

COUNTY OF LEE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

COUNTY OF LEE, VIRGINIA
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2022

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INTRODUCTORY SECTION

COUNTY OF LEE, VIRGINIA

BOARD OF SUPERVISORS

Larry Mosley, Vice Chair Sidney Kolb	D. D. Leonard, Chair	Robert Smith Charles Slemph, Jr.
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COUNTY SCHOOL BOARD

Mike Kidwell, Vice Chair Nancy Garrett	Vera Ely, Chair	Garry Williams Rob Hines
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COUNTY WELFARE BOARD

Eleanor Chadwell Michelle Warner	Wade Wilson, Chair	Linda Wampler Crystal Willis
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OTHER OFFICIALS

Clerk of the Circuit Court	Rene Lamey
Commonwealth's Attorney.....	Harrison Fuller Cridlin
Commissioner of the Revenue	Christopher Jones
Treasurer	Nathan Cope
Sheriff.....	Gary B. Parsons
Superintendent of Schools.....	Brian Dean
Director of Social Services.....	Trevor Hensley
County Administrator.....	Dane Poe
County Attorney.....	Stacy E. Munsey

FINANCIAL SECTION



Independent Auditors' Report

**To the Honorable Members of the Board of Supervisors
County of Lee, Virginia
Jonesville, Virginia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County of Lee, Virginia's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Lee County Hospital Authority, Lee County Economic Development Authority, or the Lee County School Activity Funds which represent 8.20 percent and 2.48 percent, respectively, of the assets and revenues of the discretely presented component units as of June 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lee County Hospital Authority, Lee County Economic Development Authority, or the Lee County School Activity Funds, is based solely on the report of the other auditors.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 27 to the financial statements, in 2022, the County adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2023, on our consideration of the County of Lee, 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 solely is 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 Lee, 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 Lee, Virginia's internal control over financial reporting and compliance.



Blacksburg, Virginia
October 25, 2023

Basic Financial Statements

County of Lee, Virginia
Statement of Net Position
As of June 30, 2022

	Primary Government		Component Units		
	Governmental Activities	School Board	Public Service Authority	Economic Development Authority	Hospital Authority
ASSETS					
Cash and cash equivalents	\$ 10,974,200	\$ 2,858,929	\$ 588,332	\$ 37,327	\$ 531,533
Cash held at schools	-	821,536	-	-	-
Investments	26,759	-	43,837	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	13,223,644	-	-	-	-
Accounts receivable	1,155,609	16,503	619,106	-	-
Notes receivable	484,375	-	-	43,435	-
Grants receivable	-	-	126,783	-	-
Due from primary government	-	-	-	2,066,659	-
Due from component unit	1,677,192	-	-	-	-
Due from other governmental units	1,576,895	2,523,509	-	-	-
Prepaid items	-	500,779	47,095	-	2,692
Restricted assets:					
Cash and cash equivalents	-	1,348,610	875,399	-	-
Net pension asset	-	-	362,447	-	-
Capital assets (net of accumulated depreciation):					
Land	859,692	528,889	76,843	669,851	-
Buildings and improvements	12,399,310	7,433,823	41,743,770	1,353,633	-
Machinery and equipment	2,658,400	2,226,449	206,025	277,369	-
Construction in progress	-	2,770,620	339,478	16,508	-
Lease assets:					
Machinery and equipment	-	155,707	-	-	-
Total assets	<u>\$ 45,036,076</u>	<u>\$ 21,185,354</u>	<u>\$ 45,029,115</u>	<u>\$ 4,464,782</u>	<u>\$ 534,225</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,540,495	\$ 7,415,492	\$ 38,912	\$ -	\$ -
OPEB related items	922,578	2,639,996	16,644	-	-
Total deferred outflows of resources	<u>\$ 2,463,073</u>	<u>\$ 10,055,488</u>	<u>\$ 55,556</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 694,012	\$ 458,741	\$ 310,947	\$ 8,722	\$ 72,345
Accounts payable - construction	-	1,101,358	129,293	-	-
Accrued liabilities	-	1,967,723	79	-	-
Customers' deposits	-	-	210,113	-	-
Accrued interest payable	58,743	-	29,050	-	-
Due to primary government	-	1,677,192	-	-	-
Due to Pennington Gap	-	-	32,622	-	-
Unearned grant revenue	2,495,618	-	7,989	-	-
Long-term liabilities:					
Due within one year	752,394	1,042,787	701,183	558,074	-
Due in more than one year	6,374,959	39,169,271	15,553,950	2,690,747	-
Total liabilities	<u>\$ 10,375,726</u>	<u>\$ 45,417,072</u>	<u>\$ 16,975,226</u>	<u>\$ 3,257,543</u>	<u>\$ 72,345</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 11,643,847	\$ -	\$ -	\$ -	\$ -
Deferred revenue - prepaid taxes	46,202	-	-	-	-
Pension related items	3,615,936	15,028,027	159,218	-	-
OPEB related items	972,969	1,925,496	16,103	-	-
Total deferred inflows of resources	<u>\$ 16,278,954</u>	<u>\$ 16,953,523</u>	<u>\$ 175,321</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 12,291,928	\$ 11,856,979	\$ 26,157,250	\$ 1,135,199	\$ -
Restricted:					
Future pension costs	-	-	362,447	-	-
Opioid Settlement Fund	650,891	-	-	-	-
Cafeteria operations	-	930,014	-	-	-
Health Insurance	-	1,176,584	-	-	-
Retirement	-	25,618	-	-	-
Headstart program	-	35,658	-	-	-
Coal road expenses	70,976	-	-	-	-
Debt service	-	-	613,042	-	-
Unrestricted (deficit)	7,830,674	(45,154,606)	801,385	72,040	461,880
Total net position (deficit)	<u>\$ 20,844,469</u>	<u>\$ (31,129,753)</u>	<u>\$ 27,934,124</u>	<u>\$ 1,207,239</u>	<u>\$ 461,880</u>

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

County of Lee, Virginia
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position											
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Component Units											
			Grants and Contributions	Grants and Contributions		School Board Authority	Public Service Authority	Economic Development Authority	Hospital Authority								
PRIMARY GOVERNMENT:																	
Governmental activities:																	
General government administration	\$ 1,522,319	\$ 842	\$ 311,099	\$ -	\$ -	(1,210,378)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Judicial administration	1,277,256	4,428	1,006,325	-	-	(266,503)	-	-	-	-	-	-	-	-	-	-	-
Public safety	5,818,296	109,917	1,990,517	-	-	(3,717,862)	-	-	-	-	-	-	-	-	-	-	-
Public works	2,520,734	163,907	15,759	16,250	-	(2,324,818)	-	-	-	-	-	-	-	-	-	-	-
Health and welfare	11,124,229	48,731	9,314,856	-	-	(1,760,642)	-	-	-	-	-	-	-	-	-	-	-
Education	2,870,171	-	-	-	-	(2,870,171)	-	-	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	569,965	24,725	-	-	-	(545,240)	-	-	-	-	-	-	-	-	-	-	-
Community development	1,514,398	74,205	1,161,976	325,455	-	(128,148)	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	128,148	-	-	-	-	(128,148)	-	-	-	-	-	-	-	-	-	-	-
Total governmental activities	\$ 27,345,516	\$ 426,755	\$ 13,800,532	\$ 341,705	\$ -	(12,776,524)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total primary government	\$ 27,345,516	\$ 426,755	\$ 13,800,532	\$ 341,705	\$ -	(12,776,524)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COMPONENT UNITS:																	
School Board	\$ 40,408,801	\$ 365,378	\$ 44,509,629	\$ -	\$ -	-	\$ 4,466,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Service Authority	6,437,000	4,235,325	-	301,900	-	-	-	(1,899,775)	-	-	-	-	-	-	-	-	-
Economic Development Authority (EDA)	92,561	600	30,150	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hospital Authority	72,400	-	50,000	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,400)
Total component units	\$ 47,010,762	\$ 4,601,303	\$ 44,589,779	\$ 301,900	\$ -	-	\$ 4,466,206	\$ (1,899,775)	\$ -	\$ (61,811)	\$ (61,811)	\$ -	\$ (22,400)	\$ -	\$ -	\$ -	\$ (22,400)
General revenues:																	
General property taxes					\$ 9,844,143												
Other local taxes:																	
Local sales and use taxes					1,779,681												
Consumer's utility taxes					436,345												
Meals taxes					193,627												
Motor vehicle licenses					678,960												
Taxes on recordation and wills					91,935												
Other local taxes					49,795												
Unrestricted revenues from use of money					27,517		1,723	1,194	1,503								
Miscellaneous					869,155		1,115,568	4,004	1,797								
Contributions from Lee County					-		2,845,411	-	-								
Grants and contributions not restricted to specific programs					1,575,726		-	-	-								
Total general revenues					\$ 15,546,884		\$ 3,962,702	\$ 5,198	\$ 3,300								
Change in net position					\$ 2,770,360		\$ 8,428,908	\$ (1,894,577)	\$ (58,511)								
Net position (deficit) - beginning, as restated					18,074,109		(39,558,661)	29,828,701	1,265,750								
Net position (deficit) - ending					\$ 20,844,469		\$ (31,129,753)	\$ 27,934,124	\$ 1,207,239								

