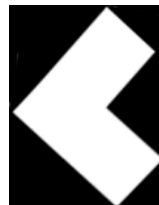


County of Henry, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2021



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

County of Henry, Virginia

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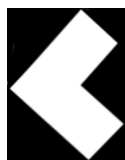
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FINANCIAL SECTION





**Creedle
Jones
& Associates**

A Professional Corporation

Robin B. Jones, CPA, CFP
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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the County adopted new accounting guidance, GASBS No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-9 and budgetary comparison information and schedules related to pension and OPEB on pages 99–108, 109-113, and 114-129 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

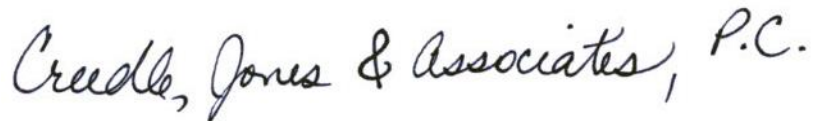
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Henry, Virginia's basic financial statements. The component unit statements and other information section are presented for purposes of additional analysis and are not a required 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 December 7, 2021, 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
December 7, 2021

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, 2021. 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 \$76,584,846. Of this amount, \$50,783,904 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 \$1,348,449 with an unrestricted balance of \$108,074.

The County's total net position increased by \$10,877,236 during the current fiscal year. Of this amount, an increase of \$10,885,278 is related to governmental activities and a decrease of \$8,042 is attributed to business-type activities.

As of June 30, 2021, the County's Governmental Funds reported combined ending fund balances of \$79,569,519, a decrease of \$28,388,010 in comparison with the prior year. Approximately 39.94% of this amount is available for spending at the County's discretion (unassigned fund balance).

At the end of fiscal year 2021, the general fund's unassigned fund balance was \$31,779,866, or approximately 33.78% 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 custodial funds. Custodial 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, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 105,137,496	\$ 127,718,410	\$ 190,695	\$ 151,757	\$ 105,328,191	\$ 127,870,167
Capital assets (net)	<u>111,848,284</u>	<u>73,792,068</u>	<u>1,240,375</u>	<u>1,291,058</u>	<u>113,088,659</u>	<u>75,083,126</u>
Total Assets	<u>216,985,780</u>	<u>201,510,478</u>	<u>1,431,070</u>	<u>1,442,815</u>	<u>218,416,850</u>	<u>202,953,293</u>
Deferred Outflows of Resources	<u>6,059,411</u>	<u>4,083,035</u>	<u>-</u>	<u>-</u>	<u>6,059,411</u>	<u>4,083,035</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 223,045,191</u>	<u>\$ 205,593,513</u>	<u>\$ 1,431,070</u>	<u>\$ 1,442,815</u>	<u>\$ 224,476,261</u>	<u>\$ 207,036,328</u>
Liabilities						
Other liabilities	\$ 18,164,064	\$ 13,638,905	\$ 82,621	\$ 86,324	\$ 18,246,685	\$ 13,725,229
Long-term liabilities	<u>127,894,408</u>	<u>125,142,629</u>	<u>-</u>	<u>-</u>	<u>127,894,408</u>	<u>125,142,629</u>
Total Liabilities	<u>146,058,472</u>	<u>138,781,534</u>	<u>82,621</u>	<u>86,324</u>	<u>146,141,093</u>	<u>138,867,858</u>
Deferred Inflows of Resources	<u>401,873</u>	<u>1,112,411</u>	<u>-</u>	<u>-</u>	<u>401,873</u>	<u>1,112,411</u>
Net Position						
Net investment in capital assets	<u>25,800,942</u>	<u>24,323,474</u>	<u>1,240,375</u>	<u>1,291,058</u>	<u>27,041,317</u>	<u>25,614,532</u>
Unrestricted	<u>50,783,904</u>	<u>41,376,094</u>	<u>108,074</u>	<u>65,433</u>	<u>50,891,978</u>	<u>41,441,527</u>
Total Net Position	<u>76,584,846</u>	<u>65,699,568</u>	<u>1,348,449</u>	<u>1,356,491</u>	<u>77,933,295</u>	<u>67,056,059</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 223,045,191</u>	<u>\$ 205,593,513</u>	<u>\$ 1,431,070</u>	<u>\$ 1,442,815</u>	<u>\$ 224,476,261</u>	<u>\$ 207,036,328</u>

The County's combined net position at June 30, 2021 of \$77,933,295 represents an increase of \$10,877,236 from the combined net position at June 30, 2020. 34.70% 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. 65.30% 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, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for services	\$ 547,605	\$ 479,766	\$ 196,356	\$ 156,418	\$ 743,961	\$ 636,184
Grants and contributions	10,148,084	9,729,778	-	47,475	10,148,084	9,777,253
General Revenues						
General property taxes, real and personal	28,630,910	28,171,542	-	-	28,630,910	28,171,542
Other taxes	15,742,493	13,826,354	-	-	15,742,493	13,826,354
Grants and contributions not restricted to specific programs	10,265,479	6,536,986	-	-	10,265,479	6,536,986
Unrestricted revenues from use of money and property	1,244,753	2,404,002	-	-	1,244,753	2,404,002
Miscellaneous	86,830	68,720	-	-	86,830	68,720
Total Revenues	66,666,154	61,217,148	196,356	203,893	66,862,510	61,421,041
Expenses						
General government administration	2,258,171	3,131,010	-	-	2,258,171	3,131,010
Judicial administration	3,708,557	3,493,139	-	-	3,708,557	3,493,139
Public safety	17,038,330	16,218,463	-	-	17,038,330	16,218,463
Public works	4,370,186	3,682,516	-	-	4,370,186	3,682,516
Health and welfare	5,089,315	3,807,115	-	-	5,089,315	3,807,115
Education	14,047,679	18,008,268	-	-	14,047,679	18,008,268
Parks, recreation, and cultural	2,091,124	1,967,534	230,919	217,361	2,322,043	2,184,895
Community development	3,938,591	3,046,202	-	-	3,938,591	3,046,202
Interest on long-term debt	3,212,402	3,123,795	-	-	3,212,402	3,123,795
Total Expenses	55,754,355	56,478,042	230,919	217,361	55,985,274	56,695,403
Change in Net Position Before Transfers	10,911,799	4,739,106	(34,563)	(13,468)	10,877,236	4,725,638
Transfers	(26,521)	(176,595)	26,521	176,595	-	-
Change in Net Position	10,885,278	4,562,511	(8,042)	163,127	10,877,236	4,725,638
Beginning Net Position	65,699,568	61,137,057	1,356,491	1,193,364	67,056,059	62,330,421
Ending Net Position	<u>\$ 76,584,846</u>	<u>\$ 65,699,568</u>	<u>\$ 1,348,449</u>	<u>\$ 1,356,491</u>	<u>\$ 77,933,295</u>	<u>\$ 67,056,059</u>

Governmental activities increased the County's net position by \$10,885,278 for fiscal year 2021. Revenues from governmental activities totaled \$66,666,154. General property taxes comprise the largest source of these revenues, totaling \$28,630,910 or 42.95% of all governmental activities revenue. Business-type activities revenues totaled \$196,356 and expenses totaled \$230,919, decreasing the net position by \$8,042.

The total cost of all governmental activities for this fiscal year was \$55,754,355. Public safety was the County's largest program with expenses totaling \$17,038,330. Education, which totals \$14,047,679, 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, 2021 and 2020

	<u>2021</u>		<u>2020</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	\$ 2,258,171	\$ (1,739,439)	\$ 3,131,010	\$ (2,584,543)
Judicial administration	3,708,557	(2,363,791)	3,493,139	(2,175,483)
Public safety	17,038,330	(10,599,743)	16,218,463	(10,026,039)
Public works	4,370,186	(4,080,800)	3,682,516	(3,219,903)
Health and welfare	5,089,315	(3,024,712)	3,807,115	(2,393,855)
Parks, recreation, and cultural	2,091,124	(2,051,509)	1,967,534	(1,946,410)
Community development	3,938,591	(3,938,591)	3,046,202	(2,790,202)
Education	14,047,679	(14,047,679)	18,008,268	(18,008,268)
Interest on long-term debt	<u>3,212,402</u>	<u>(3,212,402)</u>	<u>3,123,795</u>	<u>(3,123,795)</u>
Total	<u>\$ 55,754,355</u>	<u>\$ (45,058,666)</u>	<u>\$ 56,478,042</u>	<u>\$ (46,268,498)</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 \$79,569,519. The combined governmental fund balance decreased \$28,388,010 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 \$31,779,866. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 33.78% of total fund expenditures, while total fund balance represents 84.26% of that same amount.

The General Fund contributed operating funds to finance the component units as follows: \$16,865,565 School Board operations, \$2,404,364 to finance the Industrial Development Authority, and \$832,806 to the Social Services Board.

The Special Grant Projects Fund has a total fund balance of \$173,228, 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, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 27,905,117	\$ 27,905,117	\$ 29,167,772	\$ 27,645,670	\$ 27,645,670	\$ 27,893,373
Other	17,483,199	18,735,309	21,023,164	16,958,674	18,434,900	20,099,858
Intergovernmental	<u>10,453,906</u>	<u>17,750,080</u>	<u>17,563,010</u>	<u>10,448,785</u>	<u>16,377,523</u>	<u>14,031,880</u>
Total	55,842,222	64,390,506	67,753,946	55,053,129	62,458,093	62,025,111
Expenditures	<u>54,228,040</u>	<u>138,857,477</u>	<u>94,088,747</u>	<u>53,684,987</u>	<u>149,610,626</u>	<u>74,475,176</u>
Excess (Deficiency) of Revenues Over Expenditures	1,614,182	(74,466,971)	(26,334,801)	1,368,142	(87,152,533)	(12,450,065)
Other Financing Sources (Uses)						
Issuance of debt	-	-	-	-	25,300,000	25,300,000
Transfers in (out)	<u>(1,614,182)</u>	<u>(2,550,710)</u>	<u>(1,973,445)</u>	<u>(1,368,142)</u>	<u>(2,197,894)</u>	<u>(1,728,520)</u>
Total	<u>(1,614,182)</u>	<u>(2,550,710)</u>	<u>(1,973,445)</u>	<u>(1,368,142)</u>	<u>23,102,106</u>	<u>23,571,480</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(77,017,681)	(28,308,246)	-	(64,050,427)	11,121,415
Transfer from Surplus Funds	<u>-</u>	<u>77,017,681</u>	<u>-</u>	<u>-</u>	<u>64,050,427</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (28,308,246)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,121,415</u>

Final amended budget revenues exceeded the original budget by \$8,548,284.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$84,629,437 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 more than final budget amounts by \$3,363,440, or 5.22%, while actual expenditures were \$44,768,730, or 32.24% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the County's governmental activities net capital assets after allocation of net school buildings with outstanding debt total \$111,848,284, which represents a net increase of \$38,056,216 or 51.57% over the previous fiscal year-end balance. The business-type activities net capital assets total \$1,240,375, a decrease of \$50,683 or 3.93% over the previous fiscal year. The Component Unit School Board's net capital assets after allocation of net school buildings with outstanding debt total \$35,248,793, a decrease of \$352,647 or 0.99% from the previous year. The Component Unit IDA's net capital assets total \$-0-. The Component Unit Social Services net capital assets total \$74,370, an increase of \$255 or 0.34% from the previous year.

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land	\$ 2,165,214	\$ 357,900	\$ 2,523,114
Construction-in-progress	22,829,779	34,895,083	57,724,862
Land improvements	4,743,391	-	4,743,391
Buildings and improvements	24,176,642	1,969,167	26,145,809
Furniture, equipment, and vehicles	<u>19,516,832</u>	<u>1,751,762</u>	<u>21,268,594</u>
Total Capital Assets	73,431,858	38,973,912	112,405,770
Less: Accumulated depreciation and amortization	<u>(32,601,940)</u>	<u>(910,426)</u>	<u>(33,512,366)</u>
Total Capital Assets, Net Before Allocation of Schools	<u>\$ 40,829,918</u>	<u>\$ 38,063,486</u>	<u>78,893,404</u>
Allocation of net school buildings with outstanding debt			<u>32,954,880</u>
Total Capital Assets, Net			<u><u>\$ 111,848,284</u></u>

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 90,468	\$ -	\$ 90,468
Buildings and improvements	1,367,832	22,673	1,390,505
Furniture, equipment, and vehicles	<u>201,534</u>	<u>-</u>	<u>201,534</u>
Total Capital Assets	1,659,834	22,673	1,682,507
Less: Accumulated depreciation and amortization	<u>(368,776)</u>	<u>(73,356)</u>	<u>(442,132)</u>
Total Capital Assets, Net	<u><u>\$ 1,291,058</u></u>	<u><u>\$ (50,683)</u></u>	<u><u>\$ 1,240,375</u></u>

Component Units

School Board

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 1,172,627	\$ 205,000	\$ 1,377,627
Construction in progress	2,621,618	(1,402,459)	1,219,159
Buildings and improvements	106,678,367	3,007,646	109,686,013
Furniture, equipment, and vehicles	<u>13,800,450</u>	<u>991,738</u>	<u>14,792,188</u>
Total Capital Assets	124,273,062	2,801,925	127,074,987
Less: Accumulated depreciation and amortization	<u>(55,709,472)</u>	<u>(3,161,842)</u>	<u>(58,871,314)</u>
Total Capital Assets, Net Before Allocation to County	<u>\$ 68,563,590</u>	<u>\$ (359,917)</u>	<u>68,203,673</u>
Allocation of net school buildings with outstanding debt			<u>(32,954,880)</u>
Total Capital Assets, Net			<u>\$ 35,248,793</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

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
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

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Machinery and equipment	\$ 328,240	\$ 25,946	\$ 354,186
Less: Accumulated depreciation and amortization	<u>(254,125)</u>	<u>(25,691)</u>	<u>(279,816)</u>
Total Capital Assets, Net	<u>\$ 74,115</u>	<u>\$ 255</u>	<u>\$ 74,370</u>

Long-Term Debt

As of June 30, 2021, the County's long-term obligations, excluding the Component Units, total \$113,243,799.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities			
General obligation bonds	\$ 6,513,461	\$ 13,691,586	\$ 20,205,047
Moral obligation bonds	-	1,120,500	1,120,500
Lease Revenue Bonds	18,155,000	(18,155,000)	-
Lease Revenue Public Facility	66,400,000	-	66,400,000
Grant Revenue Anticipation Notes	19,515,000	-	19,515,000
Recovery Zone bonds	1,195,000	(1,195,000)	-
Landfill obligation	262,580	3,151	265,731
Compensated absences	2,651,624	89,908	2,741,532
LT Agreement	30,400	(19,200)	11,200
	<u>114,723,065</u>	<u>(4,464,055)</u>	<u>110,259,010</u>
Add: Premiums	716,758	2,903,500	3,620,258
Less: Discounts	<u>(657,134)</u>	<u>21,665</u>	<u>(635,469)</u>
Total Governmental Activities	<u>\$114,782,689</u>	<u>\$ (1,538,890)</u>	<u>\$ 113,243,799</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 County's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget.

The average unemployment rate for the County of Henry, Virginia in June 2021 was 5.4%, a decrease of 3.9% from June 2020. This compares unfavorably to the state's rate of 4.3% and favorably to the national rate of 6.1%.

The latest estimate by University of Virginia Weldon Cooper Center for Public Service is a population of 51,450 an increase of 1% from the 2020 U.S. Census.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the County's operational costs. The fiscal year 2022 Adopted Budget anticipates General Fund revenues and expenditures to be \$65,692,493, a 17.64% increase over the fiscal year 2021 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.

BASIC FINANCIAL STATEMENTS



County of Henry, Virginia

Statement of Net Position

At June 30, 2021

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total Primary Government	School Board	Industrial Development Authority	Henry-Martinsville Social Services
Assets						
Cash	\$ 57,543,093	\$ 200	\$ 57,543,293	\$ 2,333,361	\$ 55,705	\$ 56,486
Cash - restricted	24,189,194	-	24,189,194	36,818	-	-
Investments	10,656,789	-	10,656,789	-	-	-
Receivables, net	5,616,562	745	5,617,307	295,753	50,000	3,292
Due from County of Henry, Virginia - primary government	-	-	-	1,740,460	4,763,710	-
Internal balances	(182,441)	182,441	-	-	-	-
Due from other governments/agencies	3,764,877	-	3,764,877	3,409,387	30,827	836,414
Inventory	42,148	7,309	49,457	-	22,634,344	-
Investment in CCAT Leveraged Lender, LLC	-	-	-	-	3,753,639	-
Notes receivable	3,461,955	-	3,461,955	-	-	-
Capital Assets						
Land and construction in progress	60,247,976	-	60,247,976	2,596,786	-	-
Other capital assets, net of accumulated depreciation	51,600,308	1,240,375	52,840,683	32,652,007	-	74,370
Capital Assets, Net	111,848,284	1,240,375	113,088,659	35,248,793	-	74,370
Other Assets						
Net OPEB asset - HIC	45,319	-	45,319	-	-	-
Net OPEB asset - health insurance	-	-	-	-	-	58,971
Total Assets	216,985,780	1,431,070	218,416,850	43,064,572	31,288,225	1,029,533
Deferred Outflows of Resources						
VRS group life	257,258	-	257,258	749,699	-	64,315
VRS health insurance credit	24,204	-	24,204	652,336	-	-
Retiree health insurance	127,632	-	127,632	677,342	-	16,311
VRS pension	5,650,317	-	5,650,317	16,639,660	-	1,412,579
Total Assets and Deferred Outflows of Resources	\$ 223,045,191	\$ 1,431,070	\$ 224,476,261	\$ 61,783,609	\$ 31,288,225	\$ 2,522,738
Liabilities						
Accounts payable	\$ 5,098,683	\$ 5,209	\$ 5,103,892	\$ 637,155	\$ 142,280	\$ -
Accrued payroll and other liabilities	259,815	3,575	263,390	4,619,378	-	51,166
Accrued interest	1,067,759	-	1,067,759	-	-	-
Claims payable	936,882	-	936,882	-	-	-
Unearned rents	-	73,837	73,837	-	-	-
Unearned grants	5,141,781	-	5,141,781	310,570	2,244,569	-
Due to other governments/agencies	-	-	-	-	-	-
Due to component units	5,659,144	-	5,659,144	-	-	-
Due to County of Henry, Virginia - primary government	-	-	-	-	-	845,026
Long-Term Liabilities						
OPEB liabilities						
VRS group life	1,167,918	-	1,167,918	3,475,685	-	291,980
VRS health insurance credit	-	-	-	6,284,830	-	-
Retiree health insurance	386,825	-	386,825	2,856,053	-	-
Due within one year						
Bonds, loans, other	2,497,447	-	2,497,447	464,150	3,461,955	52,719
Due in more than one year						
Landfill obligation	239,158	-	239,158	-	-	-
Compensated absences	2,467,379	-	2,467,379	861,490	-	474,467
VRS net pension liability	13,095,866	-	13,095,866	67,406,794	-	3,273,967
Bonds, capital leases, and loans payable, net	108,039,815	-	108,039,815	215,235	-	-
Total Liabilities	146,058,472	82,621	146,141,093	87,131,340	5,848,804	4,989,325
Deferred Inflows of Resources						
Held for scholarships	-	-	-	42,863	-	-
VRS group life	38,960	-	38,960	180,588	-	9,740
VRS health insurance credit	11,095	-	11,095	235,449	-	-
Retiree health insurance	351,818	-	351,818	1,178,656	-	47,202
VRS pension	-	-	-	4,957,827	-	-
Total Deferred Inflows of Resources	401,873	-	401,873	6,595,383	-	56,942
Net Position						
Net investment in capital assets	25,800,942	1,240,375	27,041,317	34,665,129	-	74,370
Unrestricted (deficit)	50,783,904	108,074	50,891,978	(66,608,243)	25,439,421	(2,597,899)
Total Net Position (Deficit)	76,584,846	1,348,449	77,933,295	(31,943,114)	25,439,421	(2,523,529)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 223,045,191	\$ 1,431,070	\$ 224,476,261	\$ 61,783,609	\$ 31,288,225	\$ 2,522,738

