Eligibility for VRS Retirement**

##### ***Early Retirement – Plan 1***

- The employee must have 10 years of service and 50 years of age; or,
- The employee must have 5 years of service and 55 years of age.

##### ***Full Retirement – Plan 1***

- The employee must have 65 years of age and vested in VRS; or,
- The employee must have 30 years of service and 50 years of age.

**Early Retirement – Plan 2&Hybrid**

- The employee must have 5 years of service and 60 years of age.

**Full Retirement – Plan 2&Hybrid**

- The employee must have reached Normal Social Security retirement age with at least 5 years of service; or,
- Age and service must equal 90.

**Covered Employees**

All full time employees (must be covered by the active plan at the time of retirement).

Coverage ceases at age 65 for new retirees.

Type of Coverage	Employee	Spouse
Life Insurance	No post-retirement life insurance is valued.	Not Applicable
Dental Coverage	Post-retirement dental coverage is provided on an Access only basis, retirees pay the active rate.	Same as Employee
Vision Coverage	Post-retirement vision coverage is provided on an Access only basis (COBRA – 18 months). Retirees pay retiree rate.	Same as Employee
Medical Coverage		
➤ Employee Cost Sharing	Active employees and retirees charged the same rate. Retiree pays 100% of this blended premium.	Employee pays 100% of blended spousal premium
➤ Coverage Ceases	For future retirees, coverage ceases upon the earlier of death or attainment of Medicare eligibility. For current retirees, coverage ceases upon Death.	For future retirees, spouse coverage ceases upon earlier of retiree death or Medicare eligibility. Surviving spouses are offered COBRA to age 65.
Disability Coverage	No post-retirement disability insurance is valued.	Not Applicable
Long Term Care Coverage	No post-retirement long term care insurance is valued.	Not Applicable

**Amendments**

The Employer reserves the right to amend the Plan at any time subject to Board action.

**Commonwealth of Virginia**

The Commonwealth of Virginia reimburses County retirees' an amount equal to \$1.50 times their years of service up to 30 years. The Commonwealth of Virginia reimburses retired School administrators and teachers an amount equal to \$4.00 times their years of service up to 30 years. This credit has no effect on the Employer's medical contribution or OPEB obligation.

*Employees covered by benefit terms.* At July 1, 2018 (the valuation date) the following employees were covered by the benefit terms:

<b>County</b>	<b><u>Count</u></b>	<b><u>Total OPEB Liability</u></b>
Inactive employees or beneficiaries currently receiving benefits	16	\$ 210,323
Active employees	<u>282</u>	<u>1,012,110</u>
Total	<u>298</u>	<u>\$ 1,222,433</u>

**Henry-Martinsville Social Services**

Inactive employees or beneficiaries currently receiving benefits	0	\$ -
Active employees	<u>85</u>	<u>170,586</u>
Total	<u>85</u>	<u>\$ 170,586</u>

**School Board**

Inactive employees or beneficiaries currently receiving benefits	73	\$ 800,361
Active employees	<u>976</u>	<u>3,636,990</u>
Total	<u>1049</u>	<u>\$ 4,437,351</u>

***Employer Contributions***

The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

***Employee Contributions***

None

***Net OPEB Liability***

The employer's net OPEB liability is reported herein as of June 30, 2020 for the employer fiscal year and reporting period of July 1, 2019 to June 30, 2020. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2019 and the corresponding measurement period of July 1, 2018 to July 1, 2019 for GASB 75 and a measurement date of June 30, 2020 and corresponding measurement period of July 1, 2019 to June 30, 2020 for GASB 74. The measurement of the total OPEB liability is based on a valuation date of July 1, 2018.

### ***Actuarial Assumptions and Actuarial Methods***

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate	6.75% for GASB 75 6.75% for GASB 74
Salary Scale	2.50%
Healthcare Cost Trend Rates	3.10% for fiscal year end 2019 (to reflect actual experience), then 6.90% for fiscal year 2020, decreasing 0.30% per year to an ultimate rate of 5.10%
Mortality	RP-2014 Mortality Table, fully generational, with base year 2006, projected using two-dimensional mortality improvement scale MP-2019
Actuarial Cost Method	Entry Age Actuarial Cost Method

### ***Expected Return on Assets***

6.75%

### ***Discount Rate***

- The discount rate for GASB 75 has been set equal to 6.75% which is the rate of return on assets.
- The discount rate for GASB 74 has been set equal to 6.75% which is the rate of return on assets.

## Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
<b>County</b>	<b>Total OPEB Retiree HI Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Retiree HI Liability (Asset) (a) - (b)</b>
Balances at July 1, 2019	\$ 1,188,802	\$ 754,088	\$ 434,714
<b>Changes for the Year</b>			
Service cost	22,286	-	22,286
Interest	86,758	-	86,758
Difference between expected and actual experience	11,833	-	11,833
Contributions - employer*	-	144,619	(144,619)
Contributions - employee	-	-	-
Net investment income	-	36,707	(36,707)
Benefit payments**	(110,619)	(110,619)	-
Changes of benefit terms	-	-	-
Administrative expenses	-	(1,328)	1,328
Other changes	<u>77,822</u>	<u>-</u>	<u>77,822</u>
Net Changes	<u>88,080</u>	<u>69,379</u>	<u>18,701</u>
Balances at June 30, 2020***	<u>\$ 1,276,882</u>	<u>\$ 823,467</u>	<u>\$ 453,415</u>
<b>Henry-Martinsville Social Services</b>			
Balances at July 1, 2019	\$ 165,497	\$ 194,334	\$ (28,837)
<b>Changes for the Year</b>			
Service cost	5,262	-	5,262
Interest	12,531	-	12,531
Difference between expected and actual experience	(3,883)	-	(3,883)
Contributions - employer*	-	7,493	(7,493)
Contributions - employee	-	-	-
Net investment income	-	8,914	(8,914)
Benefit payments**	(7,493)	(7,493)	-
Changes of benefit terms	-	-	-
Administrative expenses	-	(711)	711
Other changes	<u>11,666</u>	<u>-</u>	<u>11,666</u>
Net Changes	<u>18,083</u>	<u>8,203</u>	<u>9,880</u>
Balances at June 30, 2020***	<u>\$ 183,580</u>	<u>\$ 202,537</u>	<u>\$ (18,957)</u>
<b>School Board</b>			
Balances at July 1, 2019	\$ 4,314,800	\$ 1,686,584	\$ 2,628,216
<b>Changes for the Year</b>			
Service cost	118,245	-	118,245
Interest	309,360	-	309,360
Differences between expected and actual experience	197,064	-	197,064
Contributions - employer*	-	777,833	(777,833)
Contributions - employee	-	-	-
Net investment income	-	77,524	(77,524)
Benefit payments**	(627,833)	(627,833)	-
Changes of benefit terms	-	-	-
Administrative expenses	-	(2,332)	2,332
Other changes	<u>286,182</u>	<u>-</u>	<u>286,182</u>
Net Changes	<u>283,018</u>	<u>225,192</u>	<u>57,826</u>
Balances at June 30, 2020***	<u>\$ 4,597,818</u>	<u>\$ 1,911,776</u>	<u>\$ 2,686,042</u>

\* This is contribution plus "pay-as-you-go" cost

\*\*This is the "pay-as-you-go" cost

\*\*\* Measurement date is July 1, 2019

### ***Sensitivity of the net OPEB liability to changes in the discount rate***

The following presents the Net OPEB liability (asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.00% Decrease</u>	<u>Current Discount Rate</u>	<u>1.00% Increase</u>
<b>County</b>			
Employer's Net			
OPEB Retiree Health			
Insurance Liability	\$ 568,866	\$ 453,415	\$ 349,803
<b>Henry-Martinsville</b>			
<b>Social Services</b>			
Employer's Net			
OPEB Retiree Health			
Insurance Liability	\$ (1,752)	\$ (18,957)	\$ (34,407)
<b>School Board</b>			
Employer's Net			
OPEB Retiree Health			
Insurance Liability	\$3,107,072	\$ 2,686,042	\$2,306,362

### ***Sensitivity of the net OPEB liability to changes in the Trend rate***

The following presents the Net OPEB liability (asset) of the employer as of the measurement date calculated using the trend rate, as well as what the employer's net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1.00% Decrease</u>	<u>Current Trend Rate</u>	<u>1.00% Increase</u>
<b>County</b>			
Employer's Net			
OPEB Retiree Health			
Insurance Liability	\$ 325,899	\$ 453,415	\$ 599,670
<b>Henry-Martinsville</b>			
<b>Social Services</b>			
Employer's Net			
OPEB Retiree Health			
Insurance Liability	\$ (38,196)	\$ (18,957)	\$ 3,143
<b>School Board</b>			
Employer's Net			
OPEB Retiree Health			
Insurance Liability	\$2,191,458	\$ 2,686,042	\$3,262,369

## OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, under GASB 75 the employer OPEB expense is \$(64,504) for the County, \$(14,545) for Henry-Martinsville Social Services, and \$(12,548) for the School Board. The deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2020 from various sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>County</b>		
Differences between expected and actual experience	\$ 9,654	\$ 84,667
Changes of actuarial assumptions	63,490	386,103
Net difference between projected and actual earnings on OPEB plan investments	11,438	-
Employer contributions after measurement date but prior to fiscal year end	<u>34,000</u>	<u>-</u>
Total	<u>\$ 118,582</u>	<u>\$ 470,770</u>
<b>Henry-Martinsville Social Services</b>		
Differences between expected and actual experience	\$ -	\$ 12,045
Changes of actuarial assumptions	9,062	46,586
Net difference between projected and actual earnings on OPEB plan investments	3,276	-
Employer contributions after measurement date but prior to fiscal year end	<u>20,000</u>	<u>-</u>
Total	<u>\$ 32,338</u>	<u>\$ 58,631</u>
<b>School Board</b>		
Differences between expected and actual experience	\$ 178,483	\$ -
Changes of actuarial assumptions	238,003	1,579,560
Net difference between projected and actual earnings on OPEB plan investments	27,518	-
Employer contributions after measurement date but prior to fiscal year end	<u>-</u>	<u>-</u>
Total	<u>\$ 444,004</u>	<u>\$ 1,579,560</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year Ended  
June 30.**

**County**

2021	\$ (118,020)
2022	(118,020)
2023	(118,019)
2024	(39,229)
2025	7,100

**Henry-Martinsville  
Social Services**

2021	\$ (20,020)
2022	(20,020)
2023	(8,358)
2024	2,105
2025	-

**School Board**

2021	\$ (310,453)
2022	(310,453)
2023	(310,455)
2024	(280,666)
2025	76,471

## 25 Fund Balances – Governmental Funds

As of June 30, 2020, fund balances are composed of the following:

	<b>Primary Government</b>					
	<b>General Fund</b>	<b>E-911 Central Dispatch Fund</b>	<b>Law Library Fund</b>	<b>Fieldale Sanitary District Fund</b>	<b>Special Grant Projects Fund</b>	<b>Total Governmental Funds</b>
Nonspendable - inventory	\$ 19,111	\$ -	\$ -	\$ -	\$ -	\$ 19,111
Restricted for specific use	59,208,750	-	94,415	46,501	-	59,349,666
Committed to special projects	4,014,337	-	-	-	-	4,014,337
Committed fund balance - revenue stabilization reserve	3,749,694	-	-	-	-	3,749,694
Assigned for specific projects	7,270,632	-	-	-	227,222	7,497,854
Unassigned	33,326,867	-	-	-	-	33,326,867
	<u>\$ 107,589,391</u>	<u>\$ -</u>	<u>\$ 94,415</u>	<u>\$ 46,501</u>	<u>\$ 227,222</u>	<u>\$ 107,957,529</u>



## 26 Landfill Post-Closure Care Cost

The County maintains a landfill, which was closed in 1993. In accordance with state and federal laws and regulations, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions at the site for a minimum of ten years after closure. The County is currently in compliance with the landfill gas regulations and is no longer required to operate an active system and reverted back to quarterly monitoring in fiscal year 2015. The County is currently in compliance with the groundwater protection standards and, as such, DEQ has allowed the County to stop groundwater monitoring. The County applied to DEQ for termination of post-closure care in November 2016. DEQ is requiring that two issues be resolved prior to their approval to terminate post-closure care of the facility. The first is a land issue related to gas compliance and the other is a surface water issue. The County has completed the required surface water sampling and has submitted to DEQ for their approval. In addition, staff and Joyce Engineering are working on resolving the land issue related to gas compliance.