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

County of Lee, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2022

	<u>General</u>	<u>Airport Project</u>	<u>Capital Improvements</u>	<u>Nonmajor Coal Road Improvement</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 10,560,450	\$ 66,128	\$ 278,809	\$ 68,813	\$ 10,974,200
Investments	26,759	-	-	-	26,759
Receivables (net of allowance for uncollectibles):					
Taxes receivable	13,223,644	-	-	-	13,223,644
Accounts receivable	1,153,446	-	-	2,163	1,155,609
Due from component unit	1,677,192	-	-	-	1,677,192
Due from other governmental units	1,576,895	-	-	-	1,576,895
Notes receivable	484,375	-	-	-	484,375
Total assets	<u>\$ 28,702,761</u>	<u>\$ 66,128</u>	<u>\$ 278,809</u>	<u>\$ 70,976</u>	<u>\$ 29,118,674</u>
LIABILITIES					
Accounts payable	\$ 694,012	\$ -	\$ -	\$ -	\$ 694,012
Unearned grant revenue	2,495,618	-	-	-	2,495,618
Total liabilities	<u>\$ 3,189,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,189,630</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 13,047,954	\$ -	\$ -	\$ -	\$ 13,047,954
Unavailable revenue - prepaid taxes	46,202	-	-	-	46,202
Unavailable revenue - tipping fees	10,696	-	-	-	10,696
Unavailable revenue - opioid settlement	628,282	-	-	-	628,282
Total deferred inflows of resources	<u>\$ 13,733,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,733,134</u>
FUND BALANCES					
Nonspendable:					
Notes receivable	\$ 484,375	\$ -	\$ -	\$ -	\$ 484,375
Restricted:					
Coal road expenses	-	-	-	70,976	70,976
Opioid Settlement Fund	22,609	-	-	-	22,609
Assigned:					
County capital projects funds	-	66,128	-	-	66,128
Economic development funds	430,913	-	-	-	430,913
School carryover funds	1,054,612	-	-	-	1,054,612
School capital projects funds	26,759	-	278,809	-	305,568
Unassigned	9,760,729	-	-	-	9,760,729
Total fund balances	<u>\$ 11,779,997</u>	<u>\$ 66,128</u>	<u>\$ 278,809</u>	<u>\$ 70,976</u>	<u>\$ 12,195,910</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,702,761</u>	<u>\$ 66,128</u>	<u>\$ 278,809</u>	<u>\$ 70,976</u>	<u>\$ 29,118,674</u>

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

County of Lee, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 As of June 30, 2022

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	12,195,910
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	859,692	
Buildings and improvements		12,399,310	
Machinery and equipment		<u>2,658,400</u>	15,917,402

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

Unearned revenue - tipping fees	\$	10,696	
Unearned revenue - opioid settlement		628,282	
Unavailable revenue - property taxes		<u>1,404,107</u>	2,043,085

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

Pension related items	\$	1,540,495	
OPEB related items		<u>922,578</u>	2,463,073

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$	(3,443,409)	
Notes payable		(67,508)	
Financed purchase		(114,557)	
Accrued interest payable		(58,743)	
Net pension liability		(172,413)	
Landfill closure and postclosure liability		(87,430)	
Compensated absences		(509,021)	
Net OPEB liabilities		<u>(2,733,015)</u>	(7,186,096)

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

Pension related items	\$	(3,615,936)	
OPEB related items		<u>(972,969)</u>	(4,588,905)

Net position of governmental activities	\$	<u><u>20,844,469</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Lee, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>General</u>	<u>Airport Project</u>	<u>Capital Improvements</u>	<u>Nonmajor Coal Road Improvement</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 9,746,631	\$ -	\$ -	\$ -	\$ 9,746,631
Other local taxes	3,225,947	-	-	4,396	3,230,343
Permits, privilege fees, and regulatory licenses	88,970	-	-	-	88,970
Fines and forfeitures	1,655	-	-	-	1,655
Revenue from the use of money and property	95,512	-	-	61	95,573
Charges for services	262,954	-	-	-	262,954
Miscellaneous	240,873	-	-	-	240,873
Recovered costs	785,090	-	-	-	785,090
Intergovernmental:					
Commonwealth	8,479,985	3,491	-	-	8,483,476
Federal	6,936,273	281,964	16,250	-	7,234,487
Total revenues	<u>\$ 29,863,890</u>	<u>\$ 285,455</u>	<u>\$ 16,250</u>	<u>\$ 4,457</u>	<u>\$ 30,170,052</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,629,652	\$ -	\$ -	\$ -	\$ 1,629,652
Judicial administration	1,324,176	-	-	-	1,324,176
Public safety	6,630,686	-	-	-	6,630,686
Public works	1,953,568	-	-	1,263	1,954,831
Health and welfare	11,187,396	-	-	-	11,187,396
Education	2,821,409	-	-	-	2,821,409
Parks, recreation, and cultural	319,221	-	-	-	319,221
Community development	1,495,912	-	16,250	-	1,512,162
Nondepartmental	53,231	-	-	-	53,231
Capital projects	18,408	395,164	-	-	413,572
Debt service:					
Principal retirement	816,746	-	-	-	816,746
Interest and other fiscal charges	156,695	-	-	-	156,695
Total expenditures	<u>\$ 28,407,100</u>	<u>\$ 395,164</u>	<u>\$ 16,250</u>	<u>\$ 1,263</u>	<u>\$ 28,819,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,456,790</u>	<u>\$ (109,709)</u>	<u>\$ -</u>	<u>\$ 3,194</u>	<u>\$ 1,350,275</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 175,837	\$ 18,934	\$ -	\$ 194,771
Transfers out	(194,771)	-	-	-	(194,771)
Total other financing sources (uses)	<u>\$ (194,771)</u>	<u>\$ 175,837</u>	<u>\$ 18,934</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,262,019	\$ 66,128	\$ 18,934	\$ 3,194	\$ 1,350,275
Fund balances - beginning	10,517,978	-	259,875	67,782	10,845,635
Fund balances - ending	<u>\$ 11,779,997</u>	<u>\$ 66,128</u>	<u>\$ 278,809</u>	<u>\$ 70,976</u>	<u>\$ 12,195,910</u>

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

County of Lee, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$	1,350,275
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlays	\$	681,984
Depreciation expenses		(1,273,542)
		(591,558)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Increase (decrease) in unavailable revenue - property taxes	\$	97,512
Increase (decrease) in unavailable revenue - opioid settlement		628,282
Increase (decrease) in unavailable revenue - tipping fees		5,120
		730,914
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
<p>Debt issued or incurred:</p>		
Increase in landfill closure and postclosure liability	\$	(3,845)
<p>Principal repayments:</p>		
Bonds payable		199,000
Notes payable		389,899
Leases payable		227,847
		812,901
<p>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.</p>		
Decrease (increase) in compensated absences	\$	41,587
Decrease (increase) in premiums		16,009
Decrease (increase) in accrued interest payable		12,538
Change in net pension liability and related items		471,283
Change in net OPEB liabilities and related items		(73,589)
		467,828
Change in net position of governmental activities	\$	2,770,360

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

County of Lee, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2022

	<u>Custodial Fund</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 152,226
Total assets	\$ 152,226
NET POSITION	
Restricted - amounts held for social services clients	\$ 152,226
Total net position	\$ 152,226

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

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

	<u>Custodial Fund</u>
	<u>Special Welfare</u>
ADDITIONS	
Gifts, donations, and aid	\$ 70,464
Revenue from the use of money	218
Total additions	\$ 70,682
DEDUCTIONS	
Special welfare payments	\$ 15,157
Total deductions	\$ 15,157
Net increase (decrease) in fiduciary net position	\$ 55,525
Total net position, beginning of year	96,701
Total net position, end of year	\$ 152,226

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

County of Lee, Virginia

Notes to Financial Statements June 30, 2022

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

The Lee County School Board operates the elementary and secondary public schools in the County. School Board members are elected by popular vote. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund and does not issue a separate financial statement.