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, 2021

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
Primary Government										
Governmental Activities										
General government administration	\$ 2,258,171	\$ 101,155	\$ 417,577	\$ -	\$ (1,739,439)		\$ (1,739,439)			
Judicial administration	3,708,557	9,720	1,335,046	-	(2,363,791)		(2,363,791)			
Public safety	17,038,330	309,134	6,129,453	-	(10,599,743)		(10,599,743)			
Public works	4,370,186	87,981	201,405	-	(4,080,800)		(4,080,800)			
Health and welfare	5,089,315	-	2,064,603	-	(3,024,712)		(3,024,712)			
Parks, recreation, and cultural	2,091,124	39,615	-	-	(2,051,509)		(2,051,509)			
Community development	3,938,591	-	-	-	(3,938,591)		(3,938,591)			
Education - local school	13,909,609	-	-	-	(13,909,609)		(13,909,609)			
Education - community college	138,070	-	-	-	(138,070)		(138,070)			
Interest on long-term debt	3,212,402	-	-	-	(3,212,402)		(3,212,402)			
Total Governmental Activities	55,754,355	547,605	10,148,084	-	(45,058,666)		(45,058,666)			
Business-Type Activities										
Philpott Marina - Parks, Recreation, and Cultural	230,919	196,356	-	-		\$ (34,563)	(34,563)			
Total Business-Type Activities	230,919	196,356	-	-		(34,563)	(34,563)			
Total Primary Government	\$ 55,985,274	\$ 743,961	\$ 10,148,084	\$ -			(45,093,229)			
Component Units										
School Board										
Instruction	\$ 51,804,032	\$ 461,115	\$ 68,844,461	\$ -				\$ 17,501,544		
Administration, attendance, and health	3,498,815	-	-	-				(3,498,815)		
Pupil transportation	5,225,373	-	-	-				(5,225,373)		
Operation and maintenance	6,380,077	-	-	-				(6,380,077)		
School food service - cafeterias	5,253,199	211,383	3,249,904	-				(1,791,912)		
Special grants	11,583,479	-	-	-				(11,583,479)		
Facilities	2,222,911	-	-	-				(2,222,911)		
Technology	2,609,758	-	440,000	-				(2,169,758)		
Interest on long-term debt	1,257,667	-	-	-				(1,257,667)		
Total School Board	89,835,311	672,498	72,534,365	-				(16,628,448)		
Industrial Development Authority										
Economic development	10,386,153	-	699,621	-					\$ (9,686,532)	
Interest	87,991	-	-	-					(87,991)	
Total Industrial Development Authority	10,474,144	-	699,621	-					(9,774,523)	
Henry-Martinsville Social Services										
Health and welfare	8,214,863	-	6,912,478	-						\$ (1,302,385)
Total - Component Units	\$ 108,524,318	\$ 672,498	\$ 80,146,464	\$ -						(27,705,356)
General Revenues (Unrestricted)										
General property taxes					28,630,910	-	28,630,910	-	-	-
Other local taxes					15,742,493	-	15,742,493	-	-	-
Payments - County of Henry, Virginia					-	-	-	13,909,609	2,404,364	832,806
Unrestricted revenues from use of money and property					1,244,753	-	1,244,753	8,882	252,491	-
Miscellaneous					86,830	-	86,830	1,515,094	969,980	13,029
Grants and contributions not restricted to specific programs					10,265,479	-	10,265,479	-	-	-
Transfers in (out)					(26,521)	26,521	-	-	-	-
Total General Revenues and Transfers					55,943,944	26,521	55,970,465	15,433,585	3,626,835	845,835
Change in Net Position					10,885,278	(8,042)	10,877,236	(1,194,863)	(6,147,688)	(456,550)
Net Position (Deficit) - Beginning of Year (Restated)					65,699,568	1,356,491	67,056,059	(30,748,251)	31,587,109	(2,066,979)
Net Position (Deficit) - End of Year					\$ 76,584,846	\$ 1,348,449	\$ 77,933,295	\$ (31,943,114)	\$ 25,439,421	\$ (2,523,529)

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, 2021

	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
Assets							
Cash	\$ 51,677,159	\$ -	\$ -	\$ -	\$ 29,900	\$ -	\$ 51,707,059
Cash - restricted	24,189,194	-	-	-	-	-	24,189,194
Investments	10,656,789	-	-	-	-	-	10,656,789
Receivables - net							
Taxes	1,890,163	-	-	-	-	-	1,890,163
Licenses	11,199	-	-	-	-	-	11,199
Accounts	1,855,469	-	-	1,132	-	-	1,856,601
Note receivable	3,461,955	-	-	-	-	-	3,461,955
Due from other funds	447,703	-	-	83,722	2,741	321,852	856,018
Due from component units	967,805	-	-	-	-	-	967,805
Due from other governments/agencies	2,782,508	453,396	459,696	-	-	69,277	3,764,877
Inventory	42,148	-	-	-	-	-	42,148
Total Assets	<u>\$ 97,982,092</u>	<u>\$ 453,396</u>	<u>\$ 459,696</u>	<u>\$ 84,854</u>	<u>\$ 32,641</u>	<u>\$ 391,129</u>	<u>\$ 99,403,808</u>
Liabilities							
Accounts payable	\$ 4,568,769	\$ 445,679	\$ 872	\$ 1,072	\$ 1,277		\$ 5,017,669
Accrued liabilities	240,977	-	18,838	-	-	-	259,815
Due to other funds	590,755	7,717	439,986	-	-	-	1,038,458
Due to component units	6,626,948	-	-	-	-	-	6,626,948
Unavailable revenue - unearned grants	4,923,880	-	-	-	-	217,901	5,141,781
Total Liabilities	16,951,329	453,396	459,696	1,072	1,277	217,901	18,084,671
Deferred Inflows of Resources							
Unavailable revenue - taxes and licenses	1,749,618	-	-	-	-	-	1,749,618
Total Deferred Inflows of Resources	1,749,618	-	-	-	-	-	1,749,618
Fund Balances							
Nonspendable fund balance	42,148	-	-	-	-	-	42,148
Restricted fund balance	20,912,186	-	-	83,782	31,364	-	21,027,332
Committed fund balance	11,712,221	-	-	-	-	-	11,712,221
Committed fund balance - revenue stabilization reserve	4,066,000	-	-	-	-	-	4,066,000
Assigned fund balance	10,768,724	-	-	-	-	173,228	10,941,952
Unassigned fund balance	31,779,866	-	-	-	-	-	31,779,866
Total Fund Balances	<u>79,281,145</u>	<u>-</u>	<u>-</u>	<u>83,782</u>	<u>31,364</u>	<u>173,228</u>	<u>79,569,519</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 97,982,092</u>	<u>\$ 453,396</u>	<u>\$ 459,696</u>	<u>\$ 84,854</u>	<u>\$ 32,641</u>	<u>\$ 391,129</u>	<u>\$ 99,403,808</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, 2021

Total Fund Balances for Governmental Funds \$ 79,569,519

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	\$ 2,523,114
Construction-in-progress	57,724,862
School assets associated with debt held by County	32,954,880
Land improvements	4,300,878
Buildings and improvements, net of accumulated depreciation	10,010,352
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>4,334,198</u>

Total Capital Assets 111,848,284

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

Unavailable revenue - taxes and licenses 1,749,618

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	5,650,317
Deferred inflows of resources related to pensions	-
Deferred outflows of resources related to OPEB	409,094
Deferred inflows of resources related to OPEB	<u>(401,875)</u>

Total Deferred Outflows and Inflows of Resources 5,657,536

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.

6,676,737

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	(110,236,536)
Accrued interest payable	(1,067,759)
OPEB (obligation) asset	(1,509,424)
Net VRS pension liability	(13,095,866)
Landfill closure and post-closure liability	(265,731)
Compensated absences	<u>(2,741,532)</u>

Total (128,916,848)

Total Net Position of Governmental Activities \$ 76,584,846

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, 2021

	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
Revenues							
General property taxes	\$ 29,167,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,167,772
Other local taxes	15,742,493	-	-	-	-	-	15,742,493
Permits, privilege fees, and regulatory licenses	108,497	-	-	-	-	-	108,497
Fines and forfeitures	133,296	-	-	-	-	-	133,296
Use of money and property	1,244,521	-	-	-	232	-	1,244,753
Charges for services	300,753	-	-	5,059	-	-	305,812
Miscellaneous	86,830	-	-	-	-	-	86,830
Recovered costs	3,406,774	-	455,016	1,943	-	28,125	3,891,858
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	10,672,013	2,032,513	702,163	-	-	-	13,406,689
Revenue from the Federal Government	6,890,997	32,090	-	-	-	83,787	7,006,874
Total Revenues	67,753,946	2,064,603	1,157,179	7,002	232	111,912	71,094,874
Expenditures							
Current							
General government administration	3,872,355	-	-	-	-	-	3,872,355
Judicial administration	3,200,383	-	-	17,635	-	-	3,218,018
Public safety	17,872,155	-	2,153,527	-	-	-	20,025,682
Public works	3,923,244	-	-	-	15,369	-	3,938,613
Health and welfare - social services component unit	832,806	-	-	-	-	-	832,806
Health and welfare	1,076,409	2,998,949	-	-	-	-	4,075,358
Education	138,070	-	-	-	-	-	138,070
Education - school board component unit	16,865,565	-	-	-	-	-	16,865,565
Parks, recreation, and cultural	1,979,981	-	-	-	-	-	1,979,981
Community development - IDA component unit	2,404,364	-	-	-	-	-	2,404,364
Community development	2,351,511	-	-	-	-	182,136	2,533,647
Nondepartmental	61,022	-	-	-	-	-	61,022
<i>Debt service</i>							
Principal	-	-	-	-	-	-	-
Interest	3,077,081	-	-	-	-	-	3,077,081
Capital outlay	36,433,801	-	-	-	-	-	36,433,801
Total Expenditures	94,088,747	2,998,949	2,153,527	17,635	15,369	182,136	99,456,363
Excess (Deficiency) of Revenues Over Expenditures	(26,334,801)	(934,346)	(996,348)	(10,633)	(15,137)	(70,224)	(28,361,489)
Other Financing Sources (Uses)							
Transfers in	-	934,346	996,348	-	-	16,230	1,946,924
Transfers out	(1,973,445)	-	-	-	-	-	(1,973,445)
Total Other Financing Sources (Uses)	(1,973,445)	934,346	996,348	-	-	16,230	(26,521)
Net Change in Fund Balances	(28,308,246)	-	-	(10,633)	(15,137)	(53,994)	(28,388,010)
Fund Balances - Beginning of Year	107,589,391	-	-	94,415	46,501	227,222	107,957,529
Fund Balances - End of Year	\$ 79,281,145	\$ -	\$ -	\$ 83,782	\$ 31,364	\$ 173,228	\$ 79,569,519

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (28,388,010)

**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	\$ 39,679,248	
Depreciation expense	<u>(1,615,762)</u>	38,063,486

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. (536,862)

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	(18,775,463)	
Tower lease	19,200	
Repayment of principal and adjustment to bond premiums	20,388,212	
Change in accrued interest	<u>(259,319)</u>	
Net Adjustment		1,372,630

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>(7,270)</u>	(7,270)
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Internal service funds are used by the County to charge the cost of health insurance benefits. This is the net income from these funds. 2,091,857

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	(4,333,374)	
Deferred inflows - VRS pension	551,435	
Deferred outflows - VRS pension	1,937,593	
Deferred outflows - OPEB	38,783	
Deferred inflows - OPEB	159,101	
Other postemployment benefits	28,968	
Landfill obligation - closure monitoring	(3,151)	
Compensated absences	<u>(89,908)</u>	
Net Adjustment		<u>(1,710,553)</u>

Change in Net Position of Governmental Activities \$ 10,885,278

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, 2021

	Business-Type Activities - Enterprise Fund Philpott Marina Fund #51	Internal Service Fund Self-insurance Fund #58
Assets		
Current Assets		
Cash	\$ 200	\$ 5,836,034
Receivables, net	745	1,858,599
Inventory	7,309	-
Due from General Fund	<u>182,441</u>	<u>-</u>
Total Current Assets	190,695	7,694,633
Noncurrent Assets		
Capital assets, net	<u>1,240,375</u>	<u>-</u>
Total Noncurrent Assets	<u>1,240,375</u>	<u>-</u>
Total Assets	<u>\$ 1,431,070</u>	<u>\$ 7,694,633</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 5,209	\$ 81,014
Accrued payroll and other liabilities	3,575	-
Claims payable	-	936,882
Unearned rents	<u>73,837</u>	<u>-</u>
Total Current Liabilities	<u>82,621</u>	<u>1,017,896</u>
Total Liabilities	82,621	1,017,896
Net Position		
Net investment in capital assets	1,240,375	-
Unrestricted	<u>108,074</u>	<u>6,676,737</u>
Total Net Position	<u>1,348,449</u>	<u>6,676,737</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,431,070</u>	<u>\$ 7,694,633</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, 2021

	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>
Operating Revenues		
Charges for services, premiums collected	\$ -	\$ 13,704,116
Charges for services, net - fuel and store sales	101,714	-
Charges for services, net - rentals	<u>94,642</u>	<u>-</u>
Total Operating Revenues	196,356	13,704,116
Operating Expenses		
Personal services	56,223	-
Fringe benefits	5,958	-
Repairs and maintenance	2,209	-
Food and store purchases for resale	23,498	-
Fuel purchases for resale	47,264	-
Utilities	10,941	-
Office expenses	4,647	-
Insurance	724	-
Other supplies and charges	395	-
Small construction and equipment purchases	5,704	-
Depreciation	73,356	-
Insurance claims paid and transaction fees	<u>-</u>	<u>11,624,920</u>
Total Operating Expenses	<u>230,919</u>	<u>11,624,920</u>
Operating Income (Loss)	(34,563)	2,079,196
Nonoperating Revenues (Expenses)		
Interest income	<u>-</u>	<u>12,661</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>12,661</u>
Income (Loss) Before Transfers	(34,563)	2,091,857
Operating Transfers In	<u>26,521</u>	<u>-</u>
Net Operating Transfers	<u>26,521</u>	<u>-</u>
Change in Net Position	(8,042)	2,091,857
Total Net Position - Beginning of Year	<u>1,356,491</u>	<u>4,584,880</u>
Total Net Position - End of Year	<u>\$ 1,348,449</u>	<u>\$ 6,676,737</u>

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, 2021

	Business-Type Activities - Enterprise Fund Philpott Marina Fund #51	Internal Service Fund Self-insurance Fund #58
Cash Flows from Operating Activities		
Receipts from customers	\$ 211,975	\$ 12,767,901
Payments for personnel and related costs	(61,602)	-
Payments to suppliers and other operating costs	(114,644)	(11,883,290)
Net Cash Provided by Operating Activities	35,729	884,611
Cash Flows from Noncapital Financing Activities		
Payments on Due to/Due from General Fund	(39,577)	-
Transfer from other funds	26,521	-
Net Cash Used in Noncapital Financing Activities	(13,056)	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(22,673)	-
Net Cash Used in Capital and Related Financing Activities	(22,673)	-
Cash Flows from Investing Activities		
Interest income	-	12,661
Net Cash Provided by Investing Activities	-	12,661
Net Increase in Cash and Cash Equivalents	-	897,272
Cash and Cash Equivalents - Beginning of Year	200	4,938,762
Cash and Cash Equivalents - End of Year	\$ 200	\$ 5,836,034
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (34,563)	\$ 2,079,196
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>		
Depreciation expense	73,356	-
<i>Changes in assets and liabilities</i>		
Receivables, net	(409)	(936,215)
Inventory	1,048	-
Accounts payable	(20,310)	(258,370)
Accrued expenses and payroll liabilities	579	-
Unearned rents	16,028	-
Net Cash Provided by Operating Activities	\$ 35,729	\$ 884,611

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

County of Henry, Virginia

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

At June 30, 2021

	<u>OPEB Trust</u>	<u>Custodial Funds</u>
Assets		
Cash and cash equivalents	<u>\$4,045,731</u>	<u>\$ 148,583</u>
Total Assets	<u>\$4,045,731</u>	<u>\$ 148,583</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ -
Net Position		
Restricted for:		
Other postemployment benefits	4,045,731	-
Individuals, organizations, and other governments	<u>-</u>	<u>148,583</u>
Total Net Position	<u>4,045,731</u>	<u>148,583</u>
Total Liabilities and Fiduciary Net Position	<u>\$4,045,731</u>	<u>\$ 148,583</u>

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

County of Henry, Virginia

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2021

	<u>OPEB Trust</u>	<u>Custodial Funds</u>
Additions		
Contributions from employer	\$ 34,100	\$ -
Local grant funds and other donations	-	138,652
Investment earnings	930,698	-
Housing fees	-	92,935
Canteen and telephone fees	-	345,760
Total additions	964,798	577,347
Deductions		
Program and administrative expenses	4,998	206,492
Housing fees remitted to County	-	79,518
Telephone fees	-	75,836
Canteen purchases	-	177,318
Total deductions	4,998	539,164
Net Increase (Decrease) in Fiduciary Net Position	959,800	38,183
Net Position - Beginning	<u>3,085,931</u>	<u>110,400</u>
Net Position - Ending	<u>\$ 4,045,731</u>	<u>\$ 148,583</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, 2021

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Henry, Virginia (the "County") has a population of approximately 51,450 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 \$203,000 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 (Custodial 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. Custodial 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.
- **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.

School Activity Fund – The School Activity Fund accounts for funds used to support co-curricular and extracurricular student activities.