The \$262,580 reported as landfill post-closure care liability at June 30, 2020 represents what it would cost to perform all future post-closure care. Also, actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

## 27 Revenue Sharing Agreements

The County of Henry, Virginia and the Henry County Industrial Development Authority have entered into three revenue sharing agreements with the City of Martinsville, Virginia.

Two of the agreements, one dated April 30, 2002 and one dated August 31, 2009, are related to the Patriot Centre Industrial Park. The third dated September 25, 2007 is related to the Commonwealth Crossing Business Centre Industrial Park and land currently being referred to as the Bryant Property which is located adjacent to the Patriot Centre Industrial Park.

All these agreements state that the County agrees when a business locates on one of the designated sites in these industrial parks, it will pay the City one-third of all revenues generated from real estate, personal property, machinery & tools, and consumer utility taxes. No revenues will be shared until such time the County has recovered the cumulative costs of developing and maintaining the parks.

Based on the businesses currently located on revenue sharing lots in the Patriot Centre Industrial Park, it is estimated it will be five or more years before the County recovers its costs in order to share revenues.

Based on the businesses currently located on revenue sharing lots at the Commonwealth Crossing Business Centre Industrial Park, it is estimated it will be within five years before the County recovers its costs in order to share revenues.

## 28 Enterprise Zone Incentive Program

The County has two Enterprise Zones as established by the Commonwealth of Virginia which provides existing and new companies locating in these zones both state and local incentives for meeting applicable investment and employment criteria.

Under the local program, the County provides funding to the Industrial Development Authority to provide refunds of local property taxes for qualified companies making investments for modernization, plant expansion or new operations. In addition, the County will waive building permit fees for the companies making the minimum required investments for the purpose of creating or retaining jobs.

Investments by applicable companies must be made in one or more of three categories: Real Estate, Machinery & Tools, or Furniture, Fixtures & Equipment. To qualify, the business must make investments in one or more of these categories with an assessed value of at least \$50,000. The tax refunds are calculated on the County's assessment and taxes on the company's new investments, it is verified the company paid all taxes, and the company's employment levels are equal to or greater than when the application for refund was submitted.

The qualifying companies are refunded 100% of the local taxes applicable to the new investments in year one. In years two through five, the companies are refunded 50% of the local taxes applicable to the new investments. All refunds are made through the Industrial Development Authority which is funded by the County.

During the year ended June 30, 2020, the Industrial Development Authority provided Enterprise Zone Incentive Program tax refunds of \$689,217 to seventeen qualifying companies.

## **29** Industrial Development Authority Investment

In an effort by the County to further develop the Commonwealth Crossing Business Centre industrial park by constructing an industrial training facility, a water storage tank, water lines and a sewer lift station, the County, through the Industrial Development Authority, in partnership with the Martinsville-Henry County Economic Development Corporation, entered into a Federal New Markets Tax Credit transaction on December 7, 2017. This transaction allowed the County with its local funding partners to leverage existing commitments to this project of approximately \$9.1 million to obtain additional funding of approximately \$2.7 million. As a part of this transaction, an investor invested funds into the project in exchange for the federal tax credits. As a part of structuring this transaction to comply with Internal Revenue Service regulations, the Industrial Development Authority made an initial investment of \$3,741,200 for a 42.8% interest in CCAT Leveraged Lender, LLC with the Martinsville-Henry County Economic Development Corporation having the other 57.2% interest. At the closing of this transaction, the County General Fund transferred \$2,772,070 to the Industrial Development Authority and the Henry County Public Service Authority transferred assets valued at \$1,111,279 to the Industrial Development Authority, both of which were used as the source of the investment. As a part of the structure of this transaction an entity named CCAT, Inc. constructed and owns these assets. This investment had a carrying value at June 30, 2020 of \$3,753,645 based on the capital account for the Industrial Development Authority on Form 1065 K-1 of the tax return of CCAT Leveraged Lender, LLC.

## **30** Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2020. Management has performed their analysis through November 24, 2020.

In December 2019, a novel strain of the coronavirus (COVID-19) was first reported resulting in business and social disruption around the world. The outbreak was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The County's operations have been affected by closures and stay at home orders issued in 2020 by government officials. Certain County revenues were impacted by these events in a negative way and the County enacted expenditure freezes and monitoring measures to reduce the financial impact. Federal funds received from the Coronavirus Relief Fund also reduced the negative financial impact of the pandemic on the County's operations. The amount of the financial impact through the date of this report cannot be reasonably estimated and the future impact cannot be reasonably estimated as the virus continues to evolve and the ultimate duration is unknown.

# REQUIRED SUPPLEMENTARY INFORMATION



**County of Henry, Virginia**  
Budgetary Comparison Schedule  
Year Ended June 30, 2020  
**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Property taxes - all years	\$ 27,195,670	\$ 27,195,670	\$ 27,407,588	\$ 211,918
Penalties - all tax years	260,000	260,000	300,719	40,719
Interest - all tax years	190,000	190,000	185,066	(4,934)
Total General Property Taxes	27,645,670	27,645,670	27,893,373	247,703
<b>Other Local Taxes</b>				
Local sales and use taxes	4,340,000	4,340,000	5,372,178	1,032,178
Consumer utility tax	2,943,000	2,943,000	2,665,097	(277,903)
Business license taxes	1,607,500	1,607,500	1,827,121	219,621
Motor vehicle licenses	880,000	880,000	965,378	85,378
Bank franchise taxes	241,500	187,127	261,786	74,659
Transient occupancy taxes	136,000	136,000	108,316	(27,684)
Taxes on recordation and wills	233,000	233,000	231,272	(1,728)
Restaurant food taxes	2,300,000	2,300,000	2,395,206	95,206
Total Other Local Taxes	12,681,000	12,626,627	13,826,354	1,199,727
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	8,000	8,000	5,767	(2,233)
Building and related permits	45,000	45,000	37,316	(7,684)
Other permits, licenses, and fees	5,000	5,000	6,867	1,867
Total Permits, Privilege Fees, and Regulatory Licenses	58,000	58,000	49,950	(8,050)
<b>Fines and Forfeitures</b>				
Court fines and forfeitures	175,000	175,000	140,504	(34,496)
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	603,000	1,926,145	2,004,124	77,979
Revenue from use of property	387,800	387,800	398,894	11,094
Total Revenue from Use of Money and Property	990,800	2,313,945	2,403,018	89,073
<b>Charges for Services</b>				
Sheriff fees	29,454	29,454	37,748	8,294
Commonwealth's attorney	6,000	6,000	4,513	(1,487)
County and hired attorneys	96,680	96,680	90,116	(6,564)
Law enforcement and traffic control	-	-	32,892	32,892
Sanitation and waste removal	69,000	69,000	69,343	343
Treasurer's administrative collection fees	2,400	2,400	2,027	(373)
Parks and recreation	33,000	33,000	21,124	(11,876)
Utility bill collection	18,000	18,000	15,192	(2,808)
Jail monitoring	14,000	14,000	1,615	(12,385)
Miscellaneous other charges for services	1,800	1,800	9,105	7,305
Total Charges for Services	270,334	270,334	283,675	13,341

Variance  
With  
Final Budget  
Positive  
(Negative)

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Recovered Costs</b>				
Jail costs - Commonwealth of Virginia	330,083	330,083	268,169	(61,914)
Inmate housing fees	-	-	67,617	67,617
Salary - court secretary	23,000	23,000	23,623	623
City share of extension services	7,756	7,756	7,756	-
School share of school resource officer	269,038	269,038	269,038	-
EMS fees for service	1,000,000	1,000,000	1,124,352	124,352
M/HC Economic Development Corporation	779,385	779,385	852,109	72,724
Local and special grants	-	23,740	24,090	350
Harvest Foundation grants	-	115,000	115,000	-
Transport prisoners	-	5,500	10,701	5,201
Transportation grants	64,684	85,130	55,415	(29,715)
Other recovered costs	-	-	20,322	20,322
Insurance recoveries	-	14,999	56,012	41,013
Miscellaneous refunds	249,594	250,844	433,433	182,589
Total Recovered Costs	2,723,540	2,904,475	3,327,637	423,162
<b>Miscellaneous</b>	60,000	86,519	68,720	(17,799)
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	41,000	41,000	40,582	(418)
Mobile home titling tax	55,000	55,000	70,893	15,893
Tax on deeds	59,000	59,000	32,992	(26,008)
Auto rental sales tax	24,000	24,000	30,773	6,773
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
Para mutual tax	15,000	15,000	11,731	(3,269)
Communication tax	1,960,000	1,960,000	1,924,627	(35,373)
Total Noncategorical Aid	3,925,828	3,925,828	3,883,426	(42,402)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	596,975	596,975	667,746	70,771
Sheriff	4,746,429	4,746,429	4,737,160	(9,269)
Commissioner of the Revenue	188,354	188,354	181,893	(6,461)
Treasurer	178,263	178,263	177,585	(678)
Electoral Board and General Registrar	47,500	47,500	82,006	34,506
Clerk of Circuit Court	466,337	466,337	484,997	18,660
Total Categorical Aid	6,223,858	6,223,858	6,331,387	107,529
<i>Other Categorical Aid</i>				
Fire programs fund	-	194,524	194,524	-
Volunteer fire grants	-	46,479	9,177	(37,302)
Victim witness program	42,302	42,302	39,063	(3,239)
Transportation grant funds	24,779	27,841	27,841	-
Litter control program	18,916	18,916	15,984	(2,932)
Economic development grant	-	256,000	256,000	-
Emergency services grants	-	135,199	9,428	(125,771)
Other state grants and awards	-	64,447	51,687	(12,760)
Asset forfeiture funds	-	143,123	82,028	(61,095)
Total Other Categorical Aid	85,997	928,831	685,732	(243,099)

Variance  
With  
Final Budget  
Positive  
(Negative)

Original  
Budget

Final  
Budget

Actual

Total Revenue from the Commonwealth of  
Virginia

10,235,683 11,078,517 10,900,545 (177,972)

#### Revenue from the Federal Government

Payments in lieu of taxes	3,000	3,000	3,735	735
Coronavirus relief fund	-	4,476,016	2,418,136	(2,057,880)
FEMA disaster assistance grant	-	178,494	187,869	9,375
Provider relief fund	-	-	47,555	47,555
Emergency services	26,164	26,164	26,164	-
Law enforcement grants	-	404,820	277,904	(126,916)
Victim witness program	126,908	126,908	115,700	(11,208)
Asset forfeiture funds	-	752	-	(752)
Transportation grants	57,030	82,852	54,272	(28,580)
Total Revenue from the Federal Government	213,102	5,299,006	3,131,335	(2,167,671)
Total Intergovernmental Revenue	10,448,785	16,377,523	14,031,880	(2,345,643)
Total Revenues	55,053,129	62,458,093	62,025,111	(432,982)

#### Expenditures

##### Current

##### General Government Administration

Board of Supervisors	139,105	157,105	157,524	(419)
County Administrator	353,703	353,753	370,473	(16,720)
Independent auditor	60,000	60,000	38,400	21,600
Human resources/training	69,500	69,500	64,760	4,740
County Attorney	182,873	182,873	186,262	(3,389)
Commissioner of Revenue	595,904	595,904	575,038	20,866
Assessors	197,245	197,245	179,448	17,797
Treasurer	574,034	574,034	550,854	23,180
Finance	406,464	409,861	408,858	1,003
Information services	358,802	359,477	347,728	11,749
Central purchasing	223,888	223,931	217,509	6,422
Board of Elections - registrar	315,499	388,942	301,879	87,063
Total General Government Administration	3,477,017	3,572,625	3,398,733	173,892

##### Judicial Administration

Circuit Court	89,705	90,955	94,185	(3,230)
General District Court	23,070	23,070	14,368	8,702
Magistrates	3,140	3,140	2,788	352
Juvenile and Domestic Relations	9,990	9,990	5,139	4,851
Clerk of the Circuit Court	788,452	813,004	772,888	40,116
Sheriff Civil and Court Security	1,033,181	1,171,886	1,021,653	150,233
Victim/Witness Assist	173,923	173,923	154,763	19,160
Commonwealth's Attorney	939,807	939,807	955,242	(15,435)
Total Judicial Administration	3,061,268	3,225,775	3,021,026	204,749