The Lee County Public Service Authority (PSA) provides water and sewer service to residents of Lee County. The County provides support to the Authority and appoints all of the Authority's Board members. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 830, Jonesville, VA 24263.

The Lee County Economic Development Authority (EDA), encourages and provides financing for economic development in the County. The Economic Development Authority board members are appointed by the Board of Supervisors. The Economic Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 912, Jonesville, VA 24263.

The Lee County Hospital Authority provides hospital services to the County. The Hospital Authority board members are appointed by the Board of Supervisors. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 912, Jonesville, VA 24263.

Note 1-Summary of Significant Accounting Policies: (continued)

A. Financial Reporting Entity (continued)

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

Jointly Governed Organizations:

The County and other localities participate in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2022, the County contributed \$222,082 to the Library.

The County, along with the Counties of Wise and Scott and the City of Norton participate in supporting the Planning District I Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2022, the County contributed \$180,148 to the Community Services Board.

The County, along with a number of other localities, participates in supporting the Southwest Virginia Regional Jail Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2022, the County paid \$1,807,855 to the Authority for inmate per diem charges.

The County and other localities participate in supporting the Appalachian Juvenile Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2022, the County contributed \$244,932 to the Commission.

B. Government-wide and fund financial statements

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

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

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

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

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 one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the current reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, 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 (public safety, public works, health and welfare, etc.) or a business-type activity.

Note 1-Summary of Significant Accounting Policies: (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The County's fiduciary fund is presented in the fund financial statements. 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.

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.

Note 1-Summary of Significant Accounting Policies: (continued)

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts and reports for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Virginia Public Assistance, Juror, Garage, Debt Service, Coronavirus Relief and Children's Services Act Funds.

The Capital Improvements and Airport Project funds are reported as major *capital projects funds*. Both funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital facilities.

The County reports the following nonmajor governmental fund:

The Coal Road Improvement fund is reported as the County's only nonmajor *special revenue fund*. Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Additionally, the County reports the following fund types:

Fiduciary Funds account for assets held by the County in a trustee capacity or as custodian for individuals, private organizations, other governmental units, or other funds. These funds include Custodial Funds, which include the Special Welfare Fund. These funds utilize the accrual basis of accounting. Fiduciary Funds are not included in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The Component Unit School Board reports the following major governmental funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Lee, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Head Start Fund - This fund of the School Board accounts for and reports all revenues and expenditures applicable to the head start operations of the public school system. Revenues are derived primarily from federal grants. The School Head Start Fund is considered a major fund of the School Board for financial reporting purposes.

The Component Unit School Board reports a nonmajor special revenue fund for School Activity. This fund reports activities of accounts held at each school and maintained by the school principal.

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and payables

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

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

3. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6th. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$407,064 at June 30, 2022 and is comprised entirely of property taxes.

5. Use of estimates

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

6. Prepaid items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Capital assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost (except for intangible right-to-use lease assets (lease assets), the measurement of which is discussed in more detail below) or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, plant, equipment, lease assets, and infrastructure of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20-30
Structures, lines, and accessories	20-40
Machinery and equipment	4-30
Leases - machinery and equipment	5

8. Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with current reporting standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Note 1-Summary of Significant Accounting Policies: (continued)

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

9. Long-term obligations

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

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

10. Fund balance

The County reports fund balance in accordance with current reporting standards and has classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation.

Committed -items that have been committed, modified, or rescinded by formal action by the entity's "highest level of decision-making authority"; which the County of Lee, Virginia considers to be the Board of Supervisors.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Lee, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

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

The County has \$484,375 of nonspendable fund balance at year end that is related to notes receivable.

Note 1-Summary of Significant Accounting Policies: (continued)

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

11. Net position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net Position Flow Assumption

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

13. Pensions

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

14. Other Postemployment Benefits (OPEB)

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

In addition to the above OPEB plans the County, DSS, and School Board have local OPEB plans related to health insurance. Each entity allows their retirees to stay on the employer health insurance after leaving employment which generates an implicit rate subsidy. See related notes for further information.

Note 1-Summary of Significant Accounting Policies: (continued)

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

15. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable and tipping fees receivable are reported in the governmental funds balance sheet. The unavailable property tax amount is comprised of uncollected property taxes due prior to June 30th, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. The unavailable tipping fees are comprised of uncollected tipping fees that are not available for funding of current expenditures. Under the accrual basis, 2nd half installments of taxes levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, and leases are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 1-Summary of Significant Accounting Policies: (continued)

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

16. Leases

The County leases various assets requiring recognition. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

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

Lessor

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

Key Estimates and Judgments

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

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

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the departmental level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the General Capital Projects Funds. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2022, the public safety expenditures of the General fund exceeded appropriations. In addition, the Economic Development Fund, and the Airport Project Fund exceeded appropriations.

C. Deficit fund balance

At June 30, 2022, there were no funds with a deficit balance.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments):

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Neither the County nor its discretely presented component unit has an investment policy for custodial credit risk. As of June 30, 2022, the County and the Component Unit - School Board did not hold any investments that were subject to custodial credit risk.

Concentration of Credit Risk:

At June 30, 2022, the County did not have any investments meeting the definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2022 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
SNAP	\$ 26,759

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 3-Deposits and Investments: (continued)

External Investment Pool:

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

Interest Rate Risk:

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

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
SNAP	\$ 26,759	\$ 26,759

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Sales tax	\$ -	\$ 753,433
Categorical aid-shared expenses	237,653	-
Noncategorical aid	182,263	-
Virginia public assistance funds	209,285	-
Other categorical aid	621,510	-
<u>Federal Government:</u>		
Categorical Aid	49,386	-
Public assistance funds	276,798	-
School grants	-	1,770,076
Totals	<u>\$ 1,576,895</u>	<u>\$ 2,523,509</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 5-Interfund/Component-Unit Obligations and Transfers:

Component unit obligations at June 30, 2022 consisted of the following:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,677,192
Component Unit:		
School Board:		
School operating Fund	\$ 1,677,192	\$ -

The amounts above do not include notes receivable supported by a promissory note as described in Note 12.

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 194,771
Airport Capital Projects Fund	175,837	-
Capital Improvements Fund	18,934	-
Total	<u>\$ 194,771</u>	<u>\$ 194,771</u>
School Activity Fund	\$ 139,681	\$ -
School Operating Fund	-	139,681
Total	<u>\$ 139,681</u>	<u>\$ 139,681</u>

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

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

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

	Balance July 1, 2021	Increases/ Issuances	Decreases/ Issuances	Balance June 30, 2022
Direct borrowings and direct placements:				
General obligation bonds	\$ 1,467,157	\$ -	\$ (137,000)	\$ 1,330,157
Premium on general obligation bond	62,602	-	(16,009)	46,593
Lease revenue bonds (1)	2,128,659	-	(62,000)	2,066,659
Secured notes payable (2)	187,434	-	(119,926)	67,508
Unsecured notes payable	269,973	-	(269,973)	-
Net pension liability	3,969,287	3,986,139	(7,783,013)	172,413
Net OPEB liabilities	3,157,188	1,471,192	(1,895,365)	2,733,015
Financed purchase	342,404	-	(227,847)	114,557
Landfill closure and postclosure liability	83,585	3,845	-	87,430
Compensated absences	550,608	371,369	(412,956)	509,021
Total	\$ 12,218,897	\$ 5,832,545	\$ (10,924,089)	\$ 7,127,353

- (1) The 2016 lease revenue bond was issued through the Lee County Economic Development Authority and is shown as due from other governments and is offset as a long-term liability in the Lee County EDA audit report.
- (2) These notes payable are secured by the assets underlying the loans, sheriff vehicles, and a front loader.