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 2021 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 fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2021, the County adopted the following GASB statement:

Statement No. 84, *Fiduciary Activities* – This statement requires fiduciary activities to be reported in the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation. This statement clarifies the definitions of the three existing fiduciary fund categories associated with trusts that meet specific criteria, and establishes a new custodial fund category for all other fiduciary activity not required to be reported within a trust fund. The County's previously reported Agency Funds have been eliminated and are now reported in the fund financial statements because 1) the assets associated with the activity are controlled by the County, 2) the assets associated with the activity are not derived from the County's own-source revenues, and 3) the assets are for the benefit of individuals and the County does not have administrative involvement with the assets or direct financial involvement with the assets.

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:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal bonds	\$ 2,160,326	2.50
U.S. Government bonds	6,292,440	4.10
Collateralized Money Market - Trustee	1,216,633	N/A
Money Market - SNAP	24,189,194	N/A
Certificates of deposit	<u>17,333,951</u>	3.80

\$ 51,192,544

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

	<u>Rating (Moody's or S&P)</u>	<u>Fair Value</u>
AA+ or higher		\$ 8,452,766
Unrated		<u>42,739,778</u>

\$51,192,544

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

Component Units

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>	<u>Total</u>
Deposits and Investments						
Cash on hand	\$ 1,325	\$ -	\$ -	\$ -	\$ -	\$ 1,325
Demand deposits	66,601,234	148,583	2,370,179	55,705	56,486	69,232,187
Bonds	8,452,766	-	-	-	-	8,452,766
Certificates of deposit	17,333,951	-	-	-	-	17,333,951
OPEB Trust	-	<u>4,045,731</u>	-	-	-	<u>4,045,731</u>
	<u>\$ 92,389,276</u>	<u>\$ 4,194,314</u>	<u>\$ 2,370,179</u>	<u>\$ 55,705</u>	<u>\$ 56,486</u>	<u>\$ 99,065,960</u>

Statement of Net Position

Deposits and Investments

Cash and cash equivalents	\$ 92,389,276	\$ -	\$ 2,370,179	\$ 55,705	\$ 56,486	\$ 94,871,646
Fiduciary fund cash	-	<u>4,194,314</u>	-	-	-	<u>4,194,314</u>
	<u>\$ 92,389,276</u>	<u>\$ 4,194,314</u>	<u>\$ 2,370,179</u>	<u>\$ 55,705</u>	<u>\$ 56,486</u>	<u>\$ 99,065,960</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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Value Level				
Municipal bonds	\$ -	\$ 2,160,326	\$ -	\$ 2,160,326
U.S. Government bonds	-	<u>6,292,440</u>	-	<u>6,292,440</u>
	<u>\$ -</u>	<u>\$ 8,452,766</u>	<u>\$ -</u>	<u>\$ 8,452,766</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, 2021 is \$3,753,639.

4 Receivables

Receivables at June 30, 2021 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>Custodial Funds</u>
Accounts Receivable						
Property taxes	\$ 3,352,413	\$ -	\$ -	\$ -	\$ -	\$ -
Business licenses	11,199	-	-	-	-	-
Meals taxes	17,309	-	-	-	-	-
Other miscellaneous	<u>3,697,891</u>	<u>745</u>	<u>295,753</u>	<u>50,000</u>	<u>3,292</u>	<u>-</u>
Total	7,078,812	745	295,753	50,000	3,292	-
Allowance for uncollectibles	<u>(1,462,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 5,616,562</u>	<u>\$ 745</u>	<u>\$ 295,753</u>	<u>\$ 50,000</u>	<u>\$ 3,292</u>	<u>\$ -</u>
Notes Receivable						
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 \$1,858,599 is in Governmental Activities per GASB 34 for Exhibit 1.

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
County of Henry, Virginia		
General Fund		
From General Fund to Central Dispatch Fund	\$ -	\$ 996,348
From General Fund to Special Grant Projects Fund	-	16,230
From General Fund to Children's Services Act Fund	-	934,346
From General Fund to Philpott Marina Fund	-	26,521
Children's Services Act Fund		
From General Fund to Children's Services Act Fund	934,346	-
Special Grant Projects Fund		
From General Fund to Special Grant Projects Fund	16,230	-
Central Dispatch Fund		
From General Fund to Central Dispatch Fund	<u>996,348</u>	<u>-</u>
Total Governmental Funds	1,946,924	1,973,445
Proprietary Funds		
Philpott Marina Fund		
From General Fund to Philpott Marina Fund	<u>26,521</u>	<u>-</u>
Total	<u>\$ 1,973,445</u>	<u>\$ 1,973,445</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, 2021 are as follows:

	Transfers <u>In</u>	Transfers <u>Out</u>
County of Henry, Virginia to Component Units		
Primary Government - County of Henry, Virginia		
To Component Unit - Social Services	\$ -	\$ 832,806
To Component Unit - Industrial Development Authority	-	2,404,364
To Component Unit - School Board	-	16,865,565
Component Unit - Social Services		
From Primary Government - County of Henry, Virginia	832,806	-
Component Unit - Industrial Development Authority		
From Primary Government - County of Henry, Virginia	2,404,364	-
Component Unit - School Board		
From Primary Government - County of Henry, Virginia	16,865,565	-
	<u>\$ 20,102,735</u>	<u>\$ 20,102,735</u>
Component Unit - School Board - Transfers		
School Fund		
From School to School Textbook Fund	\$ -	\$ 563,095
From School to School Cafeteria Fund	-	704,820
School Textbook Fund		
From School to School Textbook Fund	563,095	-
School Cafeteria Fund		
From School to School Cafeteria Fund	704,820	-
	<u>\$ 1,267,915</u>	<u>\$ 1,267,915</u>

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7 Due from/to Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2021 are as follows:

	<u>Due From</u>	<u>Due To</u>
County of Henry, Virginia		
Governmental Funds		
General Fund to Philpott Marina	\$ -	\$ 182,441
Children's Services Act Fund to General Fund	7,717	7,717
E-911 Central Dispatch Fund to General Fund	439,986	439,986
Fieldale Sanitary District from General Fund	2,741	2,741
Law Library Fund from General Fund	83,722	83,722
Special Grant Projects Fund from General Fund	<u>321,851</u>	<u>321,851</u>
	856,017	1,038,458
Proprietary Funds		
Philpott Marina from General Fund	<u>182,441</u>	-
Totals	<u>\$ 1,038,458</u>	<u>\$ 1,038,458</u>
Primary Government and Component Units - Interfund Accounts		
Primary Government		
Due to Industrial Development Authority from County	\$ -	\$ 3,241,878
Due to Industrial Site Project from County	-	1,521,832
Due from Social Services to County	845,026	-
Due to School Fund from County	-	1,863,239
Due from School Cafeteria Fund to County	<u>122,779</u>	-
Total	<u>967,805</u>	6,626,949
Net Due from Component Units to Primary Government	(5,659,144)	
Component Unit - Industrial Development Authority		
Due to Industrial Development Authority from County	3,241,878	-
Due to Regional Industrial Site Project from County	<u>1,521,832</u>	-
Total	<u>4,763,710</u>	-
Net Due from Primary Government to Component Unit IDA	4,763,710	
Component Unit - Social Services		
Due from Social Services to County	-	<u>845,026</u>
Total	-	<u>845,026</u>
Net Due to Primary Government from Component Unit Social Services		845,026
Component Unit - School Board		
Due from School Cafeteria Fund to County	-	122,779
Due to School Fund from County	<u>1,863,239</u>	-
Total	<u>1,863,239</u>	<u>122,779</u>
Net Due to Primary Government from Component Unit School Board		<u>(1,740,460)</u>
Total Net Due from/to Primary Government and Component Units	<u>\$ (895,434)</u>	<u>\$ (895,434)</u>

8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2021, are as follows:

	<u>Governmental Activities</u>	<u>School Board</u>	<u>Henry- Martinsville Social Services</u>	<u>IDA</u>
Commonwealth of Virginia				
State and local sales taxes	\$ 1,619,017	\$ 1,196,776	\$ -	\$ -
Communications tax	266,636	-	-	-
Auto rental tax	5,869	-	-	-
Compensation Board	536,561	-	-	-
Comprehensive services	453,396	-	-	-
911 funds	41,464	-	-	-
Victim witness	10,922	-	-	-
School food program	-	42,072	-	-
Other reimbursements	81,412	1,174	-	-
Technology	-	78,000	-	-
Public assistance	-	-	174,160	-
Transportation grants	2,663	-	-	-
	<u>3,017,940</u>	<u>1,318,022</u>	<u>174,160</u>	<u>-</u>
Federal Government				
Title VIB Flow-Through	-	511,576	-	-
Title VI Rural and Low Income	-	28,552	-	-
Preschool Handicapped	-	23,596	-	-
Title I	-	530,184	-	-
Title II	-	106,776	-	-
Title III	-	7,345	-	-
Title IV	-	152,666	-	-
School food program	-	97,237	-	-
CTE federal payments - Carl Perkins	-	25,559	-	-
ESSER/GEER	-	581,748	-	-
Law enforcement	18,546	-	-	-
Community development grants	69,277	-	-	-
Victim witness	32,767	-	-	-
Transportation grants	7,389	-	-	-
Public assistance	-	-	359,832	-
Other reimbursements	200,726	26,126	-	-
	<u>328,705</u>	<u>2,091,365</u>	<u>359,832</u>	<u>-</u>
Other Governmental Entities				
City of Martinsville, VA	418,232	-	302,422	30,827
	<u>\$ 3,764,877</u>	<u>\$ 3,409,387</u>	<u>\$ 836,414</u>	<u>\$ 30,827</u>

9 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Capital Assets Not Being Depreciated					
Land	\$ 2,165,214	\$ 357,900	\$ -	\$ -	\$ 2,523,114
Construction-in-progress	<u>22,829,779</u>	<u>34,895,083</u>	<u>-</u>	<u>-</u>	<u>57,724,862</u>
Total Capital Assets Not Being Depreciated	24,994,993	35,252,983	-	-	60,247,976
Capital Assets, Depreciable					
Land improvements	4,743,391	-	-	-	4,743,391
Buildings and improvements	24,176,642	1,969,167	-	-	26,145,809
Furniture, equipment, and vehicles	<u>19,516,832</u>	<u>2,590,720</u>	<u>838,958</u>	<u>-</u>	<u>21,268,594</u>
Total Capital Assets - Depreciable	48,436,865	4,559,887	838,958	-	52,157,794
Less: Accumulated depreciation for					
Land improvements	352,123	90,390	-	-	442,513
Buildings and improvements	15,681,389	454,068	-	-	16,135,457
Furniture, equipment, and vehicles	<u>16,568,428</u>	<u>1,071,304</u>	<u>705,336</u>	<u>-</u>	<u>16,934,396</u>
Total Accumulated Depreciation	<u>32,601,940</u>	<u>1,615,762</u>	<u>705,336</u>	<u>-</u>	<u>33,512,366</u>
Other Capital Assets, Net	<u>15,834,925</u>	<u>2,944,125</u>	<u>133,622</u>	<u>-</u>	<u>18,645,428</u>
Net Capital Assets before Allocation from School	<u>\$40,829,918</u>	<u>\$38,197,108</u>	<u>\$ 133,622</u>	<u>\$ -</u>	<u>78,893,404</u>
Add: Net school buildings allocated to County with outstanding debt					<u>32,954,880</u>
Net Capital Assets					<u>\$ 111,848,284</u>
Depreciation expense was allocated as follows:					
General government administration	\$ 229,717				
Judicial administration	264,729				
Public safety	853,716				
Public works	94,791				
Health and welfare	33,006				
Parks, recreation, and cultural	<u>139,803</u>				
Total Depreciation Expense	<u>\$ 1,615,762</u>				

Business-Type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Capital Assets, Depreciable				
Land improvements	90,468	-	-	90,468
Buildings and improvements	1,367,832	22,673	-	1,390,505
Furniture, equipment, and vehicles	201,534	-	-	201,534
Total Capital Assets - Depreciable	1,659,834	22,673	-	1,682,507
Less: Accumulated depreciation for				
Land improvements	13,203	5,588	-	18,791
Buildings and improvements	250,105	47,614	-	297,719
Furniture, equipment, and vehicles	105,468	20,154	-	125,622
Total Accumulated Depreciation	368,776	73,356	-	442,132
Other Capital Assets, Net	1,291,058	(50,683)	-	1,240,375
Net Capital Assets	\$ 1,291,058	\$ (50,683)	\$ -	\$ 1,240,375
Depreciation expense was allocated as follows:				
Marina expenses	\$ 73,356			
Total Depreciation Expense	\$ 73,356			

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Component Unit - School Board

	Balance July 1, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Capital Assets Not Being Depreciated					
Land and land improvements	\$ 1,172,627	\$ 205,000	\$ -	\$ -	\$ 1,377,627
Construction in progress - school renovations	<u>2,621,618</u>	<u>278,540</u>	<u>1,680,999</u>	<u>-</u>	<u>1,219,159</u>
Total Capital Assets Not Being Depreciated	3,794,245	483,540	1,680,999	-	2,596,786
Capital Assets, Depreciable					
Buildings and improvements	106,678,367	3,007,646	-	-	109,686,013
Furniture and equipment	<u>13,800,450</u>	<u>991,738</u>	<u>-</u>	<u>-</u>	<u>14,792,188</u>
Total Capital Assets, Depreciable	120,478,817	3,999,384	-	-	124,478,201
Less: Accumulated depreciation for					
Land and land improvements	14,733	6,264	-	-	20,997
Buildings and improvements	45,184,052	2,398,109	-	-	47,582,161
Furniture and equipment	<u>10,510,687</u>	<u>757,469</u>	<u>-</u>	<u>-</u>	<u>11,268,156</u>
Total Accumulated Depreciation	<u>55,709,472</u>	<u>3,161,842</u>	<u>-</u>	<u>-</u>	<u>58,871,314</u>
Other Capital Assets, Net	<u>64,769,345</u>	<u>837,542</u>	<u>-</u>	<u>-</u>	<u>65,606,887</u>
Net Capital Assets before Allocation to County	<u>\$ 68,563,590</u>	<u>\$ 1,321,082</u>	<u>\$ 1,680,999</u>	<u>\$ -</u>	<u>68,203,673</u>
Less: Net school buildings allocated to County with outstanding debt					<u>(32,954,880)</u>
Net Capital Assets					<u>\$ 35,248,793</u>

Component Unit - IDA**Capital Assets - Depreciable**

Equipment	\$ 6,305	\$ -	\$ -	\$ 6,305
Total Capital Assets - Depreciable	6,305	-	-	6,305
Less: Accumulated depreciation for				
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, 2020	Increases	Transfer to Henry County/ Decreases	Balance June 30, 2021
Other Capital Assets				
Machinery and equipment	\$ 328,240	\$ 25,946	\$ -	\$ 354,186
Total Other Capital Assets	328,240	25,946	-	354,186
Less: Accumulated depreciation for				
Machinery and equipment	254,125	25,691	-	279,816
Total Accumulated Depreciation	254,125	25,691	-	279,816
Other Capital Assets, Net	74,115	255	-	74,370
Net Capital Assets	\$ 74,115	\$ 255	\$ -	\$ 74,370

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, 2021:

Primary Government

Description	Original Issue	Next Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2021
Va. Public School Authority Bonds - 2007B	\$ 2,711,471	\$ 146,072	5.10	2028	\$ 1,108,313
Va. Public School Authority Bonds - 2006	6,009,728	329,077	4.60-5.10	2027	2,093,168
Va. Public School Authority Bonds - 2005	2,342,487	132,871	4.60-5.10	2026	702,366
VML/VACO Moral Obligation Refunding Bond - 2021	1,120,500	116,837	1.75	2030	1,120,500
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	279,367	0.00	2027	1,676,200
Va. Public School Authority Bonds - 2021A	14,625,000	825,000	2.05-5.05	2036	14,625,000
Lease Revenue Bonds - 2018	60,615,000	-	3.62-5.00	2051	60,615,000
Lease Revenue Bonds - 2019A	5,785,000	100,000	3.00-5.00	2051	5,785,000
Grant Revenue Anticipation Notes - 2019B	19,515,000	-	2.00	2023	19,515,000
					<u>\$ 107,240,547</u>

Component Unit - Industrial Development Authority

Description	Original Issue	Next Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2021
County of Henry, VA	\$ 3,461,955	\$ 3,461,955	2.50	2022	\$ 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, 2021</u>
Technology Lease Dated 4/15/19	\$ 582,216	\$ 145,554	0.00	2023	\$ 291,108
Technology Lease Dated 6/27/18	611,957	155,080	2.85	2022	155,080
Technology Lease Dated 12/1/19	275,056	67,795	2.781	2023	137,476
					<u>\$ 583,664</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, 2021:

Primary Government

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Lease Revenue bonds	\$ 66,400,000	\$ -	\$ -	\$ 66,400,000	\$ 100,000
Grant Revenue Anticipation notes	19,515,000	-	-	19,515,000	-
Subtotal - County	85,915,000	-	-	85,915,000	100,000
General obligation bonds	6,513,461	14,625,000	933,414	20,205,047	1,712,387
Moral obligation bonds	-	1,120,500	-	1,120,500	116,837
Lease Revenue bonds	18,155,000	-	18,155,000	-	-
Recovery Zone bonds	1,195,000	-	1,195,000	-	-
Subtotal - School-related debt	25,863,461	15,745,500	20,283,414	21,325,547	1,829,224
Subtotal - County and school	111,778,461	15,745,500	20,283,414	107,240,547	1,929,224
Add: Bond premiums	716,758	3,029,963	126,463	3,620,258	277,961
Less: Bond discounts	(657,134)	-	(21,665)	(635,469)	(21,664)
Subtotal after premiums and discounts	111,838,085	18,775,463	20,388,212	110,225,336	2,185,521
Note payable to Verizon (Tower)	30,400	-	19,200	11,200	11,200
Landfill closure monitoring	262,580	3,151	-	265,731	26,573
Compensated absences	2,651,624	1,715,096	1,625,188	2,741,532	274,153
	<u>\$ 114,782,689</u>	<u>\$ 20,493,710</u>	<u>\$ 22,032,600</u>	<u>\$ 113,243,799</u>	<u>\$ 2,497,447</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		General Obligation Bonds School Board		Moral Obligation Bonds School Board		Totals		Long-Term Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 100,000	\$ 3,071,331	\$ 1,712,387	\$ 632,686	\$ 116,837	\$ 18,683	\$ 1,929,224	\$ 3,722,700	\$ 11,200	\$ -
2023	105,000	3,067,231	1,622,212	722,174	119,248	17,564	1,846,460	3,806,969	-	-
2024	19,625,000	2,867,781	1,687,195	655,570	122,449	15,477	21,434,644	3,538,828	-	-
2025	110,000	2,668,231	1,758,430	585,061	120,530	13,334	1,988,960	3,266,626	-	-
2026	115,000	2,663,731	1,830,672	510,766	123,578	11,225	2,069,250	3,185,722	-	-
2027-2031	3,805,000	12,926,556	5,694,151	1,647,455	517,858	22,849	10,017,009	14,596,860	-	-
2032-2036	6,150,000	11,776,969	5,900,000	433,572	-	-	12,050,000	12,210,541	-	-
2037-2041	15,080,000	9,700,456	-	-	-	-	15,080,000	9,700,456	-	-
2042-2046	18,380,000	6,411,931	-	-	-	-	18,380,000	6,411,931	-	-
2047-2051	22,445,000	2,348,259	-	-	-	-	22,445,000	2,348,259	-	-
	<u>\$85,915,000</u>	<u>\$57,502,476</u>	<u>\$ 20,205,047</u>	<u>\$5,187,284</u>	<u>\$1,120,500</u>	<u>\$ 99,132</u>	<u>\$107,240,547</u>	<u>\$62,788,892</u>	<u>\$ 11,200</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, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
School Board					
Technology Lease Dated 4/15/19	\$ 436,662	\$ -	\$ 145,554	\$ 291,108	\$ 145,554
Technology Lease Dated 6/27/18	305,858	-	150,778	155,080	155,080
Technology Lease Dated 6/12/17	159,163	-	159,163	-	-
Technology Lease Dated 12/1/19	<u>203,437</u>	<u>-</u>	<u>65,961</u>	<u>137,476</u>	<u>67,795</u>
Subtotal Leases	1,105,120	-	521,456	583,664	368,429
Compensated absences	<u>945,647</u>	<u>661,953</u>	<u>650,389</u>	<u>957,211</u>	<u>95,721</u>
Total	<u>\$ 2,050,767</u>	<u>\$ 661,953</u>	<u>\$ 1,171,845</u>	<u>\$ 1,540,875</u>	<u>\$ 464,150</u>