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Law enforcement and traffic control	6,276,392	7,229,908	6,170,784	1,059,124
Law enforcement and traffic control - grants	-	389,502	270,742	118,760
School resource officer	269,038	269,038	269,038	-
Fire and rescue services	1,050,625	1,345,682	1,327,211	18,471
Emergency services training	293,326	372,946	267,141	105,805
Emergency services operations	2,259,768	3,287,051	2,030,832	1,256,219
Emergency services grants	-	20,000	19,991	9
Fire prevention	193,322	247,485	187,973	59,512
Correction and detention	4,198,003	4,725,348	4,179,029	546,319
Correction and detention - grants	-	19,266	7,216	12,050
Probation	384,100	384,100	350,056	34,044
Code enforcement	351,301	503,205	330,481	172,724
Public safety	187,612	232,573	186,633	45,940
Public safety grant	-	2,005,627	23,635	1,981,992
Electronic monitoring	32,727	32,727	4,504	28,223
Animal control	238,853	256,377	195,930	60,447
Asset forfeiture	-	143,875	143,605	270
SPCA	11,667	11,667	11,667	-
Total Public Safety	15,746,734	21,476,377	15,976,468	5,499,909
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	9,000	12,207	10,273	1,934
Refuse collection	1,781,074	1,828,001	1,793,455	34,546
Refuse disposal - closure maintenance	10,500	10,500	8,628	1,872
<i>Maintenance of buildings and grounds</i>				
General engineering	289,239	299,075	291,071	8,004
Communication equipment	76,461	76,461	67,000	9,461
Administrative building	485,538	542,270	448,649	93,621
Courthouse	377,873	395,449	293,639	101,810
Sheriff's office	60,900	61,923	39,842	22,081
Jail	316,450	327,050	252,140	74,910
Other	259,247	335,933	206,290	129,643
Social services and health department	64,241	74,192	70,472	3,720
Dupont property	125,111	125,111	90,823	34,288
Total Maintenance of Buildings and Grounds	2,055,060	2,237,464	1,759,926	477,538
Total Public Works	3,855,634	4,088,172	3,572,282	515,890
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	753,243	753,252	619,680	133,572
Health Department	315,000	315,000	315,000	-
Mental health and retardation	169,920	169,920	169,920	-
Transportation grants	156,775	213,950	142,690	71,260
Property tax relief	111,000	111,000	116,305	(5,305)
Group home services	66,192	66,192	66,192	-
Other welfare and social services	112,981	112,981	110,209	2,772
Total Health and Welfare	1,685,111	1,742,295	1,539,996	202,299



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Education</i>				
Contributions to community colleges	59,442	59,442	59,442	-
Contributions to component unit - school board	<u>18,925,432</u>	<u>22,595,515</u>	<u>17,764,408</u>	<u>4,831,107</u>
Total Education	18,984,874	22,654,957	17,823,850	4,831,107
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	1,188,670	1,234,448	1,094,089	140,359
Cultural enrichment	103,588	103,588	103,588	-
Library	<u>735,541</u>	<u>735,541</u>	<u>735,541</u>	<u>-</u>
Total Parks, Recreation, and Cultural	2,027,799	2,073,577	1,933,218	140,359
<i>Community Development</i>				
Planning and community development	316,256	316,306	311,238	5,068
Engineering and mapping	297,519	297,519	282,470	15,049
M/HC Economic Development Corporation - payroll related	779,385	779,385	852,109	(72,724)
M/HC Economic Development Corporation	500,000	500,000	500,000	-
Cooperative extension program	64,101	64,101	59,765	4,336
Henry County Industrial Development Authority	1,510,618	1,921,110	1,332,053	589,057
Other community and economic development	<u>154,304</u>	<u>367,209</u>	<u>205,208</u>	<u>162,001</u>
Total Community Development	3,622,183	4,245,630	3,542,843	702,787
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	119,367	147,965	60,252	87,713
Contingency reserve	<u>110,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Nondepartmental	229,367	197,965	60,252	137,713
<i>Capital Projects</i>				
Correctional facility	900,000	77,959,736	19,845,491	58,114,245
Other miscellaneous capital projects	<u>95,000</u>	<u>1,820,978</u>	<u>1,256,309</u>	<u>564,669</u>
Total Capital Projects	995,000	79,780,714	21,101,800	58,678,914
<i>Debt Service</i>				
Principal	-	-	-	-
Interest and other costs	<u>-</u>	<u>6,552,539</u>	<u>2,504,708</u>	<u>4,047,831</u>
Total Debt Service	-	6,552,539	2,504,708	4,047,831
Total Expenditures	<u>53,684,987</u>	<u>149,610,626</u>	<u>74,475,176</u>	<u>75,135,450</u>
Excess (Deficiency) of Revenues Over Expenditures	1,368,142	(87,152,533)	(12,450,065)	74,702,468
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	25,300,000	25,300,000	-
Transfers to other funds	<u>(1,368,142)</u>	<u>(2,197,894)</u>	<u>(1,728,520)</u>	<u>469,374</u>
Total Other Financing Sources (Uses)	<u>(1,368,142)</u>	<u>23,102,106</u>	<u>23,571,480</u>	<u>469,374</u>



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(64,050,427)	11,121,415	75,171,842
Transfer from Surplus Funds	<u>-</u>	<u>64,050,427</u>	<u>-</u>	<u>(64,050,427)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	11,121,415	<u>\$ 11,121,415</u>
Fund Balance - Beginning of Year			<u>96,467,976</u>	
Fund Balance - End of Year			<u>\$ 107,589,391</u>	

Children's Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	\$ 705,529	\$ 1,414,158	\$ 1,385,239	\$ (28,919)
Revenue from the Federal Government	-	-	28,021	28,021
Total Intergovernmental Revenue	<u>705,529</u>	<u>1,414,158</u>	<u>1,413,260</u>	<u>(898)</u>
Total Revenues	705,529	1,414,158	1,413,260	(898)
<b>Expenditures</b>				
<b>Current</b>				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,033,000</u>	<u>2,091,629</u>	<u>2,058,711</u>	<u>32,918</u>
Total Expenditures	<u>1,033,000</u>	<u>2,091,629</u>	<u>2,058,711</u>	<u>32,918</u>
Excess (Deficiency) of Revenues Over Expenditures	(327,471)	(677,471)	(645,451)	32,020
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>327,471</u>	<u>677,471</u>	<u>645,451</u>	<u>(32,020)</u>
Total Other Financing Sources (Uses)	<u>327,471</u>	<u>677,471</u>	<u>645,451</u>	<u>(32,020)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

E-911 Central Dispatch Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Local Revenues</b>				
Recovered costs	\$ 436,798	\$ 438,279	\$ 414,932	\$ (23,347)
Total Local Revenues	436,798	438,279	414,932	(23,347)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	494,109	524,109	525,659	1,550
Total Intergovernmental Revenues	494,109	524,109	525,659	1,550
Total Revenues	930,907	962,388	940,591	(21,797)
<b>Expenditures</b>				
<b>Current</b>				
Public safety	1,846,578	2,173,509	1,801,875	371,634
Total Expenditures	1,846,578	2,173,509	1,801,875	371,634
Net Change in Fund Balance Before Transfers	(915,671)	(1,211,121)	(861,284)	349,837
Transfer from Other Funds	915,671	1,211,121	861,284	(349,837)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 6,000	\$ 6,000	\$ 5,637	\$ (363)
Recovered costs	<u>3,000</u>	<u>3,000</u>	<u>2,654</u>	<u>(346)</u>
Total Revenues	9,000	9,000	8,291	(709)
<b>Expenditures</b>				
<b>Current</b>				
Judicial administration	<u>20,700</u>	<u>20,700</u>	<u>17,468</u>	<u>3,232</u>
Total Expenditures	<u>20,700</u>	<u>20,700</u>	<u>17,468</u>	<u>3,232</u>
Net Change in Fund Balance Before Transfer from Surplus	(11,700)	(11,700)	(9,177)	2,523
Transfer from Surplus Funds	<u>11,700</u>	<u>11,700</u>	<u>-</u>	<u>(11,700)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(9,177)	<u>\$ (9,177)</u>
Fund Balance - Beginning of Year			<u>103,592</u>	
Fund Balance - End of Year			<u>\$ 94,415</u>	

Fieldale Sanitary District Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ 500	\$ 500	\$ 984	\$ 484
Total Revenues	500	500	984	484
<b>Expenditures</b>				
<b>Current</b>				
Public works	20,500	20,500	15,628	4,872
Total Expenditures	20,500	20,500	15,628	4,872
Net Change in Fund Balance Before Transfer from Surplus	(20,000)	(20,000)	(14,644)	5,356
Transfer from Surplus Funds	20,000	20,000	-	(20,000)
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(14,644)	<u>\$ (14,644)</u>
Fund Balance - Beginning of Year			61,145	
Fund Balance - End of Year			<u>\$ 46,501</u>	

**County of Henry, Virginia**

Schedule of Changes in the Political Subdivision's Net Pension Liability  
and Related Ratios

For the Plan Years Ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Primary Government (Includes Component Unit - Henry-Martinsville Social Services)</b>						
<b>Total pension liability</b>						
Service cost	\$ 1,896,600	\$ 1,827,871	\$ 1,867,788	\$ 1,817,186	\$ 1,825,934	\$ 1,744,503
Interest	5,718,525	5,418,613	5,173,014	4,978,356	4,793,088	4,595,301
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	529,829	1,212,431	610,936	(201,848)	(139,048)	-
Changes of assumptions	2,553,947	-	(118,473)	-	-	-
Benefit payments	<u>(4,149,107)</u>	<u>(4,199,801)</u>	<u>(3,849,611)</u>	<u>(3,776,137)</u>	<u>(3,890,440)</u>	<u>(3,138,102)</u>
<b>Net change in total pension liability</b>	<b>6,549,794</b>	4,259,114	3,683,654	2,817,557	2,589,534	3,201,702
<b>Total pension liability - beginning</b>	<b>83,767,769</b>	<u>79,508,655</u>	<u>75,825,001</u>	<u>73,007,444</u>	<u>70,417,910</u>	<u>67,216,208</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$90,317,563</u></b>	<u>\$83,767,769</u>	<u>\$79,508,655</u>	<u>\$75,825,001</u>	<u>\$73,007,444</u>	<u>\$70,417,910</u>
 <b>Plan fiduciary net position</b>						
Contributions - employer	\$ 1,822,437	\$ 1,664,088	\$ 1,610,625	\$ 1,942,274	\$ 1,860,929	\$ 1,851,310
Contributions - employee	835,537	859,762	779,350	798,388	736,140	720,333
Net investment income	5,023,320	5,309,806	7,954,439	1,131,498	2,906,849	8,808,287
Benefit payments	<u>(4,149,107)</u>	<u>(4,199,801)</u>	<u>(3,849,611)</u>	<u>(3,776,137)</u>	<u>(3,890,440)</u>	<u>(3,138,102)</u>
Administrator charges	<u>(49,928)</u>	<u>(46,279)</u>	<u>(46,404)</u>	<u>(40,955)</u>	<u>(40,480)</u>	<u>(47,504)</u>
Other	<u>(3,167)</u>	<u>(4,709)</u>	<u>(7,065)</u>	<u>(482)</u>	<u>(613)</u>	<u>464</u>
<b>Net change in plan fiduciary net position</b>	<b>3,479,092</b>	3,582,867	6,441,334	54,586	1,572,385	8,194,788
<b>Plan fiduciary net position - beginning</b>	<b>75,873,029</b>	<u>72,290,162</u>	<u>65,848,828</u>	<u>65,794,242</u>	<u>64,221,857</u>	<u>56,027,069</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$79,352,121</u></b>	<u>\$75,873,029</u>	<u>\$72,290,162</u>	<u>\$65,848,828</u>	<u>\$65,794,242</u>	<u>\$64,221,857</u>
 <b>Political subdivision's net pension liability - ending (a) - (b)</b>	<b><u>\$10,965,442</u></b>	<u>\$ 7,894,740</u>	<u>\$ 7,218,493</u>	<u>\$ 9,976,173</u>	<u>\$ 7,213,202</u>	<u>\$ 6,196,053</u>
 <b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>87.86%</b>	90.58%	90.92%	86.84%	90.12%	91.20%
 <b>Covered payroll</b>	<b>\$17,224,148</b>	\$16,559,903	\$15,948,049	\$15,541,311	\$14,834,279	\$14,700,626
 <b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>63.66%</b>	47.67%	45.26%	64.19%	48.63%	42.15%

**NOTE:** Primary Government figures include the Component Unit - Henry-Martinsville Social Services.

**County of Henry, Virginia**

Schedule of Changes in the Political Subdivision's Net Pension Liability  
and Related Ratios