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

Year Ending June 30,	Direct Borrowings and Direct Placements							
	General Obligation Bonds		Lease Revenue Bond		Notes Payable		Financed Purchase	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 145,000	\$ 53,490	\$ 67,000	\$ 70,588	\$ 33,349	\$ 1,655	\$ 114,557	\$ 5,042
2024	105,157	46,579	66,000	68,344	34,159	838	-	-
2025	100,000	40,515	126,000	65,104	-	-	-	-
2026	105,000	35,339	127,000	60,834	-	-	-	-
2027	110,000	29,910	133,000	56,447	-	-	-	-
2028-2032	625,000	81,481	741,000	210,279	-	-	-	-
2033-2037	140,000	2,485	806,659	74,672	-	-	-	-
Totals	\$ 1,330,157	\$ 289,799	\$ 2,066,659	\$ 606,268	\$ 67,508	\$ 2,493	\$ 114,557	\$ 5,042

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
<i>General Obligation Bonds:</i>		
\$1,920,000 VPSA general obligation bond issued May 2013 maturing annually in principal installments varying from \$60,000 to \$140,000. Interest is payable annually at rates varying from 3.05% to 5.05% through 2034.	\$ 1,265,000	\$ 90,000
\$409,000 public facility bond issued May 2016 maturing annually in principal installments varying from \$44,000 to \$57,000. Interest is payable annually at 4.00% through 2024.	65,157	55,000
Subtotal	\$ 1,330,157	\$ 145,000
Plus: Premium on general obligation bond	46,593	10,722
Total General Obligation Bonds	<u>\$ 1,376,750</u>	<u>\$ 155,722</u>
<i>Lease Revenue Bonds:</i>		
\$2,491,000 lease revenue refunding bond issued May 2016 maturing annually in principal installments varying from \$71,000 to \$184,000. Interest is payable annually at 3.375% through 2037.	<u>\$ 2,066,659</u>	<u>\$ 67,000</u>
<i>Secured Notes Payable</i>		
\$100,052 secured note payable issued August 2020 with annual principal installments varying from \$32,551 to \$34,153. Interest is payable annually at 2.425% through 2024.	<u>\$ 67,508</u>	<u>\$ 33,349</u>
<i>Financed Purchase</i>		
\$539,045 finance lease of emergency tower improvements issued May 25, 2018 with annual principal installments varying from \$108,989 to \$114,557. Interest is payable annually at 4.36% through 2022.	<u>\$ 114,557</u>	<u>\$ 114,557</u>
Total Direct Borrowings and Direct Placements	<u>\$ 3,625,474</u>	<u>\$ 370,628</u>
Other Obligations:		
Landfill Closure and Postclosure Liability	87,430	-
Net Pension Liability	172,413	-
Net OPEB Liabilities	2,733,015	-
Compensated Absences	509,021	381,766
Total Other Obligations	<u>\$ 3,501,879</u>	<u>\$ 381,766</u>
Total Long-Term Obligations	<u>\$ 7,127,353</u>	<u>\$ 752,394</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Default Provisions:

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

The County's secured notes payable would be deemed due in full immediately upon default. Those notes payable are also secured by County vehicles.

Discretely Presented Component Unit-School Board-Obligations:

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

	Balance July 1, 2021	GASB No. 87 Adjustments	Increases/ Issuances	Decreases/ Issuances	Balance June 30, 2022
Net pension liability	\$ 40,816,925	\$ -	\$ 7,739,992	\$ (25,277,436)	\$ 23,279,481
Net OPEB liabilities	16,258,143	-	2,508,674	(3,308,232)	15,458,585
Early retirement incentive plan liability	377,278	-	-	(174,359)	202,919
Compensated absences	1,163,278	-	823,103	(872,459)	1,113,922
Lease liabilities	-	230,291	-	(73,140)	157,151
Total	\$ 58,615,624	\$ 230,291	\$ 11,071,769	\$ (29,705,626)	\$ 40,212,058

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

Year Ending June 30,	Lease Liabilities	
	Principal	Interest
2023	\$ 74,616	\$ 2,462
2024	76,122	955
2025	6,413	11
Totals	\$ 157,151	\$ 3,428

Details of long-term obligations:

	Interest Rates	Implementation Date	Final Maturity Date	Installment Amounts	Amount of Original Issue	Total Amount	Amount Due Within One Year
Lease Liabilities:							
School copier leases	2.00%	7/1/2021	7/1/2024	\$6,423	\$367,067	\$ 157,151	\$ 74,616
Total lease liabilities						\$ 157,151	\$ 74,616
Other Obligations:							
Net pension liability						\$ 23,279,481	\$ -
Net OPEB liabilities						15,458,585	-
Early retirement incentive plan liability						202,919	132,729
Compensated absences						1,113,922	835,442
Total Long-Term Obligations						\$ 40,212,058	\$ 1,042,787

Note 7-Pension Plans:

Plan Description

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

Benefit Structures

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

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

Note 7—Pension Plans: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	131	184
Inactive members:		
Vested	18	20
Non-Vested	33	43
Active Elsewhere in VRS	39	22
Total inactive members	90	85
Active members	138	107
Total covered employees	359	376

Note 7—Pension Plans: (continued)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2022 was 8.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$503,332 and \$447,191 for the years ended June 30, 2022 and June 30, 2021, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2022 was 27.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Lee County School Board's nonprofessional employees were \$628,392 and \$551,057 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

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

Note 7—Pension Plans: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County’s and Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

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

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (continued)

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

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

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

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

Note 7—Pension Plans: (continued)

Long-term Expected Rate of Return

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

* The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2021, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 30,126,383	\$ 26,157,096	\$ 3,969,287
Changes for the year:			
Service cost	\$ 559,291	\$ -	\$ 559,291
Interest	1,974,289	-	1,974,289
Changes of assumptions	1,069,031	-	1,069,031
Differences between expected and actual experience	365,448	-	365,448
Contributions - employer	-	447,192	(447,192)
Contributions - employee	-	277,274	(277,274)
Net investment income	-	7,057,887	(7,057,887)
Benefit payments, including refunds of employee contributions	(1,755,307)	(1,755,307)	-
Administrative expenses	-	(18,080)	18,080
Other changes	-	660	(660)
Net changes	\$ 2,212,752	\$ 6,009,626	\$ (3,796,874)
Balances at June 30, 2021	\$ 32,339,135	\$ 32,166,722	\$ 172,413

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Changes in Net Pension Liability

	Component Unit - School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 15,754,630	\$ 8,078,400	\$ 7,676,230
Changes for the year:			
Service cost	\$ 169,681	\$ -	\$ 169,681
Interest	1,022,491	-	1,022,491
Changes of assumptions	550,029	-	550,029
Differences between expected and actual experience	33,098	-	33,098
Contributions - employer	-	551,057	(551,057)
Contributions - employee	-	93,315	(93,315)
Net investment income	-	2,125,227	(2,125,227)
Benefit payments, including refunds of employee contributions	(1,213,230)	(1,213,230)	-
Administrative expenses	-	(5,681)	5,681
Other changes	-	198	(198)
Net changes	\$ 562,069	\$ 1,550,886	\$ (988,817)
Balances at June 30, 2021	\$ 16,316,699	\$ 9,629,286	\$ 6,687,413

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

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

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

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
County			
Net Pension Liability (Asset)	\$ 4,304,127	\$ 172,413	\$ (3,242,404)
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 8,376,930	\$ 6,687,413	\$ 5,256,829

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

For the year ended June 30, 2022, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$32,048 and \$700,248, respectively. At June 30, 2022, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>		<u>Component Unit-School Board (nonprofessional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 250,426	\$ 117,798	\$ 15,303	\$ -
Change in assumptions	786,737	-	254,314	-
Net difference between projected and actual earnings on pension plan investments	-	3,498,138	-	1,037,405
Employer contributions subsequent to the measurement date	<u>503,332</u>	<u>-</u>	<u>628,392</u>	<u>-</u>
Total	<u>\$ 1,540,495</u>	<u>\$ 3,615,936</u>	<u>\$ 898,009</u>	<u>\$ 1,037,405</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

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

\$503,332 and \$628,392 reported as deferred outflows of resources related to pensions resulting from the County’s and Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2023	\$ (397,764)	\$ 28,354
2024	(356,509)	(234,984)
2025	(758,966)	(241,295)
2026	(1,065,534)	(319,863)
2027	-	-
Thereafter	-	-

Pension Plan Data

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

Component Unit School Board (Professional)

Plan Description

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

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,184,036 and \$3,023,744 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

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

At June 30, 2022, the school division reported a liability of \$16,592,068 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.2137% as compared to 0.2277% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$(290,018). 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.