Estimated principal maturities for future years is as follows:

Fiscal Year Ending June 30,	Principal	Interest
2022	\$ 368,429	\$ 8,248
2023	<u>215,235</u>	<u>1,938</u>
	<u>\$ 583,664</u>	<u>\$ 10,186</u>

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Industrial Development Authority					
County of Henry, Virginia	\$ 3,461,955	\$ -	\$ -	\$ 3,461,955	\$ 3,461,955
Total	\$ 3,461,955	\$ -	\$ -	\$ 3,461,955	\$ 3,461,955

Estimated principal maturities for future years ended June 30 follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,461,955	\$ 44,717
	\$ 3,461,955	\$ 44,717

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
Henry-Martinsville Social Services					
Compensated absences	\$ 480,572	\$ 271,150	\$ 224,536	\$ 527,186	\$ 52,719
Total	\$ 480,572	\$ 271,150	\$ 224,536	\$ 527,186	\$ 52,719

Current Refunding – March 2021

The County issued \$1,120,500 of Moral Obligation Refunding Bonds, Series 2021. The net proceeds of \$1,098,906 (after issuance costs of \$21,000 and additional proceeds of \$594) were used to refund series 2010 bonds with a total principal amount of \$1,095,000. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the County's liabilities. The reacquisition price equaled the net carrying amount of the old debt. This refunding was undertaken to reduce total debt service payments over the next 9 years by \$93,773 and resulted in an economic gain of \$85,137.

Current Refunding – May 2021

The County issued \$14,625,000 of General Obligation Refunding Bonds, Series 2021A. The net proceeds of \$17,396,649 (after underwriter's discount of \$103,837, issuance costs of \$150,000, premium of \$3,029,963 and additional proceeds of \$4,477) were used to refund series 2015 and 2016 bonds with a total principal amount of \$17,279,000. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the County's liabilities. The reacquisition price equaled the net carrying amount of the old debt. This refunding was undertaken to reduce total debt service payments over the next 15 years by \$1,597,286 and resulted in an economic gain of \$1,378,482.

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, 2021 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>
Net Investment in Capital Assets					
Cost of capital assets	\$ 145,360,650	\$ 1,682,507	\$ 94,120,107	\$ 6,305	\$ 354,186
Less: Accumulated depreciation	(33,512,366)	(442,132)	(58,871,314)	(6,305)	(279,816)
Book value	111,848,284	1,240,375	35,248,793	-	74,370
Less: Capital related debt	(83,062,553)	-	(583,664)	-	-
Less: Bond premiums	(3,620,258)	-	-	-	-
Add: Bond discounts	635,469	-	-	-	-
Net Investment in Capital Assets	\$ 25,800,942	\$ 1,240,375	\$ 34,665,129	\$ -	\$ 74,370

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	\$ 1,639,896
Other liabilities	81,214
Delinquent business licenses	11,199
Delinquent meals taxes	<u>17,309</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 1,749,618</u>
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Governmental Activities - Primary Government

Deferred inflows for OPEB	\$ 401,873
Deferred inflows for VRS pension liability	<u>-</u>

Total Deferred Inflows of Resources - Governmental Activities	<u>\$ 401,873</u>
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School Board - Fund Basis

Held for scholarships	\$ 42,863
	<u>\$ 42,863</u>

School Board - Component Unit - Governmental Activities

Held for scholarships	\$ 42,863
Deferred inflows for OPEB	1,594,693
Deferred inflows for VRS pension liability	<u>4,957,827</u>
	<u>\$ 6,595,383</u>

Henry-Martinsville Social Services

Deferred inflows for OPEB	\$ 56,942
Deferred inflows for VRS pension liability	<u>-</u>
	<u>\$ 56,942</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 has been and will continue to be a lengthy process. As it currently stands, the parties have entered into a Voluntary Settlement Agreement ("VSA"). The VSA has been evaluated and approved by the Commission on Local Government. At this juncture, the VSA must be re-approved by the City and County. The City has re-approved the VSA. The County has not yet done so. The next steps in the process will depend on whether the County re-approves the VSA. If it does, the VSA will be evaluated by a three-judge panel to be appointed by the Virginia Supreme Court. If it does not, the process could head in a number of different directions. Whatever course the litigation takes over the next several months, reversion, once approved, 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 \$4 million to \$7 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. These figures are estimates, and the actual cost ultimately could exceed these estimates.

At June 30, 2021, 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, 2021, 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>\$ 2,913,938,919</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 291,393,892
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>107,240,547</u>
Legal Debt Margin - June 30, 2021	<u>\$ 184,153,345</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	\$ 16,865,565
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	7,270
Adjustment for the net allocation of internal service self-insurance fund services and costs	(1,455,275)
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	<u>(1,507,951)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 13,909,609</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

Members 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

Members 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.
Teachers: Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested before 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

Members 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, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - County</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	303	225
Inactive members:		
Vested inactive members	59	18
Non-vested inactive members	87	38
LTD	0	0
Active elsewhere in VRS	<u>137</u>	<u>38</u>
Total inactive members	283	94
Active members	<u>399</u>	<u>170</u>
Total covered employees	<u>985</u>	<u>489</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, 2021 was 12.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The County of Henry, Virginia school board – general employees' contribution rate was 8.64%.

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 \$2,192,899 and \$1,889,554 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the County of Henry, Virginia school board – general employees, employer contributions were \$294,164 and \$269,568 for the years ended June 30, 2021 and June 30, 2020, respectively.

Each school divisions - teachers contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, 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 \$6,271,100 and \$5,936,940 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

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, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$51,001,855
Plan Fiduciary Net Position	<u>36,449,229</u>
Employer's Net Pension Liability (Asset)	<u><u>\$14,552,626</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%

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, 2019, 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, 2020.

	<u>General Employees</u>	<u>Teachers</u>
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, 2019 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% increase compounded from ages 70 to 90; and females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2% 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, 2019 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 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%

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, 2019, 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, 2020.

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, 2019 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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

**The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

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, 2020, 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, 2020, 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, 2020 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>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 90,317,563	\$ 79,352,121	\$ 10,965,442
Changes for the Year			
Service cost	2,054,182	-	2,054,182
Interest	5,945,514	-	5,945,514
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	1,620,832	-	1,620,832
Contributions - employer	-	1,889,554	(1,889,554)
Contributions - employee	-	870,505	(870,505)
Net investment income	-	1,509,567	(1,509,567)
Benefit payments, including refunds of employee contributions	(4,471,745)	(4,471,745)	-
Administrative expenses	-	(51,706)	51,706
Other changes	-	(1,783)	1,783
Net Changes	5,148,783	(255,608)	5,404,391
Balances at June 30, 2020	<u>\$ 95,466,346</u>	<u>\$ 79,096,513</u>	<u>\$ 16,369,833</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>Total Pension Liability (a)</u>	<u>Increase (Decrease) Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2019	\$	19,153,315	\$ 17,864,443	\$ 1,288,872
Changes for the Year				
Service cost		340,829	-	340,829
Interest		1,245,800	-	1,245,800
Benefit changes		-	-	-
Assumptions changes		-	-	-
Differences between expected and actual experience		242,413	-	242,413
Contributions - employer		-	269,568	(269,568)
Contributions - employee		-	172,060	(172,060)
Net investment income		-	335,023	(335,023)
Benefit payments, including refunds of employee contributions		(1,394,050)	(1,394,050)	-
Administrative expenses		-	(11,992)	11,992
Other changes		-	(389)	389
Net Changes		<u>434,992</u>	<u>(629,780)</u>	<u>1,064,772</u>
Balances at June 30, 2020	\$	<u>19,588,307</u>	\$ <u>17,234,663</u>	\$ <u>2,353,644</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>1.00% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1.00% Increase 7.75%</u>
Primary Government - County (includes Component Unit - Henry-Martinsville Social Services)			
Political subdivision's Net Pension Liability	\$ <u>28,140,092</u>	\$ <u>16,369,833</u>	\$ <u>6,569,087</u>
Component Unit School Board - General Employees	\$ <u>4,160,663</u>	\$ <u>2,353,644</u>	\$ <u>804,025</u>
School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ <u>95,447,581</u>	\$ <u>65,053,150</u>	\$ <u>39,913,113</u>

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

For the year ended June 30, 2021, the County of Henry, Virginia recognized pension expense of \$4,490,452.

For the year ended June 30, 2021, the County of Henry, Virginia school board - general employees recognized pension expense of \$786,128.

At June 30, 2021, the County of Henry, Virginia school division - teachers reported a liability of \$65,053,150 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division - teachers' proportion was 0.44702% as compared to 0.44809% at June 30, 2019.

For the year ended June 30, 2021, the County of Henry, Virginia school division - teachers recognized pension expense of \$6,772,666. 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, 2021, 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>
Primary Government - County (Includes Component Unit - Henry-Martinsville Social Services)		
Differences between expected and actual experience	\$ 1,492,843	\$ -
Change in assumptions	1,010,777	-
Net difference between projected and actual earnings on pension plan investments	2,366,377	-
Employer contributions subsequent to the measurement date	<u>2,192,899</u>	<u>-</u>
Total - County and Social Services	<u>\$ 7,062,896</u>	<u>\$ -</u>

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

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 120,346	\$ -
Change in assumptions	14,328	-
Net difference between projected and actual earnings on pension plan investments	516,470	-
Employer contributions subsequent to the measurement date	<u>294,164</u>	<u>-</u>
Total	<u>\$ 945,308</u>	<u>\$ -</u>

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ -	\$ 3,813,118
Change in assumptions	4,440,693	-
Net difference between projected and actual earnings on pension plan investments	4,948,013	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	34,546	1,144,709
Employer contributions subsequent to the measurement date	<u>6,271,100</u>	<u>-</u>
Total	<u>\$ 15,694,352</u>	<u>\$ 4,957,827</u>

\$2,192,899 for the County, \$294,164 for School Board General Employees and \$6,271,100 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, 2022. 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)**

2022	\$ 1,635,918
2023	1,520,679
2024	955,974
2025	757,426
2026	-
Thereafter	-

**Year Ended
June 30,**

**Component Unit School Board -
General Employees**

2022	\$ 137,180
2023	165,824
2024	180,487
2025	167,653
2026	-
Thereafter	-

**Component Unit School Board -
Teachers**

2022	\$ (309,155)
2023	1,383,636
2024	1,900,026
2025	1,573,073
2026	(82,155)
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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 \$252,730, \$43,102, and \$791,632, respectively of payables to a pension plan outstanding at the end of the reporting period. This amount represents June 2021 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 \$8,616 as of June 30, 2021.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). 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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the County were \$97,480 and \$93,616 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the component unit school board – general employees, contributions to the Group Life Insurance Program were \$20,248 and \$19,515 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the component unit school board – teacher, contributions to the Group Life Insurance Program were \$211,381 and \$203,372 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the entities reported a liability of \$1,459,898 for the political subdivision, \$304,229 for the component unit school board – general employees, and \$3,171,456 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, 2020 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, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .8748% for the political subdivision, .01823% for the school board – general employees, and .19004% for the school board – teacher as compared to .08788% for the political subdivision, .01807% for the component unit school board – general employees, and .19094% for the component unit school board – teacher at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expenses of \$59,684 for the political subdivision, \$12,879 for the component unit school board – general employees, and \$110,390 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, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Political Subdivision

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 93,639	\$ 13,112
Net difference between projected and actual earnings on GLI OPEB program investments	43,854	-
Change in assumptions	73,012	30,484
Changes in proportionate share	13,588	5,104
Employer contributions subsequent to the measurement date	<u>97,480</u>	<u>-</u>
Total	<u><u>\$ 321,573</u></u>	<u><u>\$ 48,700</u></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	\$ 19,513	\$ 2,733
Net difference between projected and actual earnings on GLI OPEB program investments	9,139	-
Change in assumptions	15,215	6,352
Changes in proportionate share	8,098	8,237
Employer contributions subsequent to the measurement date	<u>20,248</u>	<u>-</u>
Total	<u>\$ 72,213</u>	<u>\$ 17,322</u>

Component Unit School Board Teacher

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 203,420	\$ 28,485
Net difference between projected and actual earnings on GLI OPEB program investments	95,268	-
Change in assumptions	158,609	66,222
Changes in proportionate share	8,808	68,559
Employer contributions subsequent to the measurement date	<u>211,381</u>	<u>-</u>
Total	<u>\$ 677,486</u>	<u>\$ 163,266</u>

\$97,480 for the political subdivision, \$20,248 for school board – general employees, and \$211,381 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, 2022. 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,**

2022	\$ 26,002
2023	38,386
2024	49,689
2025	49,270
2026	11,440
Thereafter	606

**Component Unit School Board
General Employees**

**Year Ended
June 30,**

2022	\$ 5,860
2023	8,441
2024	9,436
2025	8,429
2026	2,212
Thereafter	265

**Component Unit School Board
Teacher**

**Year Ended
June 30,**

2022	\$ 37,218
2023	64,122
2024	86,697
2025	92,053
2026	21,447
Thereafter	1,302

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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, 2019 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, 2019 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, 2019 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, 2019 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, 2019 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, 2019 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, 2019 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, 2019 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, 2019 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, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	<u>1,855,102</u>
GLI Net OPEB Liability (Asset)	<u><u>\$ 1,668,835</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, 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, 2020 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%)	
State Agency's Proportionate Share of the Group Life Insurance Plan					
Net OPEB Liability - Political Subdivision	\$	1,919,148	\$	1,459,898	\$ 1,086,944
Net OPEB Liability - School Division		399,932		304,229	226,509
Net OPEB Liability - Teacher		4,169,123		3,171,456	2,361,258

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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, school board general employees, and teachers recognize \$20,035, \$4,646, and \$51,185, respectively of payables to a group life insurance OPEB plan outstanding at the end of the reporting period. This amount represents June 2021 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	
Eligible Employees	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. Eligible employees are enrolled automatically upon employment. They include: Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
Benefit Amounts	The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees: <i>At Retirement:</i> 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. <i>Disability Retirement:</i> 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.
Health Insurance Credit Program Notes:	- The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. - 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. - 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.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Primary Government - County	School Board - General Employees
	Number	Number
Inactive members or their beneficiaries currently receiving benefits	37	-
Inactive members:		
Vested inactive members	-	-
Non-vested inactive members	-	-
Inactive members active elsewhere in the System	-	-
Total inactive members	37	-
Active members	139	170
Total covered employees	176	170

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, 2021 was 0.06% of covered employee compensation and 1.02% for the component unit school board-general employees. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County of Henry, Virginia to the Political Subdivision Health Insurance Credit Program were \$3,679 and \$2,427 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the component unit school board – general employees, contributions to the Health Insurance Credit Program were \$38,076 and \$-0- for the years ended June 30, 2021 and 2020, respectively.

Net HIC OPEB Liability

The County of Henry, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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, 2019 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, 2019 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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide for a median return of 6.81%.

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, 2020, 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, 2020 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:

Primary Government - County

(Includes Component Unit - Henry-Martinsville Social Services)

		<u>Increase (Decrease)</u>	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 272,956	\$ 332,012	\$ (59,056)
Changes for the Year			
Service cost	5,652	-	5,652
Interest	17,500	-	17,500
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(1,091)	-	(1,091)
Contributions - employer	-	2,427	(2,427)
Net investment income	-	6,495	(6,495)
Benefit payments	(27,404)	(27,404)	-
Administrative expenses	-	(595)	595
Other changes	-	(3)	3
Net Changes	(5,343)	(19,080)	13,737
Balances at June 30, 2020	<u>\$ 267,613</u>	<u>\$ 312,932</u>	<u>\$ (45,319)</u>

**Component Unit School Board -
General Employees**

		<u>Increase (Decrease)</u>	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the Year			
Service cost	-	-	-
Interest	-	-	-
Benefit changes	467,860	-	467,860
Assumption changes	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net Changes	467,860	-	467,860
Balances at June 30, 2020	<u>\$ 467,860</u>	<u>\$ -</u>	<u>\$ 467,860</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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Primary Government - County (includes Component Unit - Henry-Martinsville Social Services)			
Public Subdivision			
Net HIC OPEB Liability (Asset)	\$ (15,200)	\$ (45,319)	\$ (71,015)
Component Unit School Board - General Employees			
Net HIC OPEB Liability (Asset)	\$ 509,006	\$ 467,860	\$ 431,855

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, 2021, the County of Henry, Virginia recognized Health Insurance Credit Program OPEB expense \$1,819 for the political subdivision and \$467,860 for the component unit school board – general employees. At June 30, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government - County (Includes Component Unit - Henry-Martinsville Social Services)		
Differences between expected and actual experience	\$ 5,547	\$ 7,242
Change in assumptions	4,668	3,853
Net difference between projected and actual earnings on HIC OPEB program investments	10,310	-
Employer contributions subsequent to the measurement date	<u>3,679</u>	<u>-</u>
Total	<u>\$ 24,204</u>	<u>\$ 11,095</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on HIC OPEB program investments	-	-
Employer contributions subsequent to the measurement date	<u>38,076</u>	<u>-</u>
Total	<u>\$ 38,076</u>	<u>\$ -</u>

\$3,679 for the political subdivision and \$38,076 for the component unit school board – general employees 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, 2022. 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,**

**Primary
Government -
County (Includes
Component Unit -
Henry-Martinsville
Social Services)**

2022	\$ (381)
2023	2,273
2024	2,729
2025	3,804
2026	1,082
Thereafter	(77)

**Component Unit
School Board -
General Employees**

2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-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 and school board-general employees recognize \$302 and \$-0-, respectively of payables to a health insurance credit program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2021 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: • <i>At Retirement:</i> For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <i>Disability Retirement:</i> 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, 2021 was 1.21% 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, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County of Henry, Virginia school division to the VRS Teacher Employee Health Insurance Credit Program were \$473,489 and \$469,099 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the County of Henry, Virginia's school division reported a liability of \$5,816,970 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, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County of Henry, Virginia school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.44591% as compared to 0.44613% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$455,271. 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, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 77,682
Change in assumptions	114,993	31,782
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	25,778	-
Changes in proportionate share	-	125,985
Employer contributions subsequent to the measurement date	<u>473,489</u>	<u>-</u>
Total	<u>\$ 614,260</u>	<u>\$ 235,449</u>

\$473,489 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, 2022. 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,**

2022	\$	(21,101)
2023		(18,546)
2024		(19,402)
2025		(16,454)
2026		(10,530)
Thereafter		(8,645)

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, 2019, 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, 2020.