For the Plan Years Ended June 30

**School Board General Employees**

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b>Total pension liability</b>						
Service cost	\$ 345,967	\$ 363,460	\$ 336,697	\$ 360,509	\$ 369,148	\$381,575
Interest	1,241,141	1,245,437	1,245,505	1,222,004	1,209,211	1,183,231
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	85,406	(334,521)	(169,947)	63,285	(128,520)	-
Changes of assumptions	423,690	-	(103,590)	-	-	-
Benefit payments	<u>(1,346,947)</u>	<u>(1,324,555)</u>	<u>(1,294,717)</u>	<u>(1,325,410)</u>	<u>(1,208,758)</u>	<u>(1,178,562)</u>
<b>Net change in total pension liability</b>	<b>749,257</b>	<b>(50,179)</b>	<b>13,948</b>	<b>320,388</b>	<b>241,081</b>	<b>386,244</b>
<b>Total pension liability - beginning</b>	<b><u>18,404,058</u></b>	<b><u>18,454,237</u></b>	<b><u>18,440,289</u></b>	<b><u>18,119,901</u></b>	<b><u>17,878,820</u></b>	<b><u>17,492,576</u></b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 19,153,315</u></b>	<b><u>\$ 18,404,058</u></b>	<b><u>\$ 18,454,237</u></b>	<b><u>\$ 18,440,289</u></b>	<b><u>\$ 18,119,901</u></b>	<b><u>\$ 17,878,820</u></b>
 <b>Plan fiduciary net position</b>						
Contributions - employer	\$ 260,364	\$ 295,722	\$ 290,144	\$ 350,270	\$ 359,989	\$374,408
Contributions - employee	165,284	168,635	165,877	155,088	160,477	164,972
Net investment income	1,139,282	1,252,339	1,921,468	269,906	747,117	2,319,132
Benefit payments	<u>(1,346,947)</u>	<u>(1,324,555)</u>	<u>(1,294,717)</u>	<u>(1,325,410)</u>	<u>(1,208,758)</u>	<u>(1,178,562)</u>
Administrator charges	<u>(12,002)</u>	<u>(11,309)</u>	<u>(11,663)</u>	<u>(10,720)</u>	<u>(10,754)</u>	<u>(12,938)</u>
Other	<u>(713)</u>	<u>(1,096)</u>	<u>(1,689)</u>	<u>(119)</u>	<u>(157)</u>	<u>123</u>
<b>Net change in plan fiduciary net position</b>	<b>205,268</b>	<b>379,736</b>	<b>1,069,420</b>	<b>(560,985)</b>	<b>47,914</b>	<b>1,667,135</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>17,659,175</u></b>	<b><u>17,279,439</u></b>	<b><u>16,210,019</u></b>	<b><u>16,771,004</u></b>	<b><u>16,723,090</u></b>	<b><u>15,055,955</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 17,864,443</u></b>	<b><u>\$ 17,659,175</u></b>	<b><u>\$ 17,279,439</u></b>	<b><u>\$ 16,210,019</u></b>	<b><u>\$ 16,771,004</u></b>	<b><u>\$ 16,723,090</u></b>
 <b>Political subdivision's net pension liability - ending (a) - (b)</b>	<b><u>\$ 1,288,872</u></b>	<b><u>\$ 744,883</u></b>	<b><u>\$ 1,174,798</u></b>	<b><u>\$ 2,230,270</u></b>	<b><u>\$ 1,348,897</u></b>	<b><u>\$ 1,155,730</u></b>
 <b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>93.27%</b>	<b>95.95%</b>	<b>93.63%</b>	<b>87.91%</b>	<b>92.56%</b>	<b>93.54%</b>
 <b>Covered payroll</b>	<b>\$ 3,530,570</b>	<b>\$ 3,565,956</b>	<b>\$ 3,454,267</b>	<b>\$ 3,179,921</b>	<b>\$ 3,254,767</b>	<b>\$3,304,105</b>
 <b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>36.51%</b>	<b>20.89%</b>	<b>34.01%</b>	<b>70.14%</b>	<b>41.44%</b>	<b>34.98%</b>



**County of Henry, Virginia**

Schedule of Employer's Share of Net Pension Liability  
VRS Teacher Employee Retirement Plan

For the Measurement Dates of June 30, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	<b>0.44809%</b>	0.45652%	0.46139%	0.46050%	0.46490%	0.47694%
Employer's Proportionate Share of the Net Pension Liability (Asset)	<b>\$58,971,190</b>	\$53,687,000	\$56,742,000	\$64,535,000	\$58,514,000	\$57,636,000
Employer's Covered Payroll	<b>\$37,401,883</b>	\$36,740,737	\$36,294,838	\$35,114,607	\$34,564,083	\$34,824,957
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	<b>157.669%</b>	146.124%	156.336%	183.784%	169.291%	165.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<b>73.51%</b>	74.81%	72.92%	68.28%	70.68%	70.88%

*Schedule is intended to show information for 10 years. Since 2019 is the sixth year for this presentation, there are only six years available. However, additional years will be included as they become available.*

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on pages 118 and 119 of the VRS 2019 *Comprehensive Annual Financial Report* (CAFR).

## County of Henry, Virginia

### Schedule of Employer Contributions VRS Political Subdivisions Retirement Plan and Teacher Retirement Plan

For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contribution 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>					
<b>County (Includes Component Unit - Henry-Martinsville Social Services)</b>					
2020	\$ 1,943,948	\$ 1,943,948	\$ -	\$ 17,999,517	10.80%
2019	1,860,232	1,860,232	-	17,224,148	10.80%
2018	1,697,648	1,697,648	-	16,559,903	10.25%
2017	1,634,651	1,634,651	-	15,948,049	10.25%
2016	1,955,098	1,955,098	-	15,541,311	12.58%
2015	1,866,106	1,866,106	-	14,834,279	12.58%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
<b>Component Unit School Board -</b>					
<b>General Employees</b>					
2020	\$ 293,078	\$ 293,078	\$ -	\$ 3,733,471	7.85%
2019	277,139	277,139	-	3,530,570	7.85%
2018	309,883	309,883	-	3,565,956	8.69%
2017	300,176	300,176	-	3,454,267	8.69%
2016	353,928	353,928	-	3,179,921	11.13%
2015	361,881	361,881	-	3,254,767	11.12%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
<b>Teachers</b>					
2020	\$ 6,129,558	\$ 6,129,558	\$ -	\$ 39,091,570	15.68%
2019	5,864,690	5,864,690	-	37,401,883	15.68%
2018	5,996,053	5,996,053	-	36,740,737	16.32%
2017	5,320,822	5,320,822	-	36,294,838	14.66%
2016	4,937,114	4,937,114	-	35,114,607	14.06%
2015	5,015,024	5,015,024	-	34,564,083	14.51%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A

**Note:** This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

#### For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll  
Column 2 – Actual employer contribution remitted to VRS  
Column 4 – Employer's covered payroll amount for the fiscal year

## County of Henry, Virginia

### Notes to Required Supplementary Information

For the Year Ended June 30, 2020

**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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 a more current mortality table – RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	
Update to a more current mortality table – RP-2014 projected to 2020	
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teacher:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	
Update to a more current mortality table – RP-2014 projected to 2020	
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

**County of Henry, Virginia**

Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2019, 2018 and 2017

	<u>2019</u>		<u>2018</u>		<u>2017</u>
<b>Political Subdivision</b>					
Employer's Proportion of the Net GLI OPEB Liability (Asset)	<b>0.08788%</b>		0.08709%		0.08652%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	<b>\$ 1,430,041</b>	\$	1,323,000	\$	1,302,000
Employer's Covered Payroll	<b>\$ 17,227,713</b>	\$	16,559,903	\$	15,959,043
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	<b>8.30%</b>		7.99%		8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	<b>52.00%</b>		51.22%		48.86%

*Schedule is intended to show information for 10 years.  
Since 2019 is the third year of presentation, only three years of data is available. However, additional years will be included as they become available.*

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 127 of the VRS 2019 Comprehensive Annual Financial Report (CAFR)

**County of Henry, Virginia**

Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2019, 2018 and 2017

	<u>2019</u>		<u>2018</u>		<u>2017</u>
<b>School Board</b>					
Employer's Proportion of the Net GLI OPEB Liability (Asset)	<b>0.01807%</b>		0.01883%		0.01880%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	<b>\$ 294,047</b>	\$	286,000	\$	283,000
Employer's Covered Payroll	<b>\$ 3,541,574</b>	\$	3,580,333	\$	3,468,337
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	<b>8.30%</b>		7.99%		8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	<b>52.00%</b>		51.22%		48.86%

*Schedule is intended to show information for 10 years.  
Since 2019 is the third year of presentation, only three years of data is available. However, additional years will be included as they become available.*

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 127 of the VRS 2019 Comprehensive Annual Financial Report (CAFR)

**County of Henry, Virginia**

Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2019, 2018 and 2017

	<u>2019</u>		<u>2018</u>		<u>2017</u>
<b>Teacher</b>					
Employer's Proportion of the Net GLI OPEB Liability (Asset)	<b>0.19094%</b>		0.19325%		0.19689%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ <b>3,107,102</b>	\$	2,935,000	\$	2,963,000
Employer's Covered Payroll	\$ <b>37,431,994</b>	\$	36,746,868	\$	36,317,135
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	<b>8.30%</b>		7.99%		8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	<b>52.00%</b>		51.22%		48.86%

*Schedule is intended to show information for 10 years.  
Since 2019 is the third year of presentation, only three years of data is available. However, additional years will be included as they become available.*

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 127 of the VRS 2019 Comprehensive Annual Financial Report (CAFR)

# County of Henry, Virginia

## Schedule of Employer Contributions

### Group Life Insurance OPEB Plan

For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Political Subdivision</b>					
2020	\$ 93,616	\$ 93,616	\$ -	\$ 18,003,036	0.52%
2019	89,584	89,584	-	17,227,713	0.52%
2018	86,111	86,111	-	16,559,903	0.52%
2017	82,987	82,987	-	15,959,043	0.52%
2016	74,685	74,685	-	15,559,369	0.48%
2015	71,272	71,272	-	14,848,401	0.48%
2014	68,700	68,700	-	14,312,420	0.48%
2013	65,935	65,935	-	13,736,505	0.48%
2012	38,246	38,246	-	13,659,316	0.28%
2011	37,856	37,856	-	13,519,966	0.28%
<b>School Board</b>					
2020	\$ 19,515	\$ 19,515	\$ -	\$ 3,752,866	0.52%
2019	18,416	18,416	-	3,541,574	0.52%
2018	18,613	18,613	-	3,580,333	0.52%
2017	18,035	18,035	-	3,468,337	0.52%
2016	15,475	15,475	-	3,223,926	0.48%
2015	15,830	15,830	-	3,297,791	0.48%
2014	15,885	15,885	-	3,309,279	0.48%
2013	15,781	15,781	-	3,287,719	0.48%
2012	8,776	8,776	-	3,134,399	0.28%
2011	9,641	9,641	-	3,443,231	0.28%
<b>Teacher</b>					
2020	\$ 203,372	\$ 203,372	\$ -	\$ 39,109,996	0.52%
2019	194,646	194,646	-	37,431,994	0.52%
2018	191,083	191,083	-	36,746,868	0.52%
2017	188,849	188,849	-	36,317,135	0.52%
2016	168,678	168,678	-	35,159,930	0.48%
2015	165,913	165,913	-	34,565,133	0.48%
2014	167,420	167,420	-	34,879,066	0.48%
2013	165,253	165,253	-	34,427,766	0.48%
2012	95,093	95,093	-	33,961,840	0.28%
2011	90,555	90,555	-	32,340,996	0.28%

#### For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

## County of Henry, Virginia

### Notes to Required Supplementary Information – GLI OPEB

For the Year Ended June 30, 2020

**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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:

#### General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

#### Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

#### SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%



**VaLORS Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

**JRS Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

**Largest Ten Locality Employers – General Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

**Largest Ten Locality Employers – Hazardous Duty Employees**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

**County of Henry, Virginia**

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability  
and Related Ratios