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

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

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

	Component Unit-School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,413,213
Change in assumptions	2,906,887	-
Net difference between projected and actual earnings on pension plan investments	-	10,455,877
Changes in proportion and differences between employer contributions and proportionate share of contributions	426,560	2,121,532
Employer contributions subsequent to the measurement date	<u>3,184,036</u>	<u>-</u>
Total	<u>\$ 6,517,483</u>	<u>\$ 13,990,622</u>

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

\$3,184,036 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (professional)</u>
2023	\$ (2,569,313)
2024	(2,354,833)
2025	(2,451,400)
2026	(3,280,754)
2027	(875)
Thereafter	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvements:

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

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

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

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Net Pension Liability

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

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

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

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

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

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

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 32,021,793	\$ 16,592,068	\$ 3,899,058

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

Pension Plan Fiduciary Net Position

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

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,540,495	\$ 3,615,936	\$ 172,413	\$ 32,048	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	898,009	1,037,405	6,687,413	700,248
School Board Professional	-	-	-	-	6,517,483	13,990,622	16,592,068	(290,018)
Totals	\$ 1,540,495	\$ 3,615,936	\$ 172,413	\$ 32,048	\$ 7,415,492	\$ 15,028,027	\$ 23,279,481	\$ 410,230

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 8-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 859,692	\$ -	\$ -	\$ 859,692
Construction in progress	1,518,723	-	(1,518,723)	-
Total capital assets not being depreciated	<u>\$ 2,378,415</u>	<u>\$ -</u>	<u>\$ (1,518,723)</u>	<u>\$ 859,692</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,828,760	\$ 299,804	\$ -	\$ 26,128,564
Machinery and equipment	5,467,304	1,900,903	-	7,368,207
Total capital assets being depreciated	<u>\$ 31,296,064</u>	<u>\$ 2,200,707</u>	<u>\$ -</u>	<u>\$ 33,496,771</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,933,860)	\$ (795,394)	\$ -	\$ (13,729,254)
Machinery and equipment	(4,231,659)	(478,148)	-	(4,709,807)
Total accumulated depreciation	<u>\$ (17,165,519)</u>	<u>\$ (1,273,542)</u>	<u>\$ -</u>	<u>\$ (18,439,061)</u>
Total capital assets being depreciated, net	<u>\$ 14,130,545</u>	<u>\$ 927,165</u>	<u>\$ -</u>	<u>\$ 15,057,710</u>
Governmental activities capital assets, net	<u>\$ 16,508,960</u>	<u>\$ 927,165</u>	<u>\$ (1,518,723)</u>	<u>\$ 15,917,402</u>

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

Governmental activities:

General government administration	\$ 45,863
Judicial Administration	15,883
Public safety	243,013
Public works	575,390
Health and welfare	181,141
Education	48,762
Parks, recreation, and cultural	163,490
Total depreciation expense-primary government	<u>\$ 1,273,542</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 8-Capital Assets: (continued)

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

Discretely Presented Component Unit - School Board:

	Beginning Balance	GASB No. 87 Adjustment	Increases	Decreases	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 528,889	\$ -	\$ -	\$ -	\$ 528,889
Construction in progress	1,673,583	-	3,598,312	(2,501,275)	2,770,620
Total capital assets not being depreciated	<u>\$ 2,202,472</u>	<u>\$ -</u>	<u>\$ 3,598,312</u>	<u>\$ (2,501,275)</u>	<u>\$ 3,299,509</u>
Capital assets, being depreciated:					
Buildings and improvements	\$ 20,697,603	\$ -	\$ 3,537,604	\$ -	\$ 24,235,207
Machinery and equipment	8,224,919	-	1,150,254	-	9,375,173
Total capital assets being depreciated	<u>\$ 28,922,522</u>	<u>\$ -</u>	<u>\$ 4,687,858</u>	<u>\$ -</u>	<u>\$ 33,610,380</u>
Accumulated depreciation:					
Buildings and improvements	\$ (16,291,169)	\$ -	\$ (510,215)	\$ -	\$ (16,801,384)
Machinery and equipment	(6,656,559)	-	(492,165)	-	(7,148,724)
Total accumulated depreciation	<u>\$ (22,947,728)</u>	<u>\$ -</u>	<u>\$ (1,002,380)</u>	<u>\$ -</u>	<u>\$ (23,950,108)</u>
Total capital assets being depreciated, net	<u>\$ 5,974,794</u>	<u>\$ -</u>	<u>\$ 3,685,478</u>	<u>\$ -</u>	<u>\$ 9,660,272</u>
Intangible right-to-use assets:					
Machinery and equipment	\$ -	\$ 230,291	\$ -	\$ -	\$ 230,291
Accumulated amortization					
Machinery and equipment	\$ -	\$ -	\$ (74,584)	\$ -	\$ (74,584)
Net intangible right-to-use assets	<u>\$ -</u>	<u>\$ 230,291</u>	<u>\$ (74,584)</u>	<u>\$ -</u>	<u>\$ 155,707</u>
Governmental activities capital assets, net	<u>\$ 8,177,266</u>	<u>\$ 230,291</u>	<u>\$ 7,209,206</u>	<u>\$ (2,501,275)</u>	<u>\$ 13,115,488</u>

All depreciation above was charged to the education function of the Component Unit-School Board.

Note 9-Risk Management:

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 10-Commitments and Contingencies:

Commitments

At June 30, 2022, the County and School Board had the following outstanding construction commitments:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
Dryden Elementary School Roof	\$ 374,341	\$ 246,717	\$ 120,499	\$ 6,717
Flatwoods Elementary School Roof	416,796	285,890	123,781	6,890
Thomas Walker High School Roof	209,504	117,350	87,404	4,850
Elk Knob Roof	157,050	14,640	14,640	-
Flatwoods Elementary Boiler Project	247,490	120,235	89,125	-
LCCTC Roof	673,412	385,981	277,931	15,128
LCCTC Roof	459,850	45,800	45,800	-
Lee High School Track Project	413,414	175,971	222,443	-
Rose Hill Elementary Roof	196,750	18,300	18,300	-
Thomas Walker HS Boiler Project	113,800	113,800	67,850	-

Contingencies

Federal programs in which the County and its component units participate were audited in accordance with the provisions of Uniform Guidance. Pursuant to these provisions all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, would be immaterial.

Note 11-Surety Bonds:

Primary Government:

Travelers Casualty and Surety Company of America

Rene Lamey, Clerk of the Circuit Court	\$ 500,000
Nathan Cope, Treasurer	400,000
Christopher Jones, Commissioner of the Revenue	3,000
Gary Parsons, Sheriff	30,000

Note 12-Notes Receivable:

Due from:	Amount Outstanding:	Interest Rate:	Security:
Lee County EDA*	\$ 451,875	0.00%	None
Lee County PSA*	32,500	0.00%	None
Total	<u>\$ 484,375</u>		

*Notes receivable are due from discretely presented component units.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 13-Landfill Closure and Postclosure Liability:

State and federal laws and regulations required the County to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for ten years after closure. The County has closed its landfill. The \$87,430 liability is the total estimated post closure care liability at June 30, 2022 and represents what it would cost to perform all postclosure care in 2022. This liability also includes the estimated closure costs for the transfer station. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County uses the Commonwealth of Virginia’s financial assurance mechanism to meet the Department of Environmental Quality’s assurance requirements for landfill postclosure costs.

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

Note 14-Unavailable/Deferred Revenue:

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

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,404,107
2nd half assessments due in December 2022	11,643,847	11,643,847
Prepaid property taxes due in December 2022 but paid in advance by taxpayers	46,202	46,202
Opioid settlement receivable	-	628,282
Unavailable tipping fees representing uncollected billings that are not available for funding of current expenditures	-	10,696
Total	<u>\$ 11,690,049</u>	<u>\$ 13,733,134</u>

Note 15-Other Postemployment Benefits - County Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the County administers a single employer defined benefit healthcare plan, The Lee County Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan provides participation by eligible retirees and their dependents in the health insurance programs available to employees. The plan will provide retiring employees the option to continue health insurance offered by the County. To be eligible, the employee must be 50 with 10 years of service or 55 with 5 years of service.

Plan Membership

At June 30, 2022 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	86
Total retirees with coverage	<u>2</u>
Total	<u><u>88</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the County for OPEB as the benefits came due during the year ended June 30, 2022 was \$20,149.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2021 2.50% per year as of June 30, 2022
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Discount Rate	2.16% as of June 30, 2021 3.54% as of June 30, 2022
Actuarial Cost Method	Entry Age Normal

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 16-Other Postemployment Benefits - County Health Insurance: (continued)

Actuarial Assumptions (continued)

The mortality rates for active employees were calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected to 2020 using Scale BB with males set back one year, 85% of rates and females set back one year (males 90% of rates and females set forward one year for public safety employees).

The mortality rates for healthy retirees were calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected to 2020 using Scale BB with males set forward one year and females set back one year with 1.5% increase compounded from ages 70 to 85 (males set forward one year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years for public safety employees).

The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected to 2020 using Scale BB with males 115% of rates and females 130% of rates (males set forward 2 years and unisex using 100% male for public safety employees).