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, 2019 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, 2020, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$1,448,676
Plan Fiduciary Net Position	<u>144,160</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	9.95%

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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY 2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, 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, 2020 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:

	1% Decrease (5.75%)	Current Discount Rate 6.75%	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 6,511,491	\$ 5,816,970	\$ 5,226,677

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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at [http://www.varetire.org/Pdf/Publications/2020 annual-report.pdf](http://www.varetire.org/Pdf/Publications/2020%20annual-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 \$46,219 of payables to a teacher health insurance program OPEB plan outstanding at the end of the reporting period. This amount represents the June 2021 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	Effective July 1, 2020 and for future SSD retirees, coverage ceases upon the earlier of death or attainment of Medicare eligibility.	Effective July 1, 2020 and for future SSD 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, 2020 (the valuation date) the following employees were covered by the benefit terms:

County	<u>Count</u>	<u>Total OPEB Liability</u>
Inactive employees or beneficiaries currently receiving benefits	6	\$ 169,156
Active employees	<u>280</u>	<u>1,097,735</u>
Total	<u>286</u>	<u>\$1,266,891</u>

Henry-Martinsville Social Services

Inactive employees or beneficiaries currently receiving benefits	0	\$ -
Active employees	<u>81</u>	<u>179,271</u>
Total	<u>81</u>	<u>\$ 179,271</u>

School Board

Inactive employees or beneficiaries currently receiving benefits	27	\$ 502,861
Active employees	<u>976</u>	<u>4,320,815</u>
Total	<u>1003</u>	<u>\$4,823,676</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, 2021 for the employer fiscal year and reporting period of July 1, 2020 to June 30, 2021. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2020 and the corresponding measurement period of July 1, 2019 to July 1, 2020 for GASB 75 and a measurement date of June 30, 2021 and corresponding measurement period of July 1, 2020 to June 30, 2021 for GASB 74. The measurement of the total OPEB liability is based on a valuation date of July 1, 2020.

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2020 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	6.60% for fiscal year 2021, 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-2020
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>	
	Total OPEB Retiree HI Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Retiree HI Liability (Asset) (a) - (b)
County			
Balances at July 1, 2020	\$ 1,276,882	\$ 823,467	\$ 453,415
Changes for the Year			
Service cost	25,782	-	25,782
Interest	84,627	-	84,627
Difference between expected and actual experience	(21,683)	-	(21,683)
Contributions - employer*	-	133,478	(133,478)
Contributions - employee	-	-	-
Net investment income	-	24,025	(24,025)
Benefit payments**	(99,478)	(99,478)	-
Changes of benefit terms	-	-	-
Administrative expenses	-	(1,426)	1,426
Other changes	761	-	761
Net Changes	(9,991)	56,599	(66,590)
Balances at June 30, 2021***	<u>\$ 1,266,891</u>	<u>\$ 880,066</u>	<u>\$ 386,825</u>

		<u>Increase (Decrease)</u>	
	Total OPEB Retiree HI Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Retiree HI Liability (Asset) (a) - (b)
Henry-Martinsville Social Services			
Balances at July 1, 2020	\$ 183,580	\$ 202,537	\$ (18,957)
Changes for the Year			
Service cost	6,003	-	6,003
Interest	12,540	-	12,540
Difference between expected and actual experience	(15,233)	-	(15,233)
Contributions - employer*	-	37,741	(37,741)
Contributions - employee	-	-	-
Net investment income	-	6,438	(6,438)
Benefit payments**	(7,741)	(7,741)	-
Changes of benefit terms	-	-	-
Administrative expenses	-	(733)	733
Other changes	122	-	122
Net Changes	(4,309)	35,705	(40,014)
Balances at June 30, 2021***	<u>\$ 179,271</u>	<u>\$ 238,242</u>	<u>\$ (58,971)</u>

		<u>Increase (Decrease)</u>	
	Total OPEB Retiree HI Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Retiree HI Liability (Asset) (a) - (b)
School Board			
Balances at July 1, 2020	\$ 4,597,818	\$ 1,911,776	\$ 2,686,042
Changes for the Year			
Service cost	136,479	-	136,479
Interest	301,911	-	301,911
Differences between expected and actual experience	315,346	-	315,346
Contributions - employer*	-	531,754	(531,754)
Contributions - employee	-	-	-
Net investment income	-	58,436	(58,436)
Benefit payments**	(531,754)	(531,754)	-
Changes of benefit terms	-	-	-
Administrative expenses	-	(2,589)	2,589
Other changes	3,876	-	3,876
Net Changes	225,858	55,847	170,011
Balances at June 30, 2021***	<u>\$ 4,823,676</u>	<u>\$ 1,967,623</u>	<u>\$ 2,856,053</u>

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

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

*** Measurement date is July 1, 2020

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>
County			
Employer's Net OPEB Retiree Health Insurance Liability	\$ 505,436	\$ 386,825	\$ 280,774
Henry-Martinsville			
Social Services			
Employer's Net OPEB Retiree Health Insurance Liability	\$ (43,031)	\$ (58,971)	\$ (73,309)
School Board			
Employer's Net OPEB Retiree Health Insurance Liability	\$3,306,359	\$ 2,856,053	\$2,449,408

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>
County			
Employer's Net OPEB Retiree Health Insurance Liability	\$ 265,572	\$ 386,825	\$ 525,954
Henry-Martinsville			
Social Services			
Employer's Net OPEB Retiree Health Insurance Liability	\$ (75,536)	\$ (58,971)	\$ (40,022)
School Board			
Employer's Net OPEB Retiree Health Insurance Liability	\$2,363,194	\$ 2,856,053	\$3,427,519

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

For the year ended June 30, 2021, under GASB 75 the employer OPEB expense is \$(58,381) for the County, \$(14,942) for Henry-Martinsville Social Services, and \$70,256 for the School Board. The deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2021 from various sources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
County		
Differences between expected and actual experience	\$ 7,475	\$ 77,954
Changes of actuarial assumptions	49,786	273,864
Net difference between projected and actual earnings on OPEB plan investments	36,371	-
Employer contributions after measurement date but prior to fiscal year end	<u>34,000</u>	<u>-</u>
Total	<u>\$ 127,632</u>	<u>\$ 351,818</u>
Henry-Martinsville Social Services		
Differences between expected and actual experience	\$ -	\$ 19,401
Changes of actuarial assumptions	6,553	27,801
Net difference between projected and actual earnings on OPEB plan investments	9,758	-
Employer contributions after measurement date but prior to fiscal year end	<u>-</u>	<u>-</u>
Total	<u>\$ 16,311</u>	<u>\$ 47,202</u>
School Board		
Differences between expected and actual experience	\$ 403,680	\$ -
Changes of actuarial assumptions	193,045	1,178,656
Net difference between projected and actual earnings on OPEB plan investments	80,617	-
Employer contributions after measurement date but prior to fiscal year end	<u>-</u>	<u>-</u>
Total	<u>\$ 677,342</u>	<u>\$ 1,178,656</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

2022	\$ (114,858)
2023	(114,857)
2024	(36,067)
2025	10,263
2026	(2,667)

**Henry-Martinsville
Social Services**

2022	\$ (21,575)
2023	(9,913)
2024	550
2025	47
2026	-

School Board

2022	\$ (241,908)
2023	(241,910)
2024	(212,121)
2025	145,018
2026	49,607

25 Fund Balances – Governmental Funds

As of June 30, 2021, fund balances are composed of the following:

	Primary Government					
	General Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
Nonspendable - inventory	\$ 42,148	\$ -	\$ -	\$ -	\$ -	\$ 42,148
Restricted for specific use	20,912,186	-	83,782	31,364	-	21,027,332
Committed to special projects	11,712,221	-	-	-	-	11,712,221
Committed fund balance - revenue stabilization reserve	4,066,000	-	-	-	-	4,066,000
Assigned for specific projects	10,768,724	-	-	-	173,228	10,941,952
Unassigned	31,779,866	-	-	-	-	31,779,866
	<u>\$ 79,281,145</u>	<u>\$ -</u>	<u>\$ 83,782</u>	<u>\$ 31,364</u>	<u>\$ 173,228</u>	<u>\$ 79,569,519</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 LaBella Associates are working on resolving the land issue related to gas compliance.

The \$265,731 reported as landfill post-closure care liability at June 30, 2021 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 within five 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, 2021, the Industrial Development Authority provided Enterprise Zone Incentive Program tax refunds of \$702,880 to sixteen 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, 2021 of \$3,753,639 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 Restatement

The following adjustments were made to beginning net position:

	<u>Component Unit School Board</u>
	<u>Net Position</u>
Beginning Balance as previously reported - July 1, 2020	\$(31,522,014)
Implementation of GASB 84 to record School Activity Funds	<u>773,763</u>
Restated Balance - beginning of the year - July 1, 2020	<u><u>\$(30,748,251)</u></u>

31 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through December 7, 2021.

REQUIRED SUPPLEMENTARY INFORMATION



County of Henry, Virginia
Budgetary Comparison Schedule
Year Ended June 30, 2021
General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Property taxes - all years	\$ 27,455,117	\$ 27,455,117	\$ 28,560,804	\$ 1,105,687
Penalties - all tax years	260,000	260,000	391,765	131,765
Interest - all tax years	<u>190,000</u>	<u>190,000</u>	<u>215,203</u>	<u>25,203</u>
Total General Property Taxes	27,905,117	27,905,117	29,167,772	1,262,655
Other Local Taxes				
Local sales and use taxes	4,639,000	4,639,000	5,669,186	1,030,186
Local sales and use taxes - School	-	939,129	939,129	-
Consumer utility tax	2,943,000	2,943,000	2,819,490	(123,510)
Business license taxes	1,607,500	1,607,500	1,726,790	119,290
Motor vehicle licenses	900,000	900,000	1,086,592	186,592
Bank franchise taxes	300,000	300,000	361,574	61,574
Transient occupancy taxes	116,000	116,000	122,851	6,851
Taxes on recordation and wills	213,000	213,000	385,271	172,271
Restaurant food taxes	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,631,610</u>	<u>331,610</u>
Total Other Local Taxes	13,018,500	13,957,629	15,742,493	1,784,864
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	6,000	6,000	5,176	(824)
Building and related permits	45,000	45,000	93,454	48,454
Other permits, licenses, and fees	<u>4,800</u>	<u>4,800</u>	<u>9,867</u>	<u>5,067</u>
Total Permits, Privilege Fees, and Regulatory Licenses	55,800	55,800	108,497	52,697
Fines and Forfeitures				
Court fines and forfeitures	136,000	136,000	133,296	(2,704)
Revenue from Use of Money and Property				
Revenue from use of money	603,000	696,612	715,109	18,497
Revenue from use of property	<u>392,900</u>	<u>392,900</u>	<u>529,412</u>	<u>136,512</u>
Total Revenue from Use of Money and Property	995,900	1,089,512	1,244,521	155,009
Charges for Services				
Sheriff fees	29,454	29,454	45,472	16,018
Commonwealth's attorney	4,400	4,400	4,661	261
County and hired attorneys	90,500	90,500	89,171	(1,329)
Law enforcement and traffic control	-	-	14,334	14,334
Sanitation and waste removal	69,000	69,000	74,309	5,309
Treasurer's administrative collection fees	2,400	2,400	2,255	(145)
Parks and recreation fees	33,000	33,000	20,235	(12,765)
Parks and recreation - special events	-	19,380	19,380	-
Utility bill collection	18,000	18,000	13,672	(4,328)
Jail monitoring	14,000	14,000	7,535	(6,465)
Miscellaneous other charges for services	<u>1,800</u>	<u>1,800</u>	<u>9,729</u>	<u>7,929</u>
Total Charges for Services	262,554	281,934	300,753	18,819

Variance
With
Final Budget
Positive
(Negative)

Recovered Costs

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Jail costs - Commonwealth of Virginia	266,000	266,000	305,692	39,692
Inmate housing fees	-	-	92,935	92,935
Salary - court secretary	23,000	23,000	25,453	2,453
City share of extension services	7,756	7,756	7,756	-
School share of school resource officer	277,368	277,368	277,368	-
EMS fees for service	1,150,000	1,150,000	1,197,203	47,203
M/HC Economic Development Corporation	948,248	948,248	922,756	(25,492)
Local and special grants	-	7,095	8,495	1,400
Harvest Foundation grants	-	15,000	15,000	-
Transport prisoners	-	-	22,810	22,810
Transportation grants	66,167	92,073	50,949	(41,124)
Other recovered costs	-	4,281	28,460	24,179
Insurance recoveries	-	79,957	157,406	77,449
Miscellaneous refunds	245,906	313,656	294,491	(19,165)
Total Recovered Costs	2,984,445	3,184,434	3,406,774	222,340

Miscellaneous

	30,000	30,000	86,830	56,830
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Intergovernmental

Revenue from the Commonwealth of Virginia

Noncategorical Aid

Rolling stock taxes - motor vehicle carriers tax	41,000	41,000	39,834	(1,166)
Mobile home titling tax	55,000	55,000	49,740	(5,260)
Tax on deeds	59,000	59,000	-	(59,000)
Auto rental sales tax	30,000	30,000	29,220	(780)
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
Para mutual tax	15,000	15,000	14,005	(995)
Skill games tax	-	-	84,672	84,672
Communication tax	1,881,000	1,881,000	1,709,504	(171,496)
Total Noncategorical Aid	3,852,828	3,852,828	3,698,803	(154,025)

Categorical Aid

Shared Expenses

Commonwealth's Attorney	671,608	671,608	683,881	12,273
Sheriff	4,744,638	4,744,638	4,784,749	40,111
Commissioner of the Revenue	188,265	188,265	184,907	(3,358)
Treasurer	178,219	178,219	176,952	(1,267)
Electoral Board and General Registrar	47,500	47,500	51,927	4,427
Clerk of Circuit Court	466,262	466,262	497,633	31,371
Total Categorical Aid	6,296,492	6,296,492	6,380,049	83,557

Other Categorical Aid

Fire programs fund	-	203,542	203,542	-
Volunteer fire grants	-	32,460	32,460	-
Victim witness program	42,302	42,302	38,383	(3,919)
Transportation grant funds	27,841	30,504	30,504	-
Litter control program	15,984	15,984	18,217	2,233
Emergency services grants	-	150,212	152,911	2,699
EMS 4 for life	-	54,176	54,176	-
Library of Virginia grant	-	27,123	-	(27,123)
Law enforcement grants	-	3,530	-	(3,530)
Other state grants and awards	-	17,703	26,105	8,402
Asset forfeiture funds	-	487	36,863	36,376
Total Other Categorical Aid	86,127	578,023	593,161	15,138

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	10,235,447	10,727,343	10,672,013	(55,330)
Revenue from the Federal Government				
Payments in lieu of taxes	3,500	3,500	3,791	291
Coronavirus relief fund	-	6,458,008	6,468,783	10,775
FEMA disaster assistance grant	-	66,387	97,893	31,506
Emergency services	26,164	26,164	26,164	-
Law enforcement grants	-	194,663	92,103	(102,560)
Victim witness program	126,908	126,908	115,149	(11,759)
Asset forfeiture funds	-	752	-	(752)
Transportation grants	61,887	146,355	87,114	(59,241)
Total Revenue from the Federal Government	218,459	7,022,737	6,890,997	(131,740)
Total Intergovernmental Revenue	10,453,906	17,750,080	17,563,010	(187,070)
Total Revenues	55,842,222	64,390,506	67,753,946	3,363,440

Expenditures

Current

General Government Administration

Board of Supervisors	190,055	327,383	280,343	47,040
County Administrator	363,267	392,687	408,642	(15,955)
Independent auditor	60,000	60,000	49,039	10,961
Human resources/training	70,859	75,281	71,182	4,099
County Attorney	183,734	188,156	195,201	(7,045)
Commissioner of Revenue	613,157	647,455	601,222	46,233
Assessors	222,444	239,846	222,326	17,520
Treasurer	588,788	625,699	557,153	68,546
Finance	415,297	457,909	456,616	1,293
Information services	375,438	435,391	426,984	8,407
Central purchasing	228,404	241,738	236,957	4,781
Board of Elections - registrar	339,912	424,260	366,690	57,570
Total General Government Administration	3,651,355	4,115,805	3,872,355	243,450

Judicial Administration

Circuit Court	92,784	97,552	105,333	(7,781)
General District Court	22,820	22,820	18,497	4,323
Magistrate	3,090	3,090	2,994	96
Juvenile and Domestic Relations	6,790	6,790	4,498	2,292
Clerk of the Circuit Court	806,445	861,595	784,503	77,092
Sheriff Civil and Court Security	1,056,425	1,307,006	1,112,810	194,196
Victim/Witness Assist	172,995	176,763	153,608	23,155
Commonwealth's Attorney	1,100,202	1,119,444	1,018,140	101,304
Total Judicial Administration	3,261,551	3,595,060	3,200,383	394,677

	<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	6,128,049	8,264,518	6,610,853	1,653,665
Law enforcement and traffic control - grants	-	194,663	85,596	109,067
School resource officer	277,368	277,368	277,368	-
Fire and rescue services	615,074	1,362,803	1,148,787	214,016
Emergency services training	300,466	447,777	318,851	128,926
Emergency services operations	2,231,217	4,311,751	3,263,593	1,048,158
Emergency services grants	-	49,441	48,881	560
Fire prevention	198,732	294,337	206,314	88,023
Correction and detention	4,557,961	5,468,075	4,723,570	744,505
Correction and detention - grants	-	12,050	6,486	5,564
Probation	382,800	382,800	264,089	118,711
Code enforcement	342,730	633,637	392,358	241,279
Public safety	192,870	288,066	225,296	62,770
Public safety grant	-	44,803	44,803	-
Electronic monitoring	18,530	18,530	8,235	10,295
Animal control	211,663	295,337	235,408	59,929
Asset forfeiture	-	1,239	-	1,239
SPCA	11,667	11,667	11,667	-
Total Public Safety	15,469,127	22,358,862	17,872,155	4,486,707
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	9,000	9,000	5,126	3,874
Refuse collection	1,796,699	1,874,942	1,862,762	12,180
Refuse disposal - closure maintenance	10,500	10,500	5,972	4,528
<i>Maintenance of buildings and grounds</i>				
General engineering	297,158	318,183	282,752	35,431
Communication equipment	75,305	79,841	79,415	426
Administrative building	490,097	635,125	509,335	125,790
Courthouse	380,998	526,933	411,527	115,406
Sheriff's office	60,900	75,902	49,196	26,706
Jail	316,450	310,957	264,672	46,285
Other	265,122	353,077	270,494	82,583
Social services and health department	65,992	82,512	80,783	1,729
Dupont property	127,196	129,349	101,210	28,139
Total Maintenance of Buildings and Grounds	2,079,218	2,511,879	2,049,384	462,495
Total Public Works	3,895,417	4,406,321	3,923,244	483,077
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	894,694	1,093,351	832,806	260,545
Health Department	315,000	315,000	315,000	-
Mental health and retardation	169,920	169,920	169,920	-
Transportation grants	166,538	292,279	170,410	121,869
Property tax relief	115,000	115,000	119,476	(4,476)
Group home services	81,566	81,566	81,566	-
Other welfare and social services	112,981	238,981	220,037	18,944
Total Health and Welfare	1,855,699	2,306,097	1,909,215	396,882