For the Measurement Dates of June 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total HIC OPEB liability</b>			
Service cost	\$ 5,029	\$ 5,068	\$ 5,750
Interest	17,135	17,673	17,681
Changes in benefit terms	-	-	-
Changes of assumptions	6,716	-	(9,433)
Difference between expected and actual experience	7,981	(11,363)	-
Benefit payments	<u>(17,372)</u>	<u>(20,768)</u>	<u>(7,457)</u>
<b>Net change in total HIC OPEB liability</b>	<b>19,489</b>	<b>(9,390)</b>	<b>6,541</b>
<b>Total HIC OPEB liability - beginning</b>	<b>253,467</b>	<b>262,857</b>	<b>256,316</b>
<b>Total HIC OPEB liability - ending (a)</b>	<b><u>\$ 272,956</u></b>	<b><u>\$ 253,467</u></b>	<b><u>\$ 262,857</u></b>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 2,294	\$ 3,940	\$ 3,853
Net investment income	20,410	22,604	33,654
Benefit payments	(17,372)	(20,768)	(7,457)
Administrator charges	(440)	(516)	(542)
Other	<u>(24)</u>	<u>(1,718)</u>	<u>1,718</u>
<b>Net change in plan fiduciary net position</b>	<b>4,868</b>	<b>3,542</b>	<b>31,226</b>
<b>Plan fiduciary net position - beginning</b>	<b>327,144</b>	<b>323,602</b>	<b>292,376</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 332,012</u></b>	<b><u>\$ 327,144</u></b>	<b><u>\$ 323,602</u></b>
 <b>Political subdivision's net HIC OPEB liability - ending (a) - (b)</b>	<b><u>\$ (59,056)</u></b>	<b><u>\$ (73,677)</u></b>	<b><u>\$ (60,745)</u></b>
 <b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	<b>121.64%</b>	<b>129.07%</b>	<b>123.11%</b>
 <b>Covered payroll</b>	<b>\$ 5,735,599</b>	<b>\$ 5,626,721</b>	<b>\$ 5,503,431</b>
 <b>Political subdivision's net HIC OPEB liability as a percentage of covered payroll</b>	<b>-1.0296%</b>	<b>-1.3094%</b>	<b>-1.1038%</b>

## County of Henry, Virginia

### Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) Teacher For the Measurement Dates of June 30, 2019, 2018 and 2017

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	<b>0.44613%</b>		0.45430%		0.45989%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	<b>\$ 5,840,275</b>	\$	5,768,000	\$	5,834,000
Employer's Covered Payroll	<b>\$ 37,419,544</b>	\$	36,740,962	\$	36,294,838
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	<b>15.61%</b>		15.70%		16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	<b>8.97%</b>		8.08%		7.04%

*Schedule is intended to show information for 10 years.  
Since 2019 is the third year of presentation, only three years of data is available. However, additional years will be included as they become available.*

For Reference Only: The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on page 133 of the VRS 2019 *Comprehensive Annual Financial Report* (CAFR)

## County of Henry, Virginia

### Schedule of Employer Contributions HIC OPEB

#### Health Insurance Credit - Political Subdivisions and Teacher

For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Political Subdivision</b>					
<b>2020</b>	<b>\$ 2,427</b>	<b>\$ 2,427</b>	<b>\$ -</b>	<b>\$ 6,066,432</b>	<b>0.04%</b>
2019	2,294	2,294	-	5,735,599	0.04%
2018	3,940	3,940	-	5,626,721	0.07%
2017	3,852	3,852	-	5,503,431	0.07%
2016	3,237	3,237	-	5,395,282	0.06%
2015	3,082	3,082	-	5,136,640	0.06%
2014	949	949	-	4,742,579	0.02%
2013	2,745	2,745	-	13,727,441	0.02%
2012	2,730	2,730	-	13,652,123	0.02%
2011	2,703	2,703	-	13,512,864	0.02%
<b>Teacher</b>					
<b>2020</b>	<b>\$ 469,099</b>	<b>\$ 469,099</b>	<b>\$ -</b>	<b>\$ 39,091,570</b>	<b>1.20%</b>
2019	449,032	449,032	-	37,419,544	1.20%
2018	451,908	451,908	-	36,740,962	1.23%
2017	402,873	402,873	-	36,294,838	1.11%
2016	372,176	372,176	-	35,110,957	1.06%
2015	366,390	366,390	-	34,565,133	1.06%
2014	387,158	387,158	-	34,879,066	1.11%
2013	382,068	382,068	-	34,420,521	1.11%
2012	203,552	203,552	-	33,925,278	0.60%
2011	193,860	193,860	-	32,310,031	0.60%

**For Reference Only:**

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

## County of Henry, Virginia

### Notes to Required Supplementary Information – HIC OPEB

For the Year Ended June 30, 2020

**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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, 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)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

#### **Teacher**

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

## County of Henry, Virginia

### Schedule of Changes in the Political Subdivision's Net OPEB Liability - Retiree Health Insurance and Related Ratios

Last 10 Fiscal Years (as information becomes available)

County	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>			
Service cost	\$ 22,286	\$ 69,463	\$ 67,769
Interest	86,758	68,918	68,051
Changes of benefit terms	-	-	-
Differences between expected and actual experience	11,833	(133,891)	-
Changes in assumptions	77,822	(610,581)	-
Benefit payments	<u>(110,619)</u>	<u>(141,848)</u>	<u>(84,969)</u>
<b>Net change in total OPEB liability</b>	<b>88,080</b>	<b>(747,939)</b>	<b>50,851</b>
<b>Total OPEB liability - beginning</b>	<b><u>1,188,802</u></b>	<b><u>1,936,741</u></b>	<b><u>1,885,890</u></b>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 1,276,882</u></b>	<b><u>\$ 1,188,802</u></b>	<b><u>\$ 1,936,741</u></b>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 144,619	\$ 175,848	\$ 122,969
Contributions - employee	-	-	-
Net investment income	36,707	62,634	73,904
Benefit payments	(110,619)	(141,848)	(84,969)
Administrative expense	<u>(1,328)</u>	<u>(1,246)</u>	<u>(1,173)</u>
<b>Net change in plan fiduciary net position</b>	<b>69,379</b>	<b>95,388</b>	<b>110,731</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>754,088</u></b>	<b><u>658,700</u></b>	<b><u>547,969</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 823,467</u></b>	<b><u>\$ 754,088</u></b>	<b><u>\$ 658,700</u></b>
 <b>Political subdivision's net OPEB liability (asset) - ending (a) - (b)</b>	<b><u>\$ 453,415</u></b>	<b><u>\$ 434,714</u></b>	<b><u>\$ 1,278,041</u></b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>64.49%</b>	<b>63.43%</b>	<b>34.01%</b>
 <b>Covered employee-payroll</b>	<b>\$ 12,965,430</b>	<b>\$ 12,965,430</b>	<b>\$ 12,670,439</b>
 <b>Political subdivision's net OPEB liability (asset) as a percentage of covered employee payroll</b>	<b>3.50%</b>	<b>3.35%</b>	<b>10.09%</b>

**County of Henry, Virginia**

Schedule of Changes in the Political Subdivision's  
Net OPEB Liability - Retiree Health Insurance  
and Related Ratios

Last 10 Fiscal Years (as information becomes available)

<b>Henry-Martinsville Social Services</b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Total OPEB liability</b>			
Service cost	\$ 5,262	\$ 12,893	\$ 12,579
Interest	12,531	9,305	8,745
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(3,883)	(16,309)	-
Changes in assumptions	11,666	(84,156)	-
Benefit payments	<u>(7,493)</u>	<u>(9,367)</u>	<u>(2,493)</u>
<b>Net change in total OPEB liability</b>	<b>18,083</b>	<b>(87,634)</b>	<b>18,831</b>
<b>Total OPEB liability - beginning</b>	<b><u>165,497</u></b>	<b><u>253,131</u></b>	<b><u>234,300</u></b>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 183,580</u></b>	<b><u>\$ 165,497</u></b>	<b><u>\$ 253,131</u></b>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 7,493	\$ 9,367	\$ 12,493
Contributions - employee	-	-	-
Net investment income	8,914	17,025	19,212
Benefit payments	(7,493)	(9,367)	(2,493)
Administrative expense	<u>(711)</u>	<u>(697)</u>	<u>(679)</u>
<b>Net change in plan fiduciary net position</b>	<b>8,203</b>	<b>16,328</b>	<b>28,533</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>194,334</u></b>	<b><u>178,006</u></b>	<b><u>149,473</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 202,537</u></b>	<b><u>\$ 194,334</u></b>	<b><u>\$ 178,006</u></b>
 <b>Political subdivision's net OPEB liability (asset) - ending (a) - (b)</b>	<b><u>\$ (18,957)</u></b>	<b><u>\$ (28,837)</u></b>	<b><u>\$ 75,125</u></b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>110.33%</b>	<b>117.42%</b>	<b>70.32%</b>
 <b>Covered employee-payroll</b>	<b>\$ 3,047,207</b>	<b>\$ 3,047,207</b>	<b>\$ 2,193,651</b>
 <b>Political subdivision's net OPEB liability (asset) as a percentage of covered payroll</b>	<b>-0.62%</b>	<b>-0.95%</b>	<b>3.42%</b>



**County of Henry, Virginia**

Schedule of Changes in the Political Subdivision's  
Net OPEB Liability - Retiree Health Insurance  
and Related Ratios

Last 10 Fiscal Years (as information becomes available)

<b>School Board</b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Total OPEB liability</b>			
Service cost	\$ 118,245	\$ 297,521	\$ 290,264
Interest	309,360	240,768	238,371
Changes of benefit terms	-	-	-
Differences between expected and actual experience	197,064	22,005	-
Changes in assumptions	286,182	(2,381,368)	-
Benefit payments	(627,833)	(653,793)	(286,548)
<b>Net change in total OPEB liability</b>	<b>283,018</b>	<b>(2,474,867)</b>	<b>242,087</b>
<b>Total OPEB liability - beginning</b>	<b><u>4,314,800</u></b>	<b><u>6,789,667</u></b>	<b><u>6,547,580</u></b>
<b>Total OPEB liability - ending (a)</b>	<b><u>\$ 4,597,818</u></b>	<b><u>\$ 4,314,800</u></b>	<b><u>\$ 6,789,667</u></b>
 <b>Plan fiduciary net position</b>			
Contributions - employer	\$ 777,833	\$ 653,793	\$ 286,548
Contributions - employee	-	-	-
Net investment income	77,524	147,530	176,032
Benefit payments	(627,833)	(653,793)	(286,548)
Administrative expense	(2,332)	(2,229)	(2,134)
<b>Net change in plan fiduciary net position</b>	<b>225,192</b>	<b>145,301</b>	<b>173,898</b>
<b>Plan fiduciary net position - beginning</b>	<b><u>1,686,584</u></b>	<b><u>1,541,283</u></b>	<b><u>1,367,385</u></b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 1,911,776</u></b>	<b><u>\$ 1,686,584</u></b>	<b><u>\$ 1,541,283</u></b>
 <b>Political subdivision's net OPEB liability (asset) - ending (a) - (b)</b>	<b><u>\$ 2,686,042</u></b>	<b><u>\$ 2,628,216</u></b>	<b><u>\$ 5,248,384</u></b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>41.58%</b>	<b>39.09%</b>	<b>22.70%</b>
 <b>Covered employee-payroll</b>	<b>\$ 37,925,106</b>	<b>\$ 37,925,106</b>	<b>\$ 35,775,226</b>
 <b>Political subdivision's net OPEB liability (asset) as a percentage of covered payroll</b>	<b>7.08%</b>	<b>6.93%</b>	<b>14.67%</b>

## County of Henry, Virginia

### Schedule of Employer Contributions - OPEB Retiree Health Insurance

Last 10 Fiscal Years (as information becomes available)

Date	Actuarially Determined Contribution (1)	Contributions in Relation to Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Expected Covered Employee Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>County</b>					
<b>2020</b>	<b>\$ 110,619</b>	<b>\$ 144,619</b>	<b>\$ (34,000)</b>	<b>\$ 12,965,430</b>	<b>1.12%</b>
2019	141,848	175,848	(34,000)	12,965,430	1.36%
2018	84,969	84,969	-	12,670,439	0.67%
2017	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
<b>Henry-Martinsville Social Services</b>					
<b>2020</b>	<b>\$ 7,493</b>	<b>\$ 7,493</b>	<b>\$ -</b>	<b>\$ 3,047,207</b>	<b>0.25%</b>
2019	9,367	9,367	-	3,047,207	0.31%
2018	2,493	2,493	-	2,193,651	0.11%
2017	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
<b>School Board</b>					
<b>2020</b>	<b>\$ 627,833</b>	<b>\$ 777,833</b>	<b>\$ (150,000)</b>	<b>\$ 37,925,106</b>	<b>2.05%</b>
2019	653,793	653,793	-	37,925,106	1.72%
2018	286,548	286,548	-	35,775,226	0.80%
2017	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a