Discount Rate

The discount rate was 3.54% for June 30, 2022 and 2.16% for June 30, 2021. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	
	<hr/>	
Balances at June 30, 2021	\$	666,346
Changes for the year:		
Service cost		38,507
Interest		15,009
Economic/Demographic Gains or Losses		(239,714)
Changes in assumptions		(74,465)
Benefit payments		(20,149)
Net changes	<hr/>	(280,812)
Balances at June 30, 2022	<hr/>	<hr/> 385,534

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 15-Other Postemployment Benefits - County Health Insurance: (continued)

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (3.54%) than the current discount rate:

Discount Rate		
1% Decrease (2.54%)	Current (3.54%)	1% Increase (4.54%)
\$ 421,968	\$ 385,534	\$ 352,348

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

The following presents the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (-2.30% increasing to an ultimate rate of 2.90%) or one percentage point higher (-0.30% increasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (-2.30% increasing to 2.90%)	Current (-1.30% increasing to 3.90%)	1% Increase (-0.30% increasing to 4.90%)
\$ 335,413	\$ 385,534	\$ 444,992

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

For the year ended June 30, 2022, the County recognized OPEB expense in the amount of \$18,121. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,779	\$ 202,259
Changes of assumptions	4,489	87,217
Total	\$ 70,268	\$ 289,476

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 15-Other Postemployment Benefits - County Health Insurance: (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

<u>Year Ended June 30,</u>	<u>Primary Government</u>
2023	\$ (35,621)
2024	(36,147)
2025	(36,147)
2026	(42,564)
2027	(49,090)
Therafter	(19,639)

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

Note 16-Other Postemployment Benefits - Department of Social Services (DSS) Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the DSS administers a single employer defined benefit healthcare plan, The Lee County Social Services Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the DSS's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan provides participation by eligible retirees and their dependents in the health insurance programs available to employees. The plan will provide retiring employees the option to continue health insurance offered by the DSS. To be eligible, the employee must be 50 with 10 years of service or 55 with 5 years of service.

Plan Membership

At June 30, 2022 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	50
Total retirees with coverage	<u>1</u>
Total	<u><u>51</u></u>

Note 16-Other Postemployment Benefits - Department of Social Services (DSS) Health Insurance:
(continued)

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the DSS Board. The amount paid by the DSS for OPEB as the benefits came due during the year ended June 30, 2022 was \$10,357.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2021 2.50% per year as of June 30, 2022
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Discount Rate	2.16% as of June 30, 2021 3.54% as of June 30, 2022
Actuarial Cost Method	Entry Age Normal

The mortality rates for active employees were calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected to 2020 using Scale BB with males set back one year, 85% of rates and females set back one year.

The mortality rates for healthy retirees were calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected to 2020 using Scale BB with males set forward one year and females set back one year with 1.5% increase compounded from ages 70 to 85.

The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected to 2020 using Scale BB with males 115% of rates and females 130% of rates.

Discount Rate

The discount rate was 2.16% for June 30, 2021 and 3.54% for June 30, 2022. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 16-Other Postemployment Benefits - Department of Social Services (DSS) Health Insurance:
(continued)

Changes in Total OPEB Liability

	Primary Government - DSS Total OPEB Liability	
	<hr/>	
Balances at June 30, 2021	\$	176,710
Changes for the year:		
Service cost		16,655
Interest		4,066
Economic/Demographic Gains or Losses		(30,929)
Changes in assumptions		8,418
Benefit payments		(10,357)
Net changes	<hr/> \$	<hr/> (12,147)
Balances at June 30, 2022	<hr/> \$	<hr/> <hr/> 164,563

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

The following amounts present the total OPEB liability of the DSS, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (3.54%) than the current discount rate:

Discount Rate		
1% Decrease (2.54%)	Current (3.54%)	1% Increase (4.54%)
<hr/>		
\$ 169,592	\$ 164,563	\$ 158,962

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

The following presents the total OPEB liability of the DSS, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (10.10% decreasing to an ultimate rate of 2.90%) or one percentage point higher (12.10% decreasing to an ultimate rate of 3.90%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (10.10% decreasing to 2.90%)	Current (11.10% decreasing to 3.90%)	1% Increase (12.10% decreasing to 4.90%)
<hr/>		
\$ 150,121	\$ 164,563	\$ 181,110

Notes to Financial Statements (continued)
June 30, 2022

Note 16-Other Postemployment Benefits - Department of Social Services (DSS) Health Insurance: (continued)

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

For the year ended June 30, 2022, the DSS Board recognized OPEB expense in the amount of \$5,123. At June 30, 2022, the DSS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,885
Changes of assumptions	6,888	12,838
Total	<u>\$ 6,888</u>	<u>\$ 47,723</u>

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

<u>Year Ended June 30,</u>	<u>Primary Government - DSS</u>
2023	\$ (15,782)
2024	(15,784)
2025	(4,414)
2026	(4,414)
2027	(441)
Thereafter	-

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

Note 17-Other Postemployment Benefits - School Board Health Insurance:

Plan Description

In addition to the pension benefits described in Note 7, the School Board administers a single employer defined benefit healthcare plan, The Lee County Public Schools Other Postemployment Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

The plan provides participation by eligible retirees and their dependents in the health insurance programs available to employees. The plan will provide retiring employees the option to continue health insurance offered by the School Board. To be eligible, the employee must be 50 with 20 years of service of 65 with 5 years of service.

Note 17-Other Postemployment Benefits - School Board Health Insurance: (continued)

Plan Membership

At June 30, 2022 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	502
Total retirees with coverage	42
Total spouse of retirees with coverage	5
Total beneficiaries	<u>1</u>
 Total	 <u><u>550</u></u>

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the School Board. The amount paid by the School for OPEB as the benefits came due during the year ended June 30, 2022 was \$559,925.

Actuarial Assumptions

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

Inflation	2.50% per year as of June 30, 2021 2.50% per year as of June 30, 2022
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Discount Rate	2.16% as of June 30, 2021 3.54% as of June 30, 2022
Actuarial Cost Method	Entry Age Normal

The mortality rates for active employees were calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected to 2020 using Scale BB with males set back one year, 85% of rates and females set back one year.

The mortality rates for healthy retirees were calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected to 2020 using Scale BB with males set forward one year and females set back one year with 1.5% increase compounded from ages 70 to 85.

The mortality rates for disabled retirees were calculated using the RP-2014 Disabled Mortality Rates projected to 2020 using Scale BB with males 115% of rates and females 130% of rates.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 17-Other Postemployment Benefits - School Board Health Insurance: (continued)

Discount Rate

The discount rate was 2.16% for June 30, 2021 and 3.54% for June 30, 2022. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
		<hr/>
Balances at June 30, 2021	\$	11,290,039
Changes for the year:		
Service cost		483,270
Interest		248,289
Economic/Demographic Gains or Losses		705,729
Changes in assumptions		(1,088,422)
Benefit payments		(559,925)
Net changes	<hr/>	<hr/> (211,059) <hr/>
Balances at June 30, 2022	<hr/>	<hr/> 11,078,980 <hr/>

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

			Discount Rate		
<hr/> 1% Decrease <hr/> (2.54%)			<hr/> Current <hr/> (3.54%)		<hr/> 1% Increase <hr/> (4.54%) <hr/>
\$	12,017,416	\$	11,078,980	\$	10,207,330

Note 17-Other Postemployment Benefits - School Board Health Insurance: (continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.00% decreasing to an ultimate rate of 2.90%) or one percentage point higher (6.00% decreasing to an ultimate rate of 4.90%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (4.00% decreasing to 2.90%)	Current (5.00% decreasing to 3.90%)	1% Increase (6.00% decreasing to 4.90%)
\$ 9,835,094	\$ 11,078,980	\$ 12,542,062

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

For the year ended June 30, 2022, the School Board recognized OPEB expense in the amount of \$888,845. At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,162,868	\$ -
Changes of assumptions	565,025	1,020,913
Total	\$ 1,727,893	\$ 1,020,913

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

Year Ended June 30,	Component Unit School Board
2023	\$ 157,286
2024	156,516
2025	148,977
2026	148,977
2027	148,977
Thereafter	(53,753)

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

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Plan from the County were \$32,396 and \$28,623 for the years ended June 30, 2021 and June 30, 2021, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Nonprofessional) were \$12,758 and \$11,084 for the years ended June 30, 2022 and June 30, 2021, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Professional) were \$106,557 and \$100,838 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

Primary Government

At June 30, 2022, the entity reported a liability of \$298,869 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.02570% as compared to 0.02593% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$8,566. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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

Component Unit School Board (Nonprofessional)

At June 30, 2022, the entity reported a liability of \$115,728 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.00990% as compared to 0.01063% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$4,114. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

Component Unit School Board (Professional)

At June 30, 2022, the entity reported a liability of \$1,053,898 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.09050% as compared to 0.09599% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$20,954. 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.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

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

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

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,087	\$ 2,277	\$ 13,199	\$ 882	\$ 120,201	\$ 8,030
Net difference between projected and actual earnings on GLI OPEB plan investments	-	71,333	-	27,622	-	251,543
Change in assumptions	16,477	40,892	6,380	15,834	58,101	144,196
Changes in proportionate share	-	10,375	3,558	8,996	13,736	107,114
Employer contributions subsequent to the measurement date	32,396	-	12,758	-	106,557	-
Total	<u>\$ 82,960</u>	<u>\$ 124,877</u>	<u>\$ 35,895</u>	<u>\$ 53,334</u>	<u>\$ 298,595</u>	<u>\$ 510,883</u>

\$32,396, \$12,758, and \$106,557 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2023	\$ (18,402)	\$ (6,329)	\$ (74,141)
2024	(14,220)	(5,415)	(63,310)
2025	(13,365)	(5,661)	(62,344)
2026	(23,424)	(9,645)	(91,718)
2027	(4,902)	(3,147)	(27,332)
Thereafter	-	-	-

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. The assumptions include several employer groups. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Teachers (continued)

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

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

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

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (continued)

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

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the 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, 2021, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by 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.