	<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	-
Education - other	-	78,628	78,628	-
Contributions to component unit - school board	18,925,432	23,332,677	16,865,565	6,467,112
School capital - sales tax	-	939,129	-	939,129
Total Education	18,984,874	24,409,876	17,003,635	7,406,241
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	1,287,494	1,433,745	1,158,865	274,880
Cultural enrichment	90,088	90,088	85,575	4,513
Library	735,541	735,541	735,541	-
Total Parks, Recreation, and Cultural	2,113,123	2,259,374	1,979,981	279,393
<i>Community Development</i>				
Planning and community development	324,285	342,239	337,514	4,725
Community beautification	72,974	77,396	75,658	1,738
Engineering and mapping	306,234	323,716	313,146	10,570
M/HC Economic Development Corporation - payroll related	948,247	948,247	922,756	25,491
M/HC Economic Development Corporation	500,000	500,000	500,000	-
Cooperative extension program	66,319	66,319	66,310	9
Henry County Industrial Development Authority	1,518,677	6,041,603	2,404,364	3,637,239
Other community and economic development	130,896	278,886	136,127	142,759
Total Community Development	3,867,632	8,578,406	4,755,875	3,822,531
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	124,762	149,600	61,022	88,578
Contingency reserve	100,000	50,000	-	50,000
Total Nondepartmental	224,762	199,600	61,022	138,578
<i>Capital Projects</i>				
Correctional facility	900,000	59,107,855	35,536,334	23,571,521
Other miscellaneous capital projects	-	3,466,640	897,467	2,569,173
Total Capital Projects	900,000	62,574,495	36,433,801	26,140,694
<i>Debt Service</i>				
Principal	-	-	-	-
Interest and other costs	4,500	4,053,581	3,077,081	976,500
Total Debt Service	4,500	4,053,581	3,077,081	976,500
Total Expenditures	54,228,040	138,857,477	94,088,747	44,768,730
Excess (Deficiency) of Revenues Over Expenditures	1,614,182	(74,466,971)	(26,334,801)	48,132,170
Other Financing Sources (Uses)				
Transfers to other funds	(1,614,182)	(2,550,710)	(1,973,445)	577,265
Total Other Financing Sources (Uses)	(1,614,182)	(2,550,710)	(1,973,445)	577,265

	<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	-	(77,017,681)	(28,308,246)	48,709,435
Transfer from Surplus Funds	<u>-</u>	<u>77,017,681</u>	<u>-</u>	<u>(77,017,681)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(28,308,246)	<u>\$(28,308,246)</u>
Fund Balance - Beginning of Year			<u>107,589,391</u>	
Fund Balance - End of Year			<u>\$ 79,281,145</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>
Revenues				
Intergovernmental				
Revenue from the Commonwealth of Virginia	\$ 1,426,572	\$ 2,064,603	\$ 2,032,513	\$ (32,090)
Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>32,090</u>	<u>32,090</u>
Total Intergovernmental Revenue	<u>1,426,572</u>	<u>2,064,603</u>	<u>2,064,603</u>	<u>-</u>
Total Revenues	1,426,572	2,064,603	2,064,603	-
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and social services	<u>2,050,201</u>	<u>3,003,232</u>	<u>2,998,949</u>	<u>4,283</u>
Total Expenditures	<u>2,050,201</u>	<u>3,003,232</u>	<u>2,998,949</u>	<u>4,283</u>
Excess (Deficiency) of Revenues Over Expenditures	(623,629)	(938,629)	(934,346)	4,283
Other Financing Sources (Uses)				
Transfers in	<u>623,629</u>	<u>938,629</u>	<u>934,346</u>	<u>(4,283)</u>
Total Other Financing Sources (Uses)	<u>623,629</u>	<u>938,629</u>	<u>934,346</u>	<u>(4,283)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>-</u>	
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>
Revenues				
Local Revenues				
Recovered costs	\$ 470,437	\$ 483,204	\$ 455,016	\$ (28,188)
Total Local Revenues	470,437	483,204	455,016	(28,188)
Intergovernmental				
Revenue from the Commonwealth of Virginia	646,068	676,068	702,163	26,095
Total Intergovernmental Revenues	646,068	676,068	702,163	26,095
Total Revenues	1,116,505	1,159,272	1,157,179	(2,093)
Expenditures				
Current				
Public safety	2,107,058	2,681,592	2,153,527	528,065
Total Expenditures	2,107,058	2,681,592	2,153,527	528,065
Net Change in Fund Balance Before Transfers	(990,553)	(1,522,320)	(996,348)	525,972
Transfer from Other Funds	990,553	1,522,320	996,348	(525,972)
Net Change in Fund Balance	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 6,000	\$ 6,000	\$ 5,059	\$ (941)
Recovered costs	<u>3,500</u>	<u>3,500</u>	<u>1,943</u>	<u>(1,557)</u>
Total Revenues	9,500	9,500	7,002	(2,498)
Expenditures				
Current				
Judicial administration	<u>22,700</u>	<u>22,700</u>	<u>17,635</u>	<u>5,065</u>
Total Expenditures	<u>22,700</u>	<u>22,700</u>	<u>17,635</u>	<u>5,065</u>
Net Change in Fund Balance Before Transfer from Surplus	(13,200)	(13,200)	(10,633)	2,567
Transfer from Surplus Funds	<u>13,200</u>	<u>13,200</u>	-	<u>(13,200)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(10,633)	<u>\$ (10,633)</u>
Fund Balance - Beginning of Year			<u>94,415</u>	
Fund Balance - End of Year			<u>\$ 83,782</u>	

Fieldale Sanitary District Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ 500	\$ 500	\$ 232	\$ (268)
Total Revenues	500	500	232	(268)
Expenditures				
Current				
Public works	<u>20,500</u>	<u>20,500</u>	<u>15,369</u>	<u>5,131</u>
Total Expenditures	<u>20,500</u>	<u>20,500</u>	<u>15,369</u>	<u>5,131</u>
Net Change in Fund Balance Before Transfer from Surplus	(20,000)	(20,000)	(15,137)	4,863
Transfer from Surplus Funds	<u>20,000</u>	<u>20,000</u>	-	(20,000)
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(15,137)	<u>\$ (15,137)</u>
Fund Balance - Beginning of Year			<u>46,501</u>	
Fund Balance - End of Year			<u>\$ 31,364</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

Primary Government (Includes Component Unit - Henry-Martinsville Social Services)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 2,054,182	\$ 1,896,600	\$ 1,827,871	\$ 1,867,788	\$ 1,817,186	\$ 1,825,934	\$ 1,744,503
Interest	5,945,514	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	1,620,832	529,829	1,212,431	610,936	(201,848)	(139,048)	-
Changes of assumptions	-	2,553,947	-	(118,473)	-	-	-
Benefit payments	<u>(4,471,745)</u>	<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>
Net change in total pension liability	5,148,783	6,549,794	4,259,114	3,683,654	2,817,557	2,589,534	3,201,702
Total pension liability - beginning	90,317,563	83,767,769	79,508,655	75,825,001	73,007,444	70,417,910	67,216,208
Total pension liability - ending (a)	<u>\$95,466,346</u>	<u>\$90,317,563</u>	<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>
 Plan fiduciary net position							
Contributions - employer	\$ 1,889,554	\$ 1,822,437	\$ 1,664,088	\$ 1,610,625	\$ 1,942,274	\$ 1,860,929	\$ 1,851,310
Contributions - employee	870,505	835,537	859,762	779,350	798,388	736,140	720,333
Net investment income	1,509,567	5,023,320	5,309,806	7,954,439	1,131,498	2,906,849	8,808,287
Benefit payments	(4,471,745)	(4,149,107)	(4,199,801)	(3,849,611)	(3,776,137)	(3,890,440)	(3,138,102)
Administrator charges	(51,706)	(49,928)	(46,279)	(46,404)	(40,955)	(40,480)	(47,504)
Other	<u>(1,783)</u>	<u>(3,167)</u>	<u>(4,709)</u>	<u>(7,065)</u>	<u>(482)</u>	<u>(613)</u>	<u>464</u>
Net change in plan fiduciary net position	(255,608)	3,479,092	3,582,867	6,441,334	54,586	1,572,385	8,194,788
Plan fiduciary net position - beginning	79,352,121	75,873,029	72,290,162	65,848,828	65,794,242	64,221,857	56,027,069
Plan fiduciary net position - ending (b)	<u>\$79,096,513</u>	<u>\$79,352,121</u>	<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>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$16,369,833</u>	<u>\$10,965,442</u>	<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>
 Plan fiduciary net position as a percentage of the total Pension liability	82.85%	87.86%	90.58%	90.92%	86.84%	90.12%	91.20%
 Covered payroll	\$17,999,517	\$17,224,148	\$16,559,903	\$15,948,049	\$15,541,311	\$14,834,279	\$14,700,626
 Political subdivision's net pension liability as a percentage of covered payroll	90.95%	63.66%	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

	<u>School Board General Employees</u>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 340,829	\$ 345,967	\$ 363,460	\$ 336,697	\$ 360,509	\$ 369,148	\$381,575
Interest	1,245,800	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	242,413	85,406	(334,521)	(169,947)	63,285	(128,520)	-
Changes of assumptions	-	423,690	-	(103,590)	-	-	-
Benefit payments	<u>(1,394,050)</u>	<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>
Net change in total pension liability	434,992	749,257	(50,179)	13,948	320,388	241,081	386,244
Total pension liability - beginning	<u>19,153,315</u>	<u>18,404,058</u>	<u>18,454,237</u>	<u>18,440,289</u>	<u>18,119,901</u>	<u>17,878,820</u>	<u>17,492,576</u>
Total pension liability - ending (a)	<u>\$19,588,307</u>	<u>\$19,153,315</u>	<u>\$18,404,058</u>	<u>\$18,454,237</u>	<u>\$18,440,289</u>	<u>\$18,119,901</u>	<u>\$17,878,820</u>
 Plan fiduciary net position							
Contributions - employer	\$ 269,568	\$ 260,364	\$ 295,722	\$ 290,144	\$ 350,270	\$ 359,989	\$374,408
Contributions - employee	172,060	165,284	168,635	165,877	155,088	160,477	164,972
Net investment income	335,023	1,139,282	1,252,339	1,921,468	269,906	747,117	2,319,132
Benefit payments	<u>(1,394,050)</u>	<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>(11,992)</u>	<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>(389)</u>	<u>(713)</u>	<u>(1,096)</u>	<u>(1,689)</u>	<u>(119)</u>	<u>(157)</u>	<u>123</u>
Net change in plan fiduciary net position	<u>(629,780)</u>	205,268	379,736	1,069,420	(560,985)	47,914	1,667,135
Plan fiduciary net position - beginning	<u>17,864,443</u>	<u>17,659,175</u>	<u>17,279,439</u>	<u>16,210,019</u>	<u>16,771,004</u>	<u>16,723,090</u>	<u>15,055,955</u>
Plan fiduciary net position - ending (b)	<u>\$17,234,663</u>	<u>\$17,864,443</u>	<u>\$17,659,175</u>	<u>\$17,279,439</u>	<u>\$16,210,019</u>	<u>\$16,771,004</u>	<u>\$16,723,090</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 2,353,644</u>	<u>\$ 1,288,872</u>	<u>\$ 744,883</u>	<u>\$ 1,174,798</u>	<u>\$ 2,230,270</u>	<u>\$ 1,348,897</u>	<u>\$ 1,155,730</u>
 Plan fiduciary net position as a percentage of the total Pension liability	87.98%	93.27%	95.95%	93.63%	87.91%	92.56%	93.54%
 Covered payroll	\$ 3,733,471	\$ 3,530,570	\$ 3,565,956	\$ 3,454,267	\$ 3,179,921	\$ 3,254,767	\$3,304,105
 Political subdivision's net pension liability as a percentage of covered payroll	63.04%	36.51%	20.89%	34.01%	70.14%	41.44%	34.98%

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, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2020</u>	<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)	0.44702%	0.44809%	0.45652%	0.46139%	0.46050%	0.46490%	0.47694%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$65,053,150	\$58,971,190	\$53,687,000	\$56,742,000	\$64,535,000	\$58,514,000	\$57,636,000
Employer's Covered Payroll	\$39,091,570	\$37,401,883	\$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	166.412%	157.669%	146.124%	156.336%	183.784%	169.291%	165.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2020 is the seventh year for this presentation, there are only seven 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 116 and 117 of the VRS 2020 Annual Report.

County of Henry, Virginia

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

For the Years Ended June 30, 2012 through 2021

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)
Primary Government -					
County (Includes Component Unit - Henry-Martinsville Social Services)					
2021	\$ 2,259,575	\$ 2,259,575	\$ -	\$ 18,047,721	12.52%
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
Component Unit School Board -					
General Employees					
2021	\$ 322,522	\$ 322,522	\$ -	\$ 3,732,896	8.64%
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
Teachers					
2021	\$ 6,503,621	\$ 6,503,621	\$ -	\$ 39,131,295	16.62%
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

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

This schedule includes defined contribution plan contribution amounts

For Reference Only:

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

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

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, 2021

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, 2019 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, 2020, 2019, 2018 and 2017

Political Subdivision	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.08748%	0.08788%	0.08709%	0.08652%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 1,459,898	\$ 1,430,041	\$ 1,323,000	\$ 1,302,000
Employer's Covered Payroll	\$ 18,003,036	\$ 17,227,713	\$ 16,559,903	\$ 15,959,043
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Henry, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board				
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.01823%	0.01807%	0.01883%	0.01880%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 304,229	\$ 294,047	\$ 286,000	\$ 283,000
Employer's Covered Payroll	\$ 3,752,866	\$ 3,541,574	\$ 3,580,333	\$ 3,468,337
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Henry, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

Teacher	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.19004%	0.19094%	0.19325%	0.19689%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 3,171,456	\$ 3,107,102	\$ 2,935,000	\$ 2,963,000
Employer's Covered Payroll	\$ 39,109,996	\$ 37,431,994	\$ 36,746,868	\$ 36,317,135
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Henry, Virginia

Schedule of Employer Contributions

Group Life Insurance OPEB Plan

For the Years Ended June 30, 2012 through 2021

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)
Political Subdivision					
2021	\$ 97,480	\$ 97,480	\$ -	\$ 18,051,832	0.54%
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%
School Board					
2021	\$ 20,248	\$ 20,248	\$ -	\$ 3,749,553	0.54%
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%
Teacher					
2021	\$ 211,381	\$ 211,381	\$ -	\$ 39,144,684	0.54%
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%

For Reference Only:

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

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

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, 2021

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, 2019 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, 2020, 2019, 2018 and 2017

Political Subdivision	2020	2019	2018	2017
Total HIC OPEB liability				
Service cost	\$ 5,652	\$ 5,029	\$ 5,068	\$ 5,750
Interest	17,500	17,135	17,673	17,681
Changes in benefit terms	-	-	-	-
Changes of assumptions	-	6,716	-	(9,433)
Difference between expected and actual experience	(1,091)	7,981	(11,363)	-
Benefit payments	(27,404)	(17,372)	(20,768)	(7,457)
Net change in total HIC OPEB liability	(5,343)	19,489	(9,390)	6,541
Total HIC OPEB liability - beginning	272,956	253,467	262,857	256,316
Total HIC OPEB liability - ending (a)	\$ 267,613	\$ 272,956	\$ 253,467	\$ 262,857
Plan fiduciary net position				
Contributions - employer	\$ 2,427	\$ 2,294	\$ 3,940	\$ 3,853
Net investment income	6,495	20,410	22,604	33,654
Benefit payments	(27,404)	(17,372)	(20,768)	(7,457)
Administrator charges	(595)	(440)	(516)	(542)
Other	(3)	(24)	(1,718)	1,718
Net change in plan fiduciary net position	(19,080)	4,868	3,542	31,226
Plan fiduciary net position - beginning	332,012	327,144	323,602	292,376
Plan fiduciary net position - ending (b)	\$ 312,932	\$ 332,012	\$ 327,144	\$ 323,602
Political subdivision's net HIC OPEB liability - ending (a) - (b)	\$ (45,319)	\$ (59,056)	\$ (73,677)	\$ (60,745)
Plan fiduciary net position as a percentage of the total HIC OPEB liability	116.93%	121.64%	129.07%	123.11%
Covered payroll	\$ 6,066,432	\$ 5,735,599	\$ 5,626,721	\$ 5,503,431
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	-0.7470%	-1.0296%	-1.3094%	-1.1038%

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, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board - General Employees				
Total HIC OPEB liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Changes in benefit terms	467,860	-	-	-
Changes of assumptions	-	-	-	-
Difference between expected and actual experience	-	-	-	-
Benefit payments	-	-	-	-
Net change in total HIC OPEB liability	467,860	-	-	-
Total HIC OPEB liability - beginning	-	-	-	-
Total HIC OPEB liability - ending (a)	\$ 467,860	\$ -	\$ -	\$ -
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-
Benefit payments	-	-	-	-
Administrator charges	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -
Political subdivision's net HIC OPEB liability - ending (a) - (b)	\$ 467,860	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%	N/A	N/A	N/A
Covered payroll	N/A	N/A	N/A	N/A
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	0.0000%	N/A	N/A	N/A

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, 2020, 2019, 2018 and 2017

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.44591%		0.44613%		0.45430%		0.45989%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 5,816,970	\$	5,840,725	\$	5,768,000	\$	5,834,000
Employer's Covered Payroll	\$ 39,091,570	\$	37,419,544	\$	36,740,962	\$	36,294,838
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	14.88%		15.61%		15.70%		16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	9.95%		8.97%		8.08%		7.04%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 134 of the VRS 2020 Annual Report.