## OTHER SUPPLEMENTARY INFORMATION



## County of Henry, Virginia

## Capital Projects Fund

June 30, 2020

## Special Grant Projects Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Recovered costs	\$ -	\$ 1,564,113	\$ 1,053,565	\$ (510,548)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	-	126,014	-	(126,014)
Revenue from the Federal Government	-	<u>1,652,080</u>	<u>295,965</u>	<u>(1,356,115)</u>
Total Intergovernmental	-	<u>1,778,094</u>	<u>295,965</u>	<u>(1,482,129)</u>
Total Revenues	-	3,342,207	1,349,530	(1,992,677)
<b>Expenditures</b>				
<b>Current</b>				
Community development	-	<u>3,469,004</u>	<u>1,416,047</u>	<u>2,052,957</u>
Total Expenditures	-	<u>3,469,004</u>	<u>1,416,047</u>	<u>2,052,957</u>
Net Change in Fund Balance Before Transfers	-	(126,797)	(66,517)	60,280
Transfer from Other Funds	-	<u>95,650</u>	<u>45,190</u>	<u>(50,460)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(31,147)	(21,327)	9,820
Transfer from Surplus Funds	-	<u>31,147</u>	-	<u>(31,147)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(21,327)	<u>\$ (21,327)</u>
Fund Balance - Beginning of Year			<u>248,549</u>	
Fund Balance - End of Year			<u>\$ 227,222</u>	

**County of Henry, Virginia**  
Combining Balance Sheet  
Component Unit - School Board  
Year Ended June 30, 2020

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
<b>Assets</b>				
Cash	\$ 53,726	\$ 718,155	\$ 1,286,140	\$ 2,058,021
Cash - restricted	39,490	-	-	39,490
Receivables - net	109,778	-	19,311	129,089
Due from primary government	2,885,401	-	-	2,885,401
Due from other funds	7,192	-	-	7,192
Due from other governments	<u>2,102,494</u>	<u>-</u>	<u>117,743</u>	<u>2,220,237</u>
Total Assets	<u>\$ 5,198,081</u>	<u>\$ 718,155</u>	<u>\$ 1,423,194</u>	<u>\$ 7,339,430</u>
<b>Liabilities</b>				
Accounts payable	\$ 738,497	\$ -	\$ 54,174	\$ 792,671
Accrued salaries and benefits	4,149,888	-	116,588	4,266,476
Due to primary government	-	-	228,882	228,882
Due to other funds	-	7,192	-	7,192
Unearned grants	<u>270,384</u>	<u>-</u>	<u>-</u>	<u>270,384</u>
Total Liabilities	5,158,769	7,192	399,644	5,565,605
<b>Deferred Inflows of Resources</b>				
Held for scholarships	39,312	-	-	39,312
<b>Fund Balances</b>				
Restricted	-	-	1,023,550	1,023,550
Assigned	<u>-</u>	<u>710,963</u>	<u>-</u>	<u>710,963</u>
Total Fund Balances	<u>-</u>	<u>710,963</u>	<u>1,023,550</u>	<u>1,734,513</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,198,081</u>	<u>\$ 718,155</u>	<u>\$ 1,423,194</u>	<u>\$ 7,339,430</u>
Fund Balances - per above				\$ 1,734,513
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				35,601,440
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to pensions				12,581,595
Deferred inflows related to pensions				(6,835,302)
Deferred outflows related to OPEBs				1,734,146
Deferred inflows related to OPEBs				(2,100,111)
The net VRS pension liability is a long-term liability related to pensions that is applicable to future periods and, therefore, is not reported in the funds.				(60,260,062)
Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.				
Balances of long-term liabilities affecting net position are as follows:				
Capital leases payable				(1,105,120)
Other post employment benefits obligation				(11,927,466)
Compensated absences				<u>(945,647)</u>
Net Position of Governmental Activities				<u>\$ (31,522,014)</u>

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Component Unit - School Board

Year Ended June 30, 2020

	School Fund	School Textbook Fund	School Cafeteria Fund	Total Public Schools
<b>Revenues</b>				
Revenue from use of money and property	\$ 20,131	\$ 9,486	\$ 5,062	\$ 34,679
Charges for services	490,676	-	392,764	883,440
Recovered costs	272,992	-	-	272,992
Miscellaneous	936,524	-	291	936,815
<b>Intergovernmental</b>				
County of Henry, Virginia	17,764,408	-	-	17,764,408
Commonwealth of Virginia	56,614,558	-	125,325	56,739,883
Federal	5,567,567	-	4,663,247	10,230,814
QSCB federal loan interest subsidy	147,721	-	-	147,721
Total Revenues	81,814,577	9,486	5,186,689	87,010,752
<b>Expenditures</b>				
<b>Current</b>				
Instruction	49,880,908	1,022,208	-	50,903,116
Administration, attendance, and health	3,340,901	-	-	3,340,901
Pupil transportation	5,620,132	-	-	5,620,132
Operation and maintenance	6,256,551	-	-	6,256,551
Cafeteria - school food service	-	-	5,362,313	5,362,313
Facilities	1,708,330	-	-	1,708,330
Special grants	8,459,496	-	-	8,459,496
Technology	2,887,188	-	-	2,887,188
<b>Debt Service</b>				
Principal	2,473,315	-	-	2,473,315
Interest and other charges	917,135	-	-	917,135
Total Expenditures	81,543,956	1,022,208	5,362,313	87,928,477
Excess (Deficiency) of Expenditures Over Revenues	270,621	(1,012,722)	(175,624)	(917,725)
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	275,056	-	-	275,056
Transfers in	-	545,677	-	545,677
Transfers out	(545,677)	-	-	(545,677)
Total Other Financing Sources (Uses)	(270,621)	545,677	-	275,056
Net Change in Fund Balances	-	(467,045)	(175,624)	(642,669)
Fund Balances - Beginning of Year	-	1,178,008	1,199,174	2,377,182
Fund Balances - End of Year	\$ -	\$ 710,963	\$ 1,023,550	\$ 1,734,513

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Component Unit - School Board

Year Ended June 30, 2020

Net Change in Fund Balances - per above \$ (642,669)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposition was less than capital outlays. (604,554)

Construction related to renovation of school buildings is part of the County Primary Government since the debt is in the County name. However, the school building belongs to the County until such time the debt is paid off. All debt payments paid by the School Board are adjusted and shown as being paid by the County. 1,999,170

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Proceeds of capital leases	\$ (275,056)	
Repayments on capital leases	<u>613,429</u>	
Net Adjustment		338,373

Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental-Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:

Compensated absences	(150,979)
Net pension liability	(5,828,179)
Deferred inflows - VRS pension	479,773
Deferred outflows - VRS pension	5,865,448
Deferred outflows - OPEB	719,752
Deferred inflows - OPEB	402,183
Other postemployment benefits	<u>(310,250)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,268,068</u>

Henry County School Board  
School Fund

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

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from the use of money and property	\$ 25,000	\$ 25,000	\$ 20,131	\$ (4,869)
Charges for services	45,500	556,451	490,676	(65,775)
Recovered costs	374,000	400,116	272,992	(127,124)
<b>Miscellaneous</b>				
Harvest Foundation	-	577,851	391,222	(186,629)
Other miscellaneous	350,000	398,050	545,302	147,252
Payment from Primary Government - Henry County	18,925,432	22,595,515	17,764,408	(4,831,107)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	54,980,534	57,192,196	56,174,558	(1,017,638)
Educational Technology - Commonwealth of Virginia	466,000	466,000	440,000	(26,000)
Revenue from the Federal Government	9,853,000	6,525,289	5,567,567	(957,722)
QSCB federal loan interest subsidy	-	-	147,721	147,721
Total Intergovernmental Revenues	65,299,534	64,183,485	62,329,846	(1,853,639)
Total Revenues	85,019,466	88,736,468	81,814,577	(6,921,891)
<b>Expenditures</b>				
Instruction	50,670,260	51,950,653	49,880,908	2,069,745
Administration, attendance, and health	3,562,680	3,368,433	3,340,901	27,532
Pupil transportation	5,852,708	6,321,041	5,620,132	700,909
Operation and maintenance	6,361,295	6,969,035	6,256,551	712,484
Facilities	2,144,000	3,417,435	1,708,330	1,709,105
Special grants	10,000,000	10,000,000	8,459,496	1,540,504
Technology	2,356,435	2,697,783	2,887,188	(189,405)
Contingency reserve	50,000	50,000	-	50,000
<b>Debt Service</b>				
Principal	2,566,452	2,506,452	2,473,315	33,137
Interest and other charges	907,732	907,732	917,135	(9,403)
Total Expenditures	84,471,562	88,188,564	81,543,956	6,644,608
Excess (Deficiency) of Revenues Over Expenditures	547,904	547,904	270,621	(277,283)
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	275,056	275,056
Transfers in (out)	(547,904)	(547,904)	(545,677)	2,227
Total Other Financing Sources (Uses)	(547,904)	(547,904)	(270,621)	277,283
Net Change in Fund Balance Before Transfer from Surplus	-	-	-	-
Transfer from Surplus Funds	-	-	-	-
Net Change in Fund Balance After Transfer from Surplus	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	



Henry County School Board  
School Textbook Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 9,486	\$ 9,486
Total Revenues	-	-	9,486	9,486
<b>Expenditures</b>				
Textbooks	<u>1,270,700</u>	<u>1,519,993</u>	<u>1,022,208</u>	<u>497,785</u>
Total Expenditures	<u>1,270,700</u>	<u>1,519,993</u>	<u>1,022,208</u>	<u>497,785</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,270,700)	(1,519,993)	(1,012,722)	507,271
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>547,904</u>	<u>547,904</u>	<u>545,677</u>	<u>(2,227)</u>
Total Other Financing Sources (Uses)	<u>547,904</u>	<u>547,904</u>	<u>545,677</u>	<u>(2,227)</u>
Net Change in Fund Balance	(722,796)	(972,089)	(467,045)	505,044
Transfer from Surplus Funds	<u>722,796</u>	<u>972,089</u>	-	<u>(972,089)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(467,045)	<u>\$ (467,045)</u>
Fund Balance - Beginning of Year			<u>1,178,008</u>	
Fund Balance - End of Year			<u>\$ 710,963</u>	

Henry County School Board  
School Cafeteria Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,062	\$ 5,062
Miscellaneous	-	291	291	-
Charges for services	452,800	452,800	392,764	(60,036)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	-	-	125,325	125,325
Revenue from the Federal Government	<u>5,183,652</u>	<u>5,423,516</u>	<u>4,663,247</u>	<u>(760,269)</u>
Total Intergovernmental Revenues	<u>5,183,652</u>	<u>5,423,516</u>	<u>4,788,572</u>	<u>(634,944)</u>
Total Revenues	5,636,452	5,876,607	5,186,689	(689,918)
<b>Expenditures</b>				
Cafeteria	<u>5,636,452</u>	<u>5,876,607</u>	<u>5,362,313</u>	<u>514,294</u>
Total Expenditures	<u>5,636,452</u>	<u>5,876,607</u>	<u>5,362,313</u>	<u>514,294</u>
Net Change in Fund Balance	-	-	(175,624)	(175,624)
Transfer from Surplus Funds	-	-	-	-
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(175,624)	<u>\$ (175,624)</u>
Fund Balance - Beginning of Year			<u>1,199,174</u>	
Fund Balance - End of Year			<u>\$ 1,023,550</u>	

## County of Henry, Virginia

## Statement of Net Position

Component Unit - Industrial Development Authority

At June 30, 2020

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ -	\$ 968,480	\$ 968,480
Receivables - net	-	30,406	30,406
Due from other governments	48,625	-	48,625
Due from primary government - Henry County, VA	315,803	2,586,976	2,902,779
Inventory	16,090,520	13,698,787	29,789,307
Total Current Assets	16,454,948	17,284,649	33,739,597
<b>Noncurrent Assets</b>			
Investment CCAT Leveraged Lender, LLC	-	3,753,645	3,753,645
Total Noncurrent Assets	-	3,753,645	3,753,645
Total Assets	\$ 16,454,948	\$ 21,038,294	\$ 37,493,242
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 3,042	\$ 13,269	\$ 16,311
Unearned grants	7,375	2,410,000	2,417,375
Short-term note payable	-	3,461,955	3,461,955
Total Current Liabilities	10,417	5,885,224	5,895,641
<b>Long-Term Liabilities</b>			
Due to other governmental unit	10,492	-	10,492
Total Long-Term Liabilities	10,492	-	10,492
Total Liabilities	20,909	5,885,224	5,906,133
<b>Net Position</b>			
Unrestricted	16,434,039	15,153,070	31,587,109
Total Net Position	16,434,039	15,153,070	31,587,109
Total Liabilities and Net Position	\$ 16,454,948	\$ 21,038,294	\$ 37,493,242

## County of Henry, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Component Unit - Industrial Development Authority