Note 18-Group Life Insurance (GLI) Plan (OPEB Plan): (continued)

Discount Rate (continued)

From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 436,658	\$ 298,869	\$ 187,598
Component Unit School Board's (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	169,083	115,728	72,641
Component Unit School Board's (professional) proportionate share of the GLI Plan Net OPEB Liability	1,539,783	1,053,898	661,523

GLI Program Fiduciary Net Position

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

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

Employees Covered by Benefit Terms

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

	<u>Component Unit School Board (nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	<u>51</u>
Inactive members:	
Vested inactive members	<u>6</u>
Total inactive members	<u>57</u>
Active members	<u>107</u>
Total covered employees	<u><u>164</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board's (Nonprofessional) contractually required employer contribution rate for the year ended June 30, 2022 was 0.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board (nonprofessional) to the HIC Plan were \$23,171 and \$20,286 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

Net HIC OPEB Liability

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

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Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

Actuarial Assumptions (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Post-Disablement:

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

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

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

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2021, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2021 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 252,137	\$ 74	\$ 252,063
Changes for the year:			
Service cost	\$ 9,181	\$ -	\$ 9,181
Interest	4,662	-	4,662
Benefit changes	-	-	-
Differences between expected and actual experience	243,509	-	243,509
Assumption changes	9,593	-	9,593
Contributions - employer	-	20,311	(20,311)
Net investment income	-	1	(1)
Benefit payments	(82,321)	(82,321)	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net changes	\$ 184,624	\$ (62,009)	\$ 246,633
Balances at June 30, 2021	\$ 436,761	\$ (61,935)	\$ 498,696

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Component Unit School Board's (Nonprofessional) Net HIC OPEB Liability	\$ 572,037	\$ 498,696	\$ 456,474

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

For the year ended June 30, 2022, the School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$79,736. At June 30, 2022, the School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board’s (nonprofessional) HIC Plan from the following sources:

	Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,507	\$ 827
Net difference between projected and actual earnings on HIC OPEB plan investments	-	727
Change in assumptions	9,473	-
Employer contributions subsequent to the measurement date	23,171	-
Total	<u>\$ 226,151</u>	<u>\$ 1,554</u>

Note 19—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):
(continued)

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

\$23,171 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board’s (Nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (Nonprofessional)</u>
2023	\$ 64,089
2024	62,299
2025	60,565
2026	14,473
2027	-
Thereafter	-

HIC Plan Data

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

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Plan Description (continued)

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2022 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$238,449 and \$226,295 for the years ended June 30, 2022 and June 30, 2021, respectively.

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

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

At June 30, 2022, the school division reported a liability of \$2,711,283 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2021 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The school division’s proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division’s proportion of the VRS Teacher Employee HIC Program was 0.21123% as compared to 0.22512% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized VRS Teacher Employee HIC OPEB expense of \$180,189. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 47,312
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	35,716
Change in assumptions	73,291	10,896
Change in proportionate share	39,722	244,888
Employer contributions subsequent to the measurement date	238,449	-
Total	\$ 351,462	\$ 338,812

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

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

\$238,449 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	(43,941)
2023		(44,346)
2024		(43,111)
2025		(42,868)
2026		(25,549)
Thereafter		(25,984)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

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

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

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

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Net Teacher Employee HIC OPEB Liability

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

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

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.

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Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Note 20- Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2021 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,052,153	\$ 2,711,283	\$ 2,422,825

Teacher Employee HIC OPEB Fiduciary Net Position

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

Note 21—OPEB Plan - Line of Duty Act (LODA) Program:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 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 LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

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

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members.

Note 21-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2022 was \$722.55 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were \$57,433 and \$61,049 for the years ended June 30, 2022 and June 30, 2021, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2022, the entity reported a liability of \$1,884,049 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2021 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2021 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2021, the entity's proportion was 0.42720% as compared to 0.44922% at June 30, 2020.

For the year ended June 30, 2022, the entity recognized LODA OPEB expense \$159,395. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 21-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157,079	\$ 285,261
Net difference between projected and actual earnings on LODA OPEB program investments	-	10,910
Change in assumptions	521,379	90,123
Change in proportionate share	26,561	124,599
Employer contributions subsequent to the measurement date	57,443	-
Total	\$ 762,462	\$ 510,893

\$57,443 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year Ended June 30		
2023	\$	29,184
2024		29,685
2025		29,833
2026		29,990
2027		37,687
Thereafter		37,747

Note 21-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2029
Ages 65 and older	Fiscal year ended 2024
Investment rate of return	2.16%, including inflation*

*Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return.

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

Note 21-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees (continued)

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program’s total OPEB liability determined, less the associated fiduciary net position. As of the measurement date of June 30, 2021, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 448,542
Plan Fiduciary Net Position	7,553
LODA Net OPEB Liability (Asset)	<u>\$ 440,989</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.68%

The total LODA 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 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.

Note 21-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.16% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 2.16% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2021.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.16%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2021, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 2.16%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.161%) or one percentage point higher (3.16%) than the current rate:

	Discount Rate		
	1% Decrease (1.16%)	Current (2.16%)	1% Increase (3.16%)
County's proportionate share of the LODA Net OPEB Liability	\$ 2,167,347	\$ 1,884,049	\$ 1,658,945

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 21-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.00% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
County's proportionate share of the LODA Net OPEB Liability	\$ 1,545,910	\$ 1,884,049	\$ 2,317,613

LODA OPEB Fiduciary Net Position

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

Note 22-OPEB Summary:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
Stand-Alone Plan								
County (Note 15)	\$ 70,268	\$ 289,476	\$ 385,534	\$ 18,121	\$ -	\$ -	\$ -	\$ -
Social Services (Note 16)	6,888	47,723	164,563	5,123	-	-	-	-
School Board (Note 17)	-	-	-	-	1,727,893	1,020,913	11,078,980	888,845
VRS OPEB Plans:								
GLI Plan (Note 18)								
County	82,960	124,877	298,869	8,566	-	-	-	-
School Board Nonprofessional	-	-	-	-	35,895	53,334	115,728	4,114
School Board Professional	-	-	-	-	298,595	510,883	1,053,898	20,954
HIC Plan (Note 19)								
School Board Nonprofessional	-	-	-	-	226,151	1,554	498,696	79,736
Teacher HIC Plan (Note 20)	-	-	-	-	351,462	338,812	2,711,283	180,189
Line of Duty Act (LODA) (Note 21)	762,462	510,893	1,884,049	159,395	-	-	-	-
Totals	\$ 922,578	\$ 972,969	\$ 2,733,015	\$ 191,205	\$ 2,639,996	\$ 1,925,496	\$ 15,458,585	\$ 1,173,838

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 23-Self Health Insurance:

The Lee County School Board established a limited risk management program for health insurance. Premiums are paid into the Anthem health plan account from the School Board and are available to pay claims, reinsurance, and administrative costs of the program. During the fiscal year 2022, a total of \$5,149,577 was paid in benefits and administrative costs. Claims for the fiscal year totaled \$4,567,513. Incurred but not reported claims of \$172,026 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and two prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2021-22	\$ 754,090	\$ 4,567,513	\$ (5,149,577)	\$ 172,026
2020-21	210,799	5,198,637	(4,655,346)	754,090
2019-20	242,991	4,933,163	(4,965,355)	210,799

As of June 30, 2022, the School Board held funds totaling \$1,348,610 for the payment of claims and costs associated with the self-health insurance program. These funds are reported as restricted cash in the accompanying financial statements.