County of Henry, Virginia

Schedule of Employer Contributions HIC OPEB

Health Insurance Credit - Political Subdivisions and Teacher

For the Years Ended June 30, 2012 through 2021

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)
Political Subdivision					
2021	\$ 3,679	\$ 3,679	\$ -	\$ 6,131,872	0.06%
2020	2,427	2,427	-	6,066,432	0.04%
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%
School Board					
2021	\$ 38,076	\$ 38,076	\$ -	\$ 3,732,896	1.02%
2020	N/A	N/A	N/A	N/A	N/A
2019	N/A	N/A	N/A	N/A	N/A
2018	N/A	N/A	N/A	N/A	N/A
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
Teacher					
2021	\$ 473,489	\$ 473,489	\$ -	\$ 39,131,295	1.21%
2020	469,099	469,099	-	39,091,570	1.20%
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%

For Reference Only:

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

Column 2 – Employer contributions as referenced in Covered Payroll & Contributions report on VRS website

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, 2021

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, 2019 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 25,782	\$ 22,286	\$ 69,463	\$ 67,769
Interest	84,627	86,758	68,918	68,051
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(21,683)	11,833	(133,891)	-
Changes of assumptions	761	77,822	(610,581)	-
Benefit payments	(99,478)	(110,619)	(141,848)	(84,969)
Net change in total OPEB liability	(9,991)	88,080	(747,939)	50,851
Total OPEB liability - beginning	<u>1,276,882</u>	<u>1,188,802</u>	<u>1,936,741</u>	<u>1,885,890</u>
Total OPEB liability - ending (a)	<u>\$ 1,266,891</u>	<u>\$ 1,276,882</u>	<u>\$ 1,188,802</u>	<u>\$ 1,936,741</u>
 Plan fiduciary net position				
Contributions - employer	\$ 133,478	\$ 144,619	\$ 175,848	\$ 122,969
Contributions - employee	-	-	-	-
Net investment income	24,025	36,707	62,634	73,904
Benefit payments	(99,478)	(110,619)	(141,848)	(84,969)
Administrative expense	(1,426)	(1,328)	(1,246)	(1,173)
Net change in plan fiduciary net position	56,599	69,379	95,388	110,731
Plan fiduciary net position - beginning	<u>823,467</u>	<u>754,088</u>	<u>658,700</u>	<u>547,969</u>
Plan fiduciary net position - ending (b)	<u>\$ 880,066</u>	<u>\$ 823,467</u>	<u>\$ 754,088</u>	<u>\$ 658,700</u>
 Political subdivision's net OPEB liability (asset) - ending (a) - (b)	<u>\$ 386,825</u>	<u>\$ 453,415</u>	<u>\$ 434,714</u>	<u>\$ 1,278,041</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	69.47%	64.49%	63.43%	34.01%
 Covered employee-payroll	\$13,547,052	\$12,965,430	\$12,965,430	\$12,670,439
 Political subdivision's net OPEB liability (asset) as a percentage of covered employee payroll	2.86%	3.50%	3.35%	10.09%

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)

Henry-Martinsville Social Services	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 6,003	\$ 5,262	\$ 12,893	\$ 12,579
Interest	12,540	12,531	9,305	8,745
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(15,233)	(3,883)	(16,309)	-
Changes of assumptions	122	11,666	(84,156)	-
Benefit payments	(7,741)	(7,493)	(9,367)	(2,493)
Net change in total OPEB liability	(4,309)	18,083	(87,634)	18,831
Total OPEB liability - beginning	183,580	165,497	253,131	234,300
Total OPEB liability - ending (a)	\$ 179,271	\$ 183,580	\$ 165,497	\$ 253,131
 Plan fiduciary net position				
Contributions - employer	\$ 37,741	\$ 7,493	\$ 9,367	\$ 12,493
Contributions - employee	-	-	-	-
Net investment income	6,438	8,914	17,025	19,212
Benefit payments	(7,741)	(7,493)	(9,367)	(2,493)
Administrative expense	(733)	(711)	(697)	(679)
Net change in plan fiduciary net position	35,705	8,203	16,328	28,533
Plan fiduciary net position - beginning	202,537	194,334	178,006	149,473
Plan fiduciary net position - ending (b)	\$ 238,242	\$ 202,537	\$ 194,334	\$ 178,006
 Political subdivision's net OPEB liability (asset) - ending (a) - (b)	\$ (58,971)	\$ (18,957)	\$ (28,837)	\$ 75,125
 Plan fiduciary net position as a percentage of the total OPEB liability	132.89%	110.33%	117.42%	70.32%
 Covered employee-payroll	\$ 3,101,896	\$ 3,047,207	\$ 3,047,207	\$ 2,193,651
 Political subdivision's net OPEB liability (asset) as a percentage of covered payroll	-1.90%	-0.62%	-0.95%	3.42%

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)

School Board	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 136,479	\$ 118,245	\$ 297,521	\$ 290,264
Interest	301,911	309,360	240,768	238,371
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	315,346	197,064	22,005	-
Changes of assumptions	3,876	286,182	(2,381,368)	-
Benefit payments	(531,754)	(627,833)	(653,793)	(286,548)
Net change in total OPEB liability	225,858	283,018	(2,474,867)	242,087
Total OPEB liability - beginning	4,597,818	4,314,800	6,789,667	6,547,580
Total OPEB liability - ending (a)	<u>\$ 4,823,676</u>	<u>\$ 4,597,818</u>	<u>\$ 4,314,800</u>	<u>\$ 6,789,667</u>
 Plan fiduciary net position				
Contributions - employer	\$ 531,754	\$ 777,833	\$ 653,793	\$ 286,548
Contributions - employee	-	-	-	-
Net investment income	58,436	77,524	147,530	176,032
Benefit payments	(531,754)	(627,833)	(653,793)	(286,548)
Administrative expense	(2,589)	(2,332)	(2,229)	(2,134)
Net change in plan fiduciary net position	55,847	225,192	145,301	173,898
Plan fiduciary net position - beginning	1,911,776	1,686,584	1,541,283	1,367,385
Plan fiduciary net position - ending (b)	<u>\$ 1,967,623</u>	<u>\$ 1,911,776</u>	<u>\$ 1,686,584</u>	<u>\$ 1,541,283</u>
 Political subdivision's net OPEB liability (asset) - ending (a) - (b)	<u>\$ 2,856,053</u>	<u>\$ 2,686,042</u>	<u>\$ 2,628,216</u>	<u>\$ 5,248,384</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	40.79%	41.58%	39.09%	22.70%
 Covered employee-payroll	\$39,837,988	\$37,925,106	\$37,925,106	\$35,775,226
 Political subdivision's net OPEB liability (asset) as a percentage of covered payroll	7.17%	7.08%	6.93%	14.67%

County of Henry, Virginia

Schedule of Employer Contributions - OPEB Retiree Health Insurance

Last 10 Fiscal Years (as information becomes available)

Date	Contributions in Relation to Actuarially Determined Contribution					Contributions as a % of Covered Payroll
	Actuarially Determined Contribution (1)	Actuarially Determined Contribution (2)	Contribution Deficiency (Excess) (3)	Expected Covered Employee Payroll (4)		
County						
2021	\$ 99,478	\$ 133,478	\$ (34,000)	\$ 13,547,052		0.99%
2020	110,619	144,619	(34,000)	12,965,430		1.12%
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

Henry-Martinsville Social Services

2021	\$ 7,741	\$ 37,741	\$ (30,000)	\$ 3,101,896		1.22%
2020	7,493	7,493	-	3,047,207		0.25%
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

School Board

2021	\$ 531,754	\$ 531,754	\$ -	\$ 39,837,988		1.33%
2020	627,833	777,833	(150,000)	37,925,106		2.05%
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

Notes to Schedule:

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go."

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the 'pay-as-you-go' cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown.

OTHER SUPPLEMENTARY INFORMATION



County of Henry, Virginia

Capital Projects Fund

June 30, 2021

Special Grant Projects Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ -	\$ 507,126	\$ 28,125	\$ (479,001)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	126,014	-	(126,014)
Revenue from the Federal Government	-	<u>1,071,822</u>	<u>83,787</u>	<u>(988,035)</u>
Total Intergovernmental	-	<u>1,197,836</u>	<u>83,787</u>	<u>(1,114,049)</u>
Total Revenues	-	1,704,962	111,912	(1,593,050)
Expenditures				
Current				
Community development	-	<u>1,783,486</u>	<u>182,136</u>	<u>1,601,350</u>
Total Expenditures	-	<u>1,783,486</u>	<u>182,136</u>	<u>1,601,350</u>
Net Change in Fund Balance Before Transfers	-	(78,524)	(70,224)	8,300
Transfer from Other Funds	-	<u>50,456</u>	<u>16,230</u>	<u>(34,226)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(28,068)	(53,994)	(25,926)
Transfer from Surplus Funds	-	<u>28,068</u>	-	<u>(28,068)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(53,994)	<u>\$ (53,994)</u>
Fund Balance - Beginning of Year			<u>227,222</u>	
Fund Balance - End of Year			<u>\$ 173,228</u>	

County of Henry, Virginia
Combining Balance Sheet
Component Unit - School Board

Year Ended June 30, 2021

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>School Activity Fund</u>	<u>Total Public Schools</u>
Assets					
Cash	\$ 87,242	\$ 957,625	\$ 500,633	\$ 787,861	\$ 2,333,361
Cash - restricted	36,818	-	-	-	36,818
Receivables - net	143,514	-	152,239	-	295,753
Due from primary government	1,863,239	-	-	-	1,863,239
Due from other funds	-	-	-	-	-
Due from other governments	3,270,078	-	139,309	-	3,409,387
Total Assets	<u>\$ 5,400,891</u>	<u>\$ 957,625</u>	<u>\$ 792,181</u>	<u>\$ 787,861</u>	<u>\$ 7,938,558</u>
Liabilities					
Accounts payable	\$ 574,881	\$ -	\$ 52,440	\$ 9,834	\$ 637,155
Accrued salaries and benefits	4,468,122	-	151,256	-	4,619,378
Due to primary government	-	-	122,779	-	122,779
Due to other funds	-	-	-	-	-
Unearned grants	310,570	-	-	-	310,570
Total Liabilities	5,353,573	-	326,475	9,834	5,689,882
Deferred Inflows of Resources					
Held for scholarships	42,863	-	-	-	42,863
Fund Balances					
Restricted	4,455	-	465,706	778,027	1,248,188
Assigned	-	957,625	-	-	957,625
Unassigned	-	-	-	-	-
Total Fund Balances	<u>4,455</u>	<u>957,625</u>	<u>465,706</u>	<u>778,027</u>	<u>2,205,813</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,400,891</u>	<u>\$ 957,625</u>	<u>\$ 792,181</u>	<u>\$ 787,861</u>	<u>\$ 7,938,558</u>
Fund Balances - per above					\$ 2,205,813
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					35,248,793
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					16,639,660
Deferred inflows related to pensions					(4,957,827)
Deferred outflows related to OPEBs					2,079,377
Deferred inflows related to OPEBs					(1,594,693)
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.					(67,406,794)
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					(583,664)
Other post employment benefits obligation					(12,616,568)
Compensated absences					(957,211)
Net Position of Governmental Activities					<u>\$ (31,943,114)</u>

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - School Board

Year Ended June 30, 2021

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>School Activity Fund</u>	<u>Total Public Schools</u>
Revenues					
Revenue from use of money and property	\$ 6,686	\$ 1,244	\$ 886	\$ 66	\$ 8,882
Charges for services	461,115	-	211,383	-	672,498
Recovered costs	320,543	-	-	-	320,543
Miscellaneous	879,235	-	-	494,539	1,373,774
Intergovernmental					
County of Henry, Virginia	16,865,565	-	-	-	16,865,565
Commonwealth of Virginia	60,050,290	-	87,551	-	60,137,841
Federal	9,234,171	-	3,162,353	-	12,396,524
QSCB federal loan interest subsidy	141,320	-	-	-	141,320
Total Revenues	87,958,925	1,244	3,462,173	494,605	91,916,947
Expenditures					
Current					
Instruction	52,445,417	317,677	-	490,341	53,253,435
Administration, attendance, and health	3,506,901	-	-	-	3,506,901
Pupil transportation	5,187,214	-	-	-	5,187,214
Operation and maintenance	6,219,002	-	-	-	6,219,002
Cafeteria - school food service	-	-	4,724,837	-	4,724,837
Facilities	1,852,634	-	-	-	1,852,634
Special grants	11,579,625	-	-	-	11,579,625
Technology	2,608,688	-	-	-	2,608,688
Debt Service					
Principal	20,804,870	-	-	-	20,804,870
Interest and other charges	1,257,667	-	-	-	1,257,667
Total Expenditures	105,462,018	317,677	4,724,837	490,341	110,994,873
Excess (Deficiency) of Expenditures Over Revenues	(17,503,093)	(316,433)	(1,262,664)	4,264	(19,077,926)
Other Financing Sources (Uses)					
Issuance of debt	18,775,463	-	-	-	18,775,463
Transfers in	-	563,095	704,820	-	1,267,915
Transfers out	(1,267,915)	-	-	-	(1,267,915)
Total Other Financing Sources (Uses)	17,507,548	563,095	704,820	-	18,775,463
Net Change in Fund Balances	4,455	246,662	(557,844)	4,264	(302,463)
Fund Balances - Beginning of Year	-	710,963	1,023,550	773,763	2,508,276
Fund Balances - End of Year	\$ 4,455	\$ 957,625	\$ 465,706	\$ 778,027	\$ 2,205,813

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - School Board

Year Ended June 30, 2021

Net Change in Fund Balances - per above \$ (302,463)

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. (359,917)

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. 7,270

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	\$ -	
Repayments on capital leases	<u>521,456</u>	
Net Adjustment		521,456

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	(11,564)
Net pension liability	(7,146,732)
Deferred inflows - VRS pension	1,877,475
Deferred outflows - VRS pension	4,058,065
Deferred outflows - OPEB	345,231
Deferred inflows - OPEB	505,418
Other postemployment benefits	<u>(689,102)</u>
Change in Net Position of Governmental Activities	\$ <u>(1,194,863)</u>

Henry County School Board
School Fund

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

Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ 25,000	\$ 25,000	\$ 6,686	\$ (18,314)
Charges for services	45,500	531,868	461,115	(70,753)
Recovered costs	374,000	411,200	320,543	(90,657)
Miscellaneous				
Harvest Foundation	-	535,057	375,094	(159,963)
Other miscellaneous	350,000	350,000	504,141	154,141
Payment from Primary Government - Henry County	18,925,432	23,332,677	16,865,565	(6,467,112)
Intergovernmental				
Revenue from the Commonwealth of Virginia	57,040,401	59,744,068	59,610,290	(133,778)
Educational Technology - Commonwealth of Virginia	466,000	466,000	440,000	(26,000)
Revenue from the Federal Government	10,000,000	18,359,863	9,234,171	(9,125,692)
QSCB federal loan interest subsidy	-	153,000	141,320	(11,680)
Total Intergovernmental Revenues	<u>67,506,401</u>	<u>78,722,931</u>	<u>69,425,781</u>	<u>(9,297,150)</u>
Total Revenues	87,226,333	103,908,733	87,958,925	(15,949,808)
Expenditures				
Instruction	52,386,045	53,725,750	52,445,417	1,280,333
Administration, attendance, and health	3,688,736	3,547,180	3,506,901	40,279
Pupil transportation	6,037,465	6,330,702	5,187,214	1,143,488
Operation and maintenance	6,553,656	7,180,159	6,219,002	961,157
Facilities	2,144,000	4,720,048	1,852,634	2,867,414
Special grants	10,000,000	21,519,438	11,579,625	9,939,813
Technology	2,458,579	2,679,930	2,608,688	71,242
Contingency reserve	50,000	50,000	-	50,000
Debt Service				
Principal	2,596,304	20,803,298	20,804,870	(1,572)
Interest and other charges	<u>733,907</u>	<u>1,281,411</u>	<u>1,257,667</u>	<u>23,744</u>
Total Expenditures	<u>86,648,692</u>	<u>121,837,916</u>	<u>105,462,018</u>	<u>16,375,898</u>
Excess (Deficiency) of Revenues Over Expenditures	577,641	(17,929,183)	(17,503,093)	426,090
Other Financing Sources (Uses)				
Issuance of debt	-	18,775,463	18,775,463	-
Transfers in (out)	<u>(577,641)</u>	<u>(846,280)</u>	<u>(1,267,915)</u>	<u>(421,635)</u>
Total Other Financing Sources (Uses)	<u>(577,641)</u>	<u>17,929,183</u>	<u>17,507,548</u>	<u>(421,635)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	-	4,455	4,455
Transfer from Surplus Funds	-	-	-	-
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	4,455	<u>\$ 4,455</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 4,455</u>	

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>
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,244	\$ 1,244
Total Revenues	-	-	1,244	1,244
Expenditures				
Textbooks	<u>1,020,000</u>	<u>1,020,000</u>	<u>317,677</u>	<u>702,323</u>
Total Expenditures	<u>1,020,000</u>	<u>1,020,000</u>	<u>317,677</u>	<u>702,323</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,020,000)	(1,020,000)	(316,433)	703,567
Other Financing Sources (Uses)				
Transfers in (out)	<u>577,641</u>	<u>577,641</u>	<u>563,095</u>	<u>(14,546)</u>
Total Other Financing Sources (Uses)	<u>577,641</u>	<u>577,641</u>	<u>563,095</u>	<u>(14,546)</u>
Net Change in Fund Balance	(442,359)	(442,359)	246,662	689,021
Transfer from Surplus Funds	<u>442,359</u>	<u>442,359</u>	-	<u>(442,359)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	246,662	<u>\$ 246,662</u>
Fund Balance - Beginning of Year			<u>710,963</u>	
Fund Balance - End of Year			<u>\$ 957,625</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>
Revenues				
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 886	\$ (9,114)
Charges for services	556,207	556,207	211,383	(344,824)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	-	87,551	87,551
Revenue from the Federal Government	<u>5,236,045</u>	<u>5,236,045</u>	<u>3,162,353</u>	<u>(2,073,692)</u>
Total Intergovernmental Revenues	<u>5,236,045</u>	<u>5,236,045</u>	<u>3,249,904</u>	<u>(1,986,141)</u>
Total Revenues	5,802,252	5,802,252	3,462,173	(2,340,079)
Expenditures				
Cafeteria	<u>5,802,252</u>	<u>6,070,891</u>	<u>4,724,837</u>	<u>1,346,054</u>
Total Expenditures	<u>5,802,252</u>	<u>6,070,891</u>	<u>4,724,837</u>	<u>1,346,054</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(268,639)	(1,262,664)	(994,025)
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>268,639</u>	<u>704,820</u>	<u>436,181</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>268,639</u>	<u>704,820</u>	<u>436,181</u>
Net Change in Fund Balance	-	(268,639)	(557,844)	(994,025)
Transfer from Surplus Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(557,844)	<u>\$ (994,025)</u>
Fund Balance - Beginning of Year			<u>1,023,550</u>	
Fund Balance - End of Year			<u>\$ 465,706</u>	