Year Ended June 30, 2020

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
<b>Operating Revenues</b>			
Payment from primary government	\$ 571,836	\$ 760,217	\$ 1,332,053
Tobacco Indemnification revenues	-	835,000	835,000
Virginia Economic Development Partnership	48,625	-	48,625
Harvest Foundation	20,000	200,000	220,000
EDC share of costs	-	100,000	100,000
City of Martinsville, Virginia share of costs	<u>285,927</u>	<u>30,406</u>	<u>316,333</u>
Total Operating Revenues	926,388	1,925,623	2,852,011
<b>Operating Expenses</b>			
Economic development	<u>901,417</u>	<u>1,896,229</u>	<u>2,797,646</u>
Total Operating Expenses	<u>901,417</u>	<u>1,896,229</u>	<u>2,797,646</u>
Operating Income	24,971	29,394	54,365
<b>Nonoperating Revenues (Expenses)</b>			
Interest and investment income	-	36,729	36,729
Sale of timber	-	58,836	58,836
Interest expense and bond issue costs	<u>-</u>	<u>(87,991)</u>	<u>(87,991)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>7,574</u>	<u>7,574</u>
Change in Net Position	24,971	36,968	61,939
Total Net Position - Beginning of Year	<u>16,409,068</u>	<u>15,116,102</u>	<u>31,525,170</u>
Total Net Position - End of Year	<u>\$ 16,434,039</u>	<u>\$ 15,153,070</u>	<u>\$ 31,587,109</u>

## County of Henry, Virginia

## Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2020

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
<b>Cash Flows from Operating Activities</b>			
Receipts from primary government	\$ 571,836	\$ 760,217	\$ 1,332,053
Receipts from City of Martinsville, Virginia	-	22,429	22,429
Harvest Foundation	20,000	900,000	920,000
EDC share of costs	-	100,000	100,000
State grants	-	200,000	200,000
Purchase of inventory for resale	(24,952)	-	(24,952)
Cash paid for economic development	(898,974)	(1,870,959)	(2,769,933)
Net Cash Provided by (Used in) Operating Activities	(332,090)	111,687	(220,403)
<b>Cash Flows from Noncapital Financing Activities</b>			
Payments on Due to / Due from accounts from primary government	332,090	834,633	1,166,723
Net Cash Provided by Noncapital Financing Activities	332,090	834,633	1,166,723
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest payments on long-term debt	-	(97,127)	(97,127)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	(97,127)	(97,127)
<b>Cash Flows from Investing Activities</b>			
Interest and investment income	-	53,393	53,393
Sale of timber	-	58,836	58,836
Net Cash Provided by Investing Activities	-	112,229	112,229
Net Increase in Cash and Cash Equivalents	-	961,422	961,422
Cash and Cash Equivalents - Beginning of Year	-	7,058	7,058
Cash and Cash Equivalents - End of Year	\$ -	\$ 968,480	\$ 968,480
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income	\$ 24,971	\$ 29,394	\$ 54,365
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities</i>			
Depreciation	-	-	-
<i>Changes in Assets and Liabilities</i>			
Receivables	-	14,932	14,932
Due from other governments	(48,625)	-	(48,625)
Due to/from City of Martinsville, Virginia	(285,926)	-	(285,926)
Inventory	(24,952)	-	(24,952)
Unearned grants	-	65,000	65,000
Accounts payable	2,442	2,361	4,803
Net Cash Provided by (Used in) Operating Activities	\$ (332,090)	\$ 111,687	\$ (220,403)

## County of Henry, Virginia

## Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2020

**Assets**

Cash	\$ 26,324
Accounts receivable, net	3,141
Due from other governments	<u>819,030</u>
Total Assets	<u>\$ 848,495</u>

**Liabilities and Fund Balance****Liabilities**

Accrued liabilities	\$ 51,940
Due to County of Henry, Virginia	<u>796,555</u>
Total Liabilities	848,495

**Fund Balance**

	-
Total Liabilities and Fund Balance	<u>\$ 848,495</u>

Fund Balance - per above	\$ -
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,115
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The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.	-
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	933,404
Deferred inflows related to pensions	(138,635)
Deferred outflows of resources related to OPEB	91,550
Deferred inflows of resources related to OPEB	(76,840)

Liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Net pension liability	(2,202,950)
OPEB obligations	(267,051)
Compensated absences	<u>(480,572)</u>

Net Position (Deficit) of Governmental Activities	<u>\$ (2,066,979)</u>
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## County of Henry, Virginia

## Statement of Revenues, Expenditures, and Changes in Fund Balances

## Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2020

**Revenues**

Payments from County of Henry, Virginia	\$ 619,680
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Payments from City of Martinsville, Virginia	349,013
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Miscellaneous refunds and revenues	23,151
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***Intergovernmental***

Revenue from the Commonwealth of Virginia	2,273,781
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Revenue from the Federal Government	<u>4,097,186</u>
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Total Intergovernmental	<u>6,370,967</u>
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Total Revenues	7,362,811
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**Expenditures**

Health and welfare	<u>7,362,811</u>
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Net Change in Fund Balance	-
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Fund Balance - Beginning of Year	<u>-</u>
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Fund Balance - End of Year	<u><u>\$ -</u></u>
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Net Change in Fund Balance - per above	\$ -
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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 the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation. (3,387)

Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental-Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:

Compensated absences	(77,502)
Net pension liability	(648,505)
Deferred inflows - VRS pension	(603)
Deferred outflows - VRS pension	352,359
Deferred outflows - OPEB	59,033
Deferred inflows - OPEB	28,002
Other postemployment benefits	<u>(31,288)</u>

Change in Net Position of Governmental Activities	<u><u>\$ (321,891)</u></u>
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## County of Henry, Virginia

## Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Gateway Streetscape Foundation, Inc.

Year Ended June 30, 2020

**Revenues**

Interest income	\$ 642
Donations	4,203
County of Henry, Virginia contribution	19,992
City of Martinsville, Virginia contribution	19,090
Local grants	15,984
Federal grants	12,500
Miscellaneous	<u>36,951</u>

Total Revenues	109,362
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**Expenditures**

Salaries	39,450
Fringe benefits	5,374
Professional services	2,710
Other	<u>34,113</u>

Total Expenditures	<u>81,647</u>
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**Gain (loss) on discontinued operations**

<u>(184,474)</u>
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Net Change in Amounts Held for Others	(156,759)
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Amounts Held for Others - Beginning of Year	<u>156,759</u>
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Amounts Held for Others - End of Year	<u><u>\$ -</u></u>
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## OTHER INFORMATION SECTION



Table 1

## County of Henry, Virginia

General Governmental Revenues by Source<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2011	\$21,018,605	\$11,478,570	\$ 73,618	\$ 195,181	\$ 808,886	\$ 1,921,648	\$ 1,863,200	\$ 2,918,353	\$ 75,507,581	\$115,785,642
2012	21,323,023	11,428,075	65,347	163,957	711,338	1,895,145	2,011,196	3,744,985	73,962,487	115,305,553
2013	22,057,534	11,423,797	71,268	238,381	875,927	1,799,395	1,971,581	3,482,607	72,004,445	113,924,935
2014	23,277,658	11,449,845	67,111	199,043	668,693	1,701,181	2,182,125	3,258,893	71,996,224	114,800,773
2015	23,871,330	12,004,009	61,302	191,984	863,945	1,744,070	994,556	3,547,875	75,295,664	118,574,735
2016	24,025,389	12,219,982	64,192	171,390	909,608	1,613,667	853,693	3,774,357	76,880,284	120,512,562
2017	24,344,550	12,323,201	63,792	214,626	669,873	1,552,687	873,104	3,547,175	79,495,294	123,084,302
2018	26,741,835	12,571,940	55,553	193,569	701,617	1,312,840	1,028,429	4,415,222	84,189,168	131,210,173
2019	28,230,794	13,397,099	77,110	165,674	2,300,453	1,295,214	998,268	4,921,665	86,049,792	137,436,069
<b>2020</b>	<b>27,893,373</b>	<b>13,826,354</b>	<b>49,950</b>	<b>140,504</b>	<b>2,438,681</b>	<b>1,172,752</b>	<b>1,028,686</b>	<b>5,071,780</b>	<b>90,105,162</b>	<b>141,727,242</b>

<sup>(1)</sup> Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

<sup>(2)</sup> Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from intergovernmental revenues.

## County of Henry, Virginia

General Governmental Expenditures by Function<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Gov. Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
2011	\$ 2,933,146	\$ 2,500,200	\$ 13,261,320	\$ 3,330,174	\$ 7,613,384	\$ 71,466,806	\$ 1,713,172	\$ 3,416,240	\$ 4,650	\$ 2,583,513	\$ 2,149,577	\$ 110,972,182
2012	2,941,801	2,491,649	13,046,844	3,121,304	7,798,792	78,781,597	1,746,487	2,910,237	74,988	2,790,336	2,649,852	118,353,887
2013	2,961,920	2,638,640	13,865,659	3,307,047	7,556,889	74,235,340	1,997,811	4,185,859	149,833	2,727,331	392,263	114,018,592
2014	3,022,708	2,727,076	14,610,351	3,328,411	7,602,105	73,570,985	1,762,935	3,337,157	14,401	2,808,718	344,113	113,128,960
2015	3,237,857	2,815,603	15,040,016	3,504,274	7,862,544	73,673,586	1,805,145	3,377,000	83,661	2,850,907	1,164,019	115,414,612
2016	3,138,381	2,895,916	15,432,462	3,473,137	7,755,323	77,873,789	1,832,590	3,793,880	93,018	2,140,166	1,474,742	119,903,404
2017	3,201,410	2,883,408	15,711,987	3,441,711	8,025,248	92,668,525	1,871,240	4,737,410	53,096	2,639,617	797,651	136,031,303
2018	3,257,287	2,989,787	16,738,307	3,504,916	8,385,686	89,772,125	1,927,417	4,881,862	50,809	3,345,873	4,618,167	139,472,236
2019	3,303,587	2,937,463	16,700,369	3,401,291	9,503,796	83,042,119	1,950,922	5,083,973	83,998	8,514,330	3,968,066	138,489,914
<b>2020</b>	<b>3,398,733</b>	<b>3,038,494</b>	<b>17,778,343</b>	<b>3,587,910</b>	<b>10,341,838</b>	<b>84,597,469</b>	<b>1,933,218</b>	<b>4,958,890</b>	<b>60,252</b>	<b>5,895,158</b>	<b>21,101,800</b>	<b>156,692,105</b>

<sup>(1)</sup> Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

<sup>(2)</sup> Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from the respective function.

## County of Henry, Virginia

## Assessed Value of Taxable Property

## Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total</u>
2011	\$ 2,960,170,435	\$ 342,974,030	\$ 27,318,696	\$ 328,036,218	\$ 149,576,812	\$ 3,808,076,191
2012	2,968,408,913	353,755,049	27,404,565	280,113,782	142,520,626	3,772,202,935
2013	2,987,070,870	358,575,743	27,320,870	262,429,189	149,525,937	3,784,922,609
2014	2,858,290,984	372,927,906	23,448,770	287,966,081	150,385,203	3,693,018,944
2015	2,865,947,336	386,921,487	24,055,943	293,438,784	160,532,186	3,730,895,736
2016	2,874,491,189	394,241,419	24,105,123	301,949,527	168,148,943	3,762,936,201
2017	2,901,351,025	417,528,311	23,906,148	311,400,946	175,152,449	3,829,338,879
2018	2,872,989,189	419,610,064	21,786,667	343,462,516	177,404,798	3,835,253,234
2019	2,883,174,054	416,199,483	22,417,477	355,931,097	188,873,635	3,866,595,746
<b>2020</b>	<b>2,889,190,270</b>	<b>435,083,807</b>	<b>22,561,261</b>	<b>338,166,323</b>	<b>196,172,192</b>	<b>3,881,173,853</b>

## Property Tax Rates - Last Ten Fiscal Years

## Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>
2011	\$ 0.46	\$ 1.48	\$ 0.46	\$ 1.19
2012	0.46	1.48	0.46	1.48
2013	0.46	1.48	0.46	1.48
2014	0.488	1.48	0.488	1.48
2015	0.488	1.48	0.488	1.48
2016	0.488	1.48	0.488	1.48
2017	0.488	1.48	0.488	1.48
2018	0.555	1.55	0.555	1.55
2019	0.555	1.55	0.555	1.55
<b>2020</b>	<b>0.555</b>	<b>1.55</b>	<b>0.555</b>	<b>1.55</b>

Table 4

## County of Henry, Virginia

## Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2011	\$ 23,165,358	\$ 21,919,693	94.62%	\$1,166,778	\$ 23,086,471	99.66%	\$ 3,054,362	13.19%
2012	22,739,964	21,732,919	95.57%	991,384	22,724,303	99.93%	2,956,764	13.00%
2013	23,746,769	22,741,314	95.77%	940,165	23,681,479	99.73%	3,038,563	12.80%
2014	24,580,458	23,559,604	95.84%	1,019,691	24,579,295	99.99%	3,151,339	12.82%
2015	24,957,730	24,023,981	96.26%	1,143,857	25,167,838	100.84%	3,018,626	12.09%
2016	25,272,038	24,321,388	96.24%	1,014,013	25,335,401	100.25%	2,776,267	10.99%
2017	25,919,711	24,778,117	95.60%	903,931	25,682,048	99.08%	3,061,326	11.81%
2018	28,879,412	27,380,868	94.81%	640,293	28,021,161	97.03%	3,647,745	12.63%
2019	29,143,275	27,934,344	95.85%	1,493,101	29,427,445	100.98%	3,588,601	12.31%
<b>2020</b>	<b>29,235,764</b>	<b>27,981,597</b>	<b>95.71%</b>	<b>1,197,819</b>	<b>29,179,416</b>	<b>99.81%</b>	<b>3,740,443</b>	<b>12.79%</b>

## County of Henry, Virginia

Ratio of Net General Obligation Bonded Debt  
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population<sup>(1)</sup></u>	<u>Assessed Value<sup>(2)</sup></u>	<u>Net Bonded Debt<sup>(3)</sup></u>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2011	53,553	\$3,808,076,191	\$ 22,022,461	0.58%	\$ 411
2012	53,119	3,772,202,935	20,143,789	0.53%	379
2013	52,761	3,869,287,960	18,221,319	0.47%	345
2014	52,253	3,693,018,944	16,145,808	0.44%	309
2015	51,936	3,730,895,736	14,139,516	0.38%	272
2016	51,604	3,762,936,201	22,678,828	0.60%	439
2017	51,227	3,829,338,879	31,223,019	0.82%	610
2018	51,975	3,835,253,234	30,529,456	0.80%	587
2019	51,438	3,866,595,746	88,338,347	2.28%	1,717
<b>2020</b>	<b>51,019</b>	<b>3,881,173,853</b>	<b>111,778,461</b>	<b>2.88%</b>	<b>2,191</b>

<sup>(1)</sup> Weldon Cooper Center, University of Virginia, Latest Census Records.

<sup>(2)</sup> From Table 3.

<sup>(3)</sup> Includes all long-term general obligation bonded debt, bond anticipation notes, Literary Fund loans, and Recovery Zone bonds. Excludes compensated absences, capital leases, and landfill closure monitoring liability.

Table 6

## County of Henry, Virginia

Ratio of Annual Debt Service Expenditures for General Bonded Debt  
to Total General Governmental Expenditures<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2011	\$1,760,302	\$ 823,211	\$2,583,513	\$ 110,972,182	2.33%
2012	1,878,672	911,664	2,790,336	118,353,887	2.36%
2013	1,922,470	804,861	2,727,331	114,018,592	2.39%
2014	2,075,511	733,207	2,808,718	113,128,960	2.48%
2015	2,199,904	651,003	2,850,907	115,414,612	2.47%
2016	1,460,688	679,478	2,140,166	119,903,404	1.78%
2017	1,734,013	905,604	2,639,617	136,031,303	1.94%
2018	2,123,512	1,222,361	3,345,873	139,472,236	2.40%
2019	5,114,455	3,399,875	8,514,330	138,489,914	6.15%
<b>2020</b>	<b>2,473,315</b>	<b>3,421,843</b>	<b>5,895,158</b>	<b>156,692,105</b>	<b>3.76%</b>

Amounts taken from Table 2.

<sup>(1)</sup> Excludes debt service payments on short-term notes payable.

<sup>(2)</sup> Excludes Component Unit - Industrial Development Authority debt.

# COMPLIANCE SECTION







**Creedle  
Jones  
& Associates**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
Denise C. Williams, CPA, CSEP  
Kimberly W. Jackson, CPA*

*Nadine L. Chase, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

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

To the Board of Supervisors  
County of Henry, 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 *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, and each major fund of the County of Henry, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Henry, Virginia's basic financial statements, and have issued our report thereon dated November 24, 2020.

### **Internal Control Over Financial Reporting**

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

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

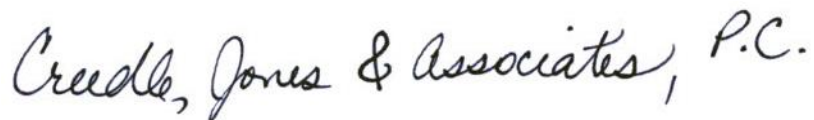
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 24, 2020



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

To the Board of Supervisors  
County of Henry, Virginia

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

We have audited the County of Henry, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Henry, Virginia's major federal programs for the year ended June 30, 2020. County of Henry, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of Henry, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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); and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Henry, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County of Henry, Virginia's compliance.

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

In our opinion, the County of Henry, 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, 2020.

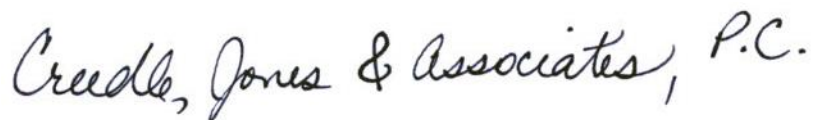
## Report on Internal Control Over Compliance

Management of the County of Henry, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Henry, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Henry, Virginia's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 24, 2020



## **REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

To the Board of Supervisors  
County of Henry, Virginia

We have audited the financial statements of the County of Henry, Virginia, as of and for the year ended June 30, 2020, and have issued our report thereon dated November 24, 2020.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Henry, Virginia, is the responsibility of the County of Henry, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Henry, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

### *Code of Virginia*

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

*State Agency Requirements*

- Social Services
- Education
- Children's Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Henry, Virginia had not complied, in all material respects, with those provisions.

- 1) there was no management approval of tax abatements

This report is intended solely for the information of the Board of Supervisors, County of Henry, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Creedle, Jones & Associates, P.C.*

Creedle, Jones & Associates, P.C.  
Certified Public Accountants

South Hill, Virginia  
November 24, 2020

**County of Henry, Virginia**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>PRIMARY GOVERNMENT</b>			
<b>U. S. Department of the Treasury</b>			
<b>Pass-Through Payments</b>			
Coronavirus Relief Fund	21.019	151	\$ 2,418,136
<b>U. S. Department of Interior</b>			
<b>Direct Payments</b>			
Payments in Lieu of Taxes - Public Law	15.226	N/A	3,735
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Department of Transportation</i>			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	501	166,635
Total Highway Planning and Construction Cluster			166,635
<i>Department of Motor Vehicles</i>			
Alcohol Open Container Requirements	20.607	530	12,697
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	530	2,673
Total Highway Safety Cluster			2,673
Subtotal - U. S. Department of Transportation			182,005
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Aging Cluster</i>			
<i>Southern Area Agency on Aging</i>			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	N/A	32,959
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers (CARES Act)	93.045	N/A	21,313
Total Aging Cluster			54,272
<b>Direct Payments</b>			
Provider Relief Fund	93.498	N/A	47,555
Subtotal - U. S. Department of Health and Human Services			101,827
<b>U. S. Department of Justice</b>			
<b>Direct Payments</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	29,617
Bulletproof Vest Partnership Program	16.607	N/A	20,356
State Criminal Alien Assistance Program	16.606	N/A	7,162
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	9,471
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services</i>			
Crime Victim Assistance	16.575	140	115,700
Subtotal - U. S. Department of Justice			182,306
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228	165	124,830
Subtotal - U. S. Department of Housing and Urban Development			124,830
<b>U. S. Department of Homeland Security</b>			
<b>Pass-Through Payments</b>			
<i>Department of Emergency Management</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	127	187,869
Homeland Security Grant Program	97.067	127	195,928
Emergency Management Performance Grants	97.042	127	26,164
Subtotal - U. S. Department of Homeland Security			409,961

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass- through Entity Identifying Number</u></b>	<b><u>Total Federal Expenditures</u></b>
<b>Appalachian Regional Commission (ARC)</b>			
<b>Direct Payments</b>			
Appalachian Area Development	23.002	N/A	4,500
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Social services block grant	93.667	765	<u>28,021</u>
<b>Total - Primary Government</b>			<b>3,455,321</b>
<b>HENRY-MARTINSVILLE SOCIAL SERVICES</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	<u>845,505</u>
Total SNAP Cluster			<u>845,505</u>
Subtotal - U. S. Department of Agriculture			845,505
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	765	<u>124,474</u>
Total CCDF Cluster			<u>124,474</u>
<i>Department of Social Services</i>			
TANF Cluster			
Temporary Assistance for Needy Families	93.558	765	<u>670,921</u>
Total TANF Cluster			<u>670,921</u>
Chafee education and training vouchers program (ETV)	93.599	765	1,634
Promoting Safe and Stable Families	93.556	765	40,561
Refugee and Entrant Assistance - State Administered Programs	93.566	765	958
Low-Income Home Energy Assistance	93.568	765	125,818
Adoption Incentive Payments	93.603	765	1,870
Stephanie Tubbs Jones Child Welfare Services Program	93.645	765	1,682
Foster care - Title IV-E	93.658	765	457,372
Adoption assistance	93.659	765	405,268
Chafee foster care independence program	93.674	765	7,792
Children's Health Insurance Program (CHIP)	93.767	765	17,100
Social Services Block Grant	93.667	765	473,269
<i>Medicaid Cluster</i>			
Medical Assistance Program	93.778	765	<u>922,962</u>
Total Medicaid Cluster			<u>922,962</u>
Subtotal - U. S. Department of Health and Human Services			<u>3,251,681</u>
<b>Total - Henry-Martinsville Social Services</b>			<b>4,097,186</b>



Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
<b>SCHOOL BOARD</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Child Nutrition Cluster</i>			
<i>State Department of Agriculture and Consumer Services</i>			
National School Lunch Program (NSLP) - Food distribution - donated commodities	10.555	301	333,211
<i>Department of Education</i>			
Summer Food Service Program for Children (SFSPC)	10.559	197	84,244
Summer Food Service Program for Children (SFSPC) (CARES Act)	10.559	197	224,618
School Breakfast Program (SBP)	10.553	197	1,062,428
School Breakfast Program (SBP) (CARES Act)	10.553	197	81,800
National School Lunch Program (NSLP)	10.555	197	2,550,413
National School Lunch Program (NSLP) (CARES Act)	10.555	197	<u>123,046</u>
Total Child Nutrition Cluster			4,459,760
National School Lunch Program - Child Adult Care Food Program	10.558	197	235,702
National School Lunch Program - Child Adult Care Food Program (CARES Act)	10.558	197	62,136
Fresh Fruit and Vegetable Program	10.582	197	<u>238,860</u>
Subtotal - U. S. Department of Agriculture			4,996,458
<b>U. S. Department of Education</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	197	2,092,728
Special Education - Preschool Grants (IDEA Preschool)	84.173	197	<u>83,057</u>
Total Special Education Cluster (IDEA)			2,175,785
Title I grants to local educational agencies	84.010	197	2,501,151
Adult education - basic grants to states	84.002	197	90,743
Career and technical education - basic grants to states	84.048	197	173,933
English Language Acquisition State Grants	84.365	197	71,165
Student Support Academic Enrichment Program	84.424	197	151,095
Rural Education	84.358	197	137,049
Improving Teacher Quality State Grant	84.367	197	<u>266,646</u>
Subtotal - U. S. Department of Education			<u>5,567,567</u>
<b>Subtotal - School Board</b>			<u><b>10,564,025</b></u>
<b>Grand Totals</b>			<u><b>\$ 18,116,532</b></u>

See accompanying notes to schedule of expenditures of federal awards.

## Notes to Schedule of Expenditures of Federal Awards

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Henry, Virginia under programs of the federal government for the year ended June 30, 2020. 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 County of Henry, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Henry, Virginia.

### 2. Summary of Significant Accounting Policies

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.

### 3. Indirect Cost Rate

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

### 4. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$333,211 at the time received were consumed during the year ended June 30, 2020. These commodities were included in the determination of federal awards expended during the year ended June 30, 2020.

### 5. Subrecipients

No awards passed through to subrecipients.

## County of Henry, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

#### SECTION I - SUMMARY OF AUDITOR'S RESULTS

##### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

##### *Internal control over financial reporting:*

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None Reported

Noncompliance material to financial statements noted?

No

##### Federal Awards

##### *Internal control over major federal programs:*

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

No

##### *Identification of major federal programs:*

##### CFDA Number(s)

##### Name of Federal Program or Cluster

84.010

Title I

84.027, 84.173

Special Education Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes

#### SECTION II - FINANCIAL STATEMENT FINDINGS

None

#### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None