Henry County School Board
School Activity Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 66	\$ 66
Miscellaneous	<u>-</u>	<u>-</u>	<u>494,539</u>	<u>494,539</u>
Total Revenues	-	-	494,605	494,605
Expenditures				
Instruction	<u>-</u>	<u>-</u>	<u>490,341</u>	<u>(490,341)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>490,341</u>	<u>(490,341)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	4,264	4,264
Other Financing Sources (Uses)				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	4,264	4,264
Transfer from Surplus Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	4,264	<u>\$ 4,264</u>
Fund Balance - Beginning of Year			<u>773,763</u>	
Fund Balance - End of Year			<u>\$ 778,027</u>	

County of Henry, Virginia

Statement of Net Position

Component Unit - Industrial Development Authority

At June 30, 2021

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Assets			
Current Assets			
Cash	\$ -	\$ 55,705	\$ 55,705
Receivables - net	-	50,000	50,000
Due from other governments	-	30,827	30,827
Due from primary government - Henry County, VA	1,521,832	3,241,878	4,763,710
Inventory	9,190,961	13,443,383	22,634,344
Total Current Assets	10,712,793	16,821,793	27,534,586
Noncurrent Assets			
Investment CCAT Leveraged Lender, LLC	-	3,753,639	3,753,639
Total Noncurrent Assets	-	3,753,639	3,753,639
Total Assets	<u>\$ 10,712,793</u>	<u>\$ 20,575,432</u>	<u>\$ 31,288,225</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 14,770	\$ 127,510	\$ 142,280
Unearned grants	194,569	2,050,000	2,244,569
Short-term note payable	-	3,461,955	3,461,955
Total Current Liabilities	209,339	5,639,465	5,848,804
Long-Term Liabilities			
	-	-	-
Total Liabilities	209,339	5,639,465	5,848,804
Net Position			
Unrestricted	10,503,454	14,935,967	25,439,421
Total Net Position	<u>10,503,454</u>	<u>14,935,967</u>	<u>25,439,421</u>
Total Liabilities and Net Position	<u>\$ 10,712,793</u>	<u>\$ 20,575,432</u>	<u>\$ 31,288,225</u>

County of Henry, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Component Unit - Industrial Development Authority

Year Ended June 30, 2021

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Operating Revenues			
Payment from primary government	\$ 1,520,971	\$ 883,393	\$ 2,404,364
Tobacco Indemnification revenues	-	110,000	110,000
Virginia Economic Development Partnership	17,077	-	17,077
Harvest Foundation	-	300,000	300,000
EDC share of costs	131,225	100,000	231,225
City of Martinsville, Virginia share of costs	10,492	30,827	41,319
AEP refund, Commonwealth Crossing	<u>969,980</u>	<u>-</u>	<u>969,980</u>
Total Operating Revenues	2,649,745	1,424,220	4,073,965
Operating Expenses			
Economic development	<u>8,580,330</u>	<u>1,805,823</u>	<u>10,386,153</u>
Total Operating Expenses	<u>8,580,330</u>	<u>1,805,823</u>	<u>10,386,153</u>
Operating Income	(5,930,585)	(381,603)	(6,312,188)
Nonoperating Revenues (Expenses)			
Interest and investment income	-	38,300	38,300
Sale of real estate	-	19,800	19,800
Sale of timber	-	194,391	194,391
Interest expense and bond issue costs	<u>-</u>	<u>(87,991)</u>	<u>(87,991)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>164,500</u>	<u>164,500</u>
Change in Net Position	(5,930,585)	(217,103)	(6,147,688)
Total Net Position - Beginning of Year	<u>16,434,039</u>	<u>15,153,070</u>	<u>31,587,109</u>
Total Net Position - End of Year	<u>\$ 10,503,454</u>	<u>\$ 14,935,967</u>	<u>\$ 25,439,421</u>

County of Henry, Virginia

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2021

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Cash Flows from Operating Activities			
Receipts from primary government	\$ 1,520,971	\$ 883,393	\$ 2,404,364
Receipts from City of Martinsville, Virginia	-	30,406	30,406
EDC share of costs	318,419	100,000	418,419
State grants	65,702	-	65,702
AEP refund, Commonwealth Crossing	969,980	-	969,980
Purchase of inventory for resale	(43,490)	-	(43,490)
Cash paid for economic development	<u>(1,625,553)</u>	<u>(1,436,178)</u>	<u>(3,061,731)</u>
Net Cash Provided by (Used in) Operating Activities	1,206,029	(422,379)	783,650
Cash Flows from Noncapital Financing Activities			
Payments on Due to / Due from accounts from primary government	<u>(1,206,029)</u>	<u>(654,902)</u>	<u>(1,860,931)</u>
Net Cash Used in Noncapital Financing Activities	(1,206,029)	(654,902)	(1,860,931)
Cash Flows from Capital and Related Financing Activities			
Interest payments on long-term debt	<u>-</u>	<u>(87,991)</u>	<u>(87,991)</u>
Net Cash Used in Capital and Related Financing Activities	-	(87,991)	(87,991)
Cash Flows from Investing Activities			
Interest and investment income	-	38,306	38,306
Sale of real estate	-	19,800	19,800
Sale of timber	<u>-</u>	<u>194,391</u>	<u>194,391</u>
Net Cash Provided by Investing Activities	-	252,497	252,497
Net Decrease in Cash and Cash Equivalents	-	(912,775)	(912,775)
Cash and Cash Equivalents - Beginning of Year	<u>-</u>	<u>968,480</u>	<u>968,480</u>
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ 55,705</u>	<u>\$ 55,705</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Operating loss	\$ (5,930,585)	\$ (381,603)	\$ (6,312,188)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities</i>			
Depreciation	-	-	-
<i>Changes in Assets and Liabilities</i>			
Receivables	-	(19,594)	(19,594)
Due from other governments	48,625	(30,827)	17,798
Due to/from City of Martinsville, Virginia	(10,492)	-	(10,492)
Inventory	6,899,559	255,404	7,154,963
Unearned grants	187,194	(360,000)	(172,806)
Accounts payable	<u>11,728</u>	<u>114,241</u>	<u>125,969</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,206,029</u>	<u>\$ (422,379)</u>	<u>\$ 783,650</u>

County of Henry, Virginia

Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2021

Assets

Cash	\$ 56,486
Accounts receivable, net	3,292
Due from other governments	<u>836,414</u>
Total Assets	<u>\$ 896,192</u>

Liabilities and Fund Balance**Liabilities**

Accrued liabilities	\$ 51,166
Due to County of Henry, Virginia	<u>845,026</u>
Total Liabilities	896,192

Fund Balance

	-
Total Liabilities and Fund Balance	<u>\$ 896,192</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.	74,370
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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	1,412,579
Deferred inflows related to pensions	-
Deferred outflows of resources related to OPEB	80,626
Deferred inflows of resources related to OPEB	(56,942)

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	(3,273,967)
OPEB obligations	(233,009)
Compensated absences	<u>(527,186)</u>

Net Position (Deficit) of Governmental Activities	<u>\$ (2,523,529)</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, 2021

Revenues

Payments from County of Henry, Virginia	\$ 832,806
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Payments from City of Martinsville, Virginia	480,381
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Miscellaneous refunds and revenues	13,029
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Intergovernmental

Revenue from the Commonwealth of Virginia	2,278,905
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Revenue from the Federal Government	<u>4,153,192</u>
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Total Intergovernmental	<u>6,432,097</u>
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Total Revenues	7,758,313
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Expenditures

Health and welfare	<u>7,758,313</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>
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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.

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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	(46,614)
Net pension liability	(1,071,017)
Deferred inflows - VRS pension	138,635
Deferred outflows - VRS pension	479,175
Deferred outflows - OPEB	(10,924)
Deferred inflows - OPEB	19,898
Other postemployment benefits	<u>34,042</u>

Change in Net Position of Governmental Activities	<u>\$ (456,550)</u>
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County of Henry, Virginia

Combining Statement of Fiduciary Assets and Liabilities

At June 30, 2021

	<u>Custodial Funds</u>		
	<u>Special Welfare</u>	<u>Jail Inmate</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,660	\$ 144,923	\$ 148,583
Total Assets	<u>\$ 3,660</u>	<u>\$ 144,923</u>	<u>\$ 148,583</u>
Liabilities			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Net Position			
Restricted for:			
Individuals, organizations, and other governments	<u>3,660</u>	<u>144,923</u>	<u>148,583</u>
Total Net Position	<u>3,660</u>	<u>144,923</u>	<u>148,583</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 3,660</u>	<u>\$ 144,923</u>	<u>\$ 148,583</u>

County of Henry, Virginia

Combining Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2021

	<u>Special Welfare</u>	<u>Jail Inmate</u>	<u>Total Custodial Funds</u>
Additions			
Local grant funds and other donations	\$ 138,652	\$ -	\$ 138,652
Housing fees	-	92,935	92,935
Canteen and telephone fees	<u>-</u>	<u>345,760</u>	<u>345,760</u>
Total additions	138,652	438,695	577,347
Deductions			
Program and administrative expenses	139,626	66,866	206,492
Housing fees remitted to County	-	79,518	79,518
Telephone fees		75,836	75,836
Canteen purchases	<u>-</u>	<u>177,318</u>	<u>177,318</u>
Total deductions	<u>139,626</u>	<u>399,538</u>	<u>539,164</u>
Net Increase (Decrease) in Fiduciary Net Position	(974)	39,157	38,183
Net Position - Beginning	<u>4,634</u>	<u>105,766</u>	<u>110,400</u>
Net Position - Ending	<u><u>\$ 3,660</u></u>	<u><u>\$ 144,923</u></u>	<u><u>\$ 148,583</u></u>

OTHER INFORMATION SECTION



Table 1

County of Henry, Virginia

General Governmental Revenues by Source⁽¹⁾⁽²⁾

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>
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
2020	27,893,373	13,826,354	49,950	140,504	2,438,681	1,172,752	1,028,686	5,071,780	90,105,162	141,727,242
2021	29,167,772	15,742,493	108,497	133,296	1,253,635	978,310	1,473,633	4,212,401	100,001,726	153,071,763

⁽¹⁾ Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

⁽²⁾ 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⁽¹⁾⁽²⁾

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>
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
2020	3,398,733	3,038,494	17,778,343	3,587,910	10,341,838	84,597,469	1,933,218	4,958,890	60,252	5,895,158	21,101,800	156,692,105
2021	3,872,355	3,218,018	20,025,682	3,938,613	11,833,671	89,070,406	1,979,981	4,938,011	61,022	25,139,618	36,433,801	200,511,178

⁽¹⁾ Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

⁽²⁾ 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>
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
2020		2,889,190,270		435,083,807		22,561,261		338,166,323		196,172,192		3,881,173,853
2021		2,913,938,919		459,886,258		23,010,270		343,004,774		212,735,950		3,952,576,171

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>
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
2020		0.555		1.55		0.555		1.55
2021		0.555		1.55		0.555		1.55

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>
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%
2020	29,235,764	27,981,597	95.71%	1,197,819	29,179,416	99.81%	3,740,443	12.79%
2021	29,926,875	28,907,795	96.59%	1,424,836	30,332,631	101.36%	3,352,413	11.20%

Table 5

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</u> ⁽¹⁾	<u>Assessed Value</u> ⁽²⁾	<u>Net Bonded Debt</u> ⁽³⁾	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2020	51,019	3,881,173,853	111,778,461	2.88%	2,191
2021	51,450	3,952,576,171	107,240,547	2.71%	2,084

⁽¹⁾ Weldon Cooper Center, University of Virginia, Latest Census Records.

⁽²⁾ From Table 3.

⁽³⁾ 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⁽¹⁾⁽²⁾⁽³⁾

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>
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%
2020	2,473,315	3,421,843	5,895,158	156,692,105	3.76%
2021	20,804,870	4,334,748	25,139,618	200,511,178	12.54%

Amounts taken from Table 2.

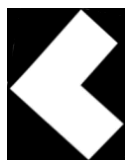
⁽¹⁾ Excludes debt service payments on short-term notes payable.

⁽²⁾ Excludes Component Unit - Industrial Development Authority debt.

⁽³⁾ Includes FY21 debt refunding of \$19,350,000.

COMPLIANCE SECTION





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, 2021, 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 December 7, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of 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.

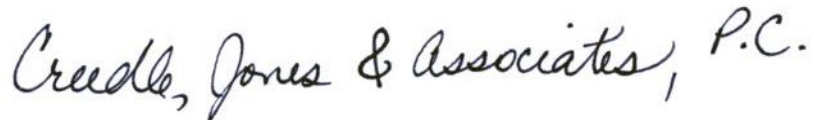
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

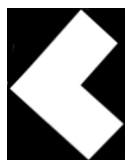
Purpose of this Report

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

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
December 7, 2021



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, 2021. 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, 2021.

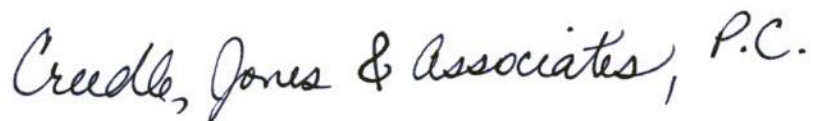
Report on Internal Control Over Compliance

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.

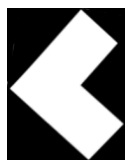
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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.

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

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

South Hill, Virginia
December 7, 2021



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, 2021, and have issued our report thereon dated December 7, 2021.

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 no instances 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.

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
December 7, 2021

County of Henry, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
PRIMARY GOVERNMENT			
U. S. Department of the Treasury			
Pass-Through Payments			
Department of Accounts			
Coronavirus Relief Fund	21.019	151	\$ 6,403,670
U. S. Election Assistance Commission			
Pass-Through Payments			
Department of Elections			
2020 Supplemental COVID-19 Election Security Grants	90.404	132	65,113
U. S. Department of Interior			
Direct Payments			
Payments in Lieu of Taxes	15.226	N/A	3,791
U. S. Department of Transportation			
Pass-Through Payments			
Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	501	<u>30,229</u>
Total Highway Planning and Construction Cluster			30,229
Department of Motor Vehicles			
Alcohol Open Container Requirements	20.607	530	9,956
Highway Safety Cluster			
State and Community Highway Safety	20.600	530	<u>17,131</u>
Total Highway Safety Cluster			<u>17,131</u>
Subtotal - U. S. Department of Transportation			57,316
U. S. Department of Health and Human Services			
Pass-Through Payments			
Aging Cluster			
Southern Area Agency on Aging			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044	N/A	51,213
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers (CARES Act)	93.044	N/A	<u>35,901</u>
Total Aging Cluster			<u>87,114</u>
Subtotal - U. S. Department of Health and Human Services			87,114
U. S. Department of Justice			
Direct Payments			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	11,760
Bulletproof Vest Partnership Program	16.607	N/A	13,777
State Criminal Alien Assistance Program	16.606	N/A	6,508
Coronavirus Emergency Supplemental Funding Program	16.034	N/A	32,972
Pass-Through Payments			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575	140	<u>115,149</u>
Subtotal - U. S. Department of Justice			180,166
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
Department of Housing and Community Development			
Community Development Block Grant - States Program	14.228	165	<u>33,097</u>
Subtotal - U. S. Department of Housing and Urban Development			33,097
U. S. Department of Homeland Security			
Pass-Through Payments			
Department of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	127	97,892
Emergency Management Performance Grants	97.042	127	<u>26,164</u>
Subtotal - U. S. Department of Homeland Security			124,056

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
Appalachian Regional Commission (ARC)			
Direct Payments			
Appalachian Area Development	23.002	N/A	20,461
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Social services block grant	93.667	765	32,090
Total - Primary Government			7,006,874
HENRY-MARTINSVILLE SOCIAL SERVICES			
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Social Services</i>			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	973,962
Total SNAP Cluster			973,962
Subtotal - U. S. Department of Agriculture			973,962
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
TANF Cluster			
Temporary Assistance for Needy Families	93.558	765	651,213
Total TANF Cluster			651,213
Chafee education and training vouchers program (ETV)	93.599	765	4,558
Promoting Safe and Stable Families	93.556	765	29,290
Refugee and Entrant Assistance - State Administered Programs	93.566	765	1,521
Low-Income Home Energy Assistance	93.568	765	106,143
Child Care and Development Block Grant	93.575	765	1,322
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	765	135,829
Adoption Incentive Payments	93.603	765	541
Stephanie Tubbs Jones Child Welfare Services Program	93.645	765	333
Foster care - Title IV-E	93.658	765	509,959
Adoption assistance	93.659	765	467,139
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	765	8,152
Children's Health Insurance Program (CHIP)	93.767	765	11,370
Social Services Block Grant	93.667	765	488,097
<i>Medicaid Cluster</i>			
Medical Assistance Program	93.778	765	763,763
Total Medicaid Cluster			763,763
Subtotal - U. S. Department of Health and Human Services			3,179,230
Total - Henry-Martinsville Social Services			4,153,192

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
SCHOOL BOARD			
U. S. Department of Agriculture			
Pass-Through Payments			
<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	226,748
Summer Food Service Program for Children (SFSPC)			
Food distribution - donated commodities	10.559	301	3,303
<i>Department of Education</i>			
Summer Food Service Program for Children (SFSPC)	10.559	197	2,109,442
Summer Food Service Program for Children (SFSPC) (CARES Act)	10.559	197	523,726
School Breakfast Program (SBP) (CARES Act)	10.553	197	52,098
National School Lunch Program (NSLP) (CARES Act)	10.555	197	86,944
Total Child Nutrition Cluster			3,002,261
National School Lunch Program - Child Adult Care Food Program	10.558	197	304,746
National School Lunch Program - Child Adult Care Food Program (CARES Act)	10.558	197	85,397
Subtotal - U. S. Department of Agriculture			3,392,404
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Management</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	127	12,217
Subtotal - U. S. Department of Homeland Security			12,217
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States	84.027	197	2,137,910
Special Education - Preschool Grants	84.173	197	87,451
Total Special Education Cluster (IDEA)			2,225,361
Coronavirus Relief Fund	21.019	197	1,220,590
Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic			
Security Act	84.425	197	2,362,213
Title I grants to local educational agencies	84.010	197	2,428,481
Adult education - basic grants to states	84.002	197	76,130
Career and technical education - basic grants to states	84.048	197	191,556
English Language Acquisition State Grants	84.365	197	22,512
Student Support and Academic Enrichment Program	84.424	197	174,630
Rural Education	84.358	197	148,330
Improving Teacher Quality State Grant	84.367	197	372,151
Subtotal - U. S. Department of Education			9,221,954
Subtotal - School Board			12,626,575
Grand Totals			\$ 23,786,641

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, 2021. 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 \$230,051 at the time received were consumed during the year ended June 30, 2021. These commodities were included in the determination of federal awards expended during the year ended June 30, 2021.

5. Subrecipients

No awards passed through to subrecipients.

County of Henry, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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

21.019

Coronavirus Relief Fund

10.553, 10.555, 10.559

Child Nutrition Cluster

84.425

Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act

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