Note 24-School Board Early Retirement Incentive Plan:

Lee County School Board offers an early retirement incentive plan to all full-time employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have reached a specified age and years of service, as detailed in the individual plan, to participate. The School Board has offered various incentive plans, all offering different benefit options to the retiree. As of June 30, 2022, the balance owed to retired employees was \$202,919, which has been recorded as a liability in the government-wide financial statements of the School Board.

Note 25-Litigation:

At June 30, 2022, the only significant matter outstanding is a claim of breach of contract against the Lee County School Board in the amount of \$500,000. The School Board believes the case would be partially covered by insurance, if necessary, but intends to contest the matter vigorously.

Note 26-COVID-19 Pandemic Funding:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2022 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

On June 10, 2021, the County received its share of the first half of the CSLFRF funds. The County received the second half of the CSLFRF funds on July 25, 2022. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,212,293 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2022

Note 27-Adoption of Accounting Principles:

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

Primary Government:		Component Unit School Board
Lessee activity:		
Lease asset	\$	230,291
Lease liability	\$	230,291

Note 28-Subsequent Events:

On July 18, 2022, the County purchased \$630,079 of Self-Contained Breathing Apparatuses (SCBA) for the Pennington Gap Volunteer Fire Department.

On May 17, 2023, the County provided a loan to the Town of Pennington Gap Industrial Development Authority in the amount of \$480,000 with a 3% interest rate.

On July 11, 2022, the School Board entered a contract for tennis court construction and renovation in the amount of \$738,243.

On November 10, 2022, the School Board entered contracts for roof replacements totaling \$1,040,654.

On March 10, 2023, the School Board entered contracts for roof replacements totaling \$1,525,018.

On August 7, 2023, the School Board purchased three activity school buses for the total amount of \$339,339.

Note 29-Upcoming Pronouncements:

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

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

Note 29-Upcoming Pronouncements: (Continued)

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

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

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

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

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

Required Supplementary Information

County of Lee, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,641,254	\$ 9,641,254	\$ 9,746,631	\$ 105,377
Other local taxes	3,069,064	3,069,064	3,225,947	156,883
Permits, privilege fees, and regulatory licenses	58,850	59,790	88,970	29,180
Fines and forfeitures	800	800	1,655	855
Revenue from the use of money and property	113,500	113,500	95,512	(17,988)
Charges for services	224,400	224,400	262,954	38,554
Miscellaneous	58,850	143,239	240,873	97,634
Recovered costs	660,387	755,465	785,090	29,625
Intergovernmental:				
Commonwealth	10,169,490	10,268,816	8,479,985	(1,788,831)
Federal	3,944,006	4,250,444	6,936,273	2,685,829
Total revenues	\$ 27,940,601	\$ 28,526,772	\$ 29,863,890	\$ 1,337,118
EXPENDITURES				
Current:				
General government administration	\$ 1,779,077	\$ 1,998,486	\$ 1,629,652	\$ 368,834
Judicial administration	1,264,217	1,356,401	1,324,176	32,225
Public safety	6,384,631	6,618,303	6,630,686	(12,383)
Public works	1,964,467	2,001,184	1,953,568	47,616
Health and welfare	11,447,401	11,471,401	11,187,396	284,005
Education	4,681,452	4,681,452	2,821,409	1,860,043
Parks, recreation, and cultural	309,664	320,957	319,221	1,736
Community development	424,935	1,557,882	1,495,912	61,970
Nondepartmental	25,000	2,282,470	53,231	2,229,239
Capital projects	160,000	160,000	18,408	141,592
Debt service:				
Principal retirement	682,165	682,165	816,746	(134,581)
Interest and other fiscal charges	130,875	130,875	156,695	(25,820)
Total expenditures	\$ 29,253,884	\$ 33,261,576	\$ 28,407,100	\$ 4,854,476
Excess (deficiency) of revenues over (under) expenditures	\$ (1,313,283)	\$ (4,734,804)	\$ 1,456,790	\$ 6,191,594
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (194,771)	\$ (194,771)
Total other financing sources (uses)	\$ -	\$ -	\$ (194,771)	\$ (194,771)
Net change in fund balances	\$ (1,313,283)	\$ (4,734,804)	\$ 1,262,019	\$ 5,996,823
Fund balances - beginning	1,313,283	4,734,804	10,517,978	5,783,174
Fund balances - ending	\$ -	\$ -	\$ 11,779,997	\$ 11,779,997

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 559,291	\$ 549,602	\$ 518,996	\$ 501,462	\$ 553,015	\$ 523,986	\$ 519,855	\$ 497,545
Interest	1,974,289	1,946,862	1,904,254	1,901,147	1,814,713	1,779,690	1,755,642	1,696,544
Differences between expected and actual experience	365,448	(317,455)	28,476	(913,317)	212,734	(366,190)	(556,334)	-
Changes in assumptions	1,069,031	-	814,648	-	115,569	-	-	-
Benefit payments, including refunds of employee contributions	(1,755,307)	(1,790,061)	(1,465,132)	(1,424,678)	(1,497,842)	(1,376,489)	(1,374,746)	(1,324,920)
Net change in total pension liability	\$ 2,212,752	\$ 388,948	\$ 1,801,242	\$ 64,614	\$ 1,198,189	\$ 560,997	\$ 344,417	\$ 869,169
Total pension liability - beginning	\$ 30,126,383	\$ 29,737,435	\$ 27,936,193	\$ 27,871,579	\$ 26,673,390	\$ 26,112,393	\$ 25,767,976	\$ 24,898,807
Total pension liability - ending (a)	\$ 32,339,135	\$ 30,126,383	\$ 29,737,435	\$ 27,936,193	\$ 27,871,579	\$ 26,673,390	\$ 26,112,393	\$ 25,767,976
Plan fiduciary net position								
Contributions - employer	\$ 447,192	\$ 443,131	\$ 431,908	\$ 463,180	\$ 455,072	\$ 593,517	\$ 583,877	\$ 577,169
Contributions - employee	277,274	253,479	246,634	243,322	260,932	250,978	240,822	239,677
Net investment income	7,057,887	511,626	1,702,848	1,817,907	2,750,162	390,544	1,024,065	3,117,027
Benefit payments, including refunds of employee contributions	(1,755,307)	(1,790,061)	(1,465,132)	(1,424,678)	(1,497,842)	(1,376,489)	(1,374,746)	(1,324,920)
Administrative expense	(18,080)	(17,902)	(17,297)	(15,963)	(16,354)	(14,461)	(14,367)	(17,085)
Other	660	(590)	(1,068)	(1,605)	(2,421)	(168)	(215)	164
Net change in plan fiduciary net position	\$ 6,009,626	\$ (600,317)	\$ 897,893	\$ 1,082,163	\$ 1,949,549	\$ (156,079)	\$ 459,436	\$ 2,592,032
Plan fiduciary net position - beginning	\$ 26,157,096	\$ 26,757,413	\$ 25,859,520	\$ 24,777,357	\$ 22,827,808	\$ 22,983,887	\$ 22,524,451	\$ 19,932,419
Plan fiduciary net position - ending (b)	\$ 32,166,722	\$ 26,157,096	\$ 26,757,413	\$ 25,859,520	\$ 24,777,357	\$ 22,827,808	\$ 22,983,887	\$ 22,524,451
County's net pension liability (asset) - ending (a) - (b)	\$ 172,413	\$ 3,969,287	\$ 2,980,022	\$ 2,076,673	\$ 3,094,222	\$ 3,845,582	\$ 3,128,506	\$ 3,243,525
Plan fiduciary net position as a percentage of the total pension liability	99.47%	86.82%	89.98%	92.57%	88.90%	85.58%	88.02%	87.41%
Covered payroll	\$ 5,290,495	\$ 5,334,614	\$ 5,129,624	\$ 5,023,489	\$ 4,902,120	\$ 4,896,347	\$ 4,792,290	\$ 4,782,254
County's net pension liability as a percentage of covered payroll	3.26%	74.41%	58.09%	41.34%	63.12%	78.54%	65.28%	67.82%

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 169,681	\$ 182,892	\$ 178,176	\$ 175,267	\$ 179,744	\$ 173,589	\$ 182,298	\$ 176,934
Interest	1,022,491	1,004,954	1,010,563	1,004,915	990,523	948,050	944,384	932,718
Differences between expected and actual experience	33,098	236,904	(4,490)	(50,174)	(28,640)	484,389	(92,679)	-
Changes in assumptions	550,029	-	356,596	-	92,928	-	-	-
Benefit payments, including refunds of employee contributions	(1,213,230)	(1,116,663)	(1,061,819)	(1,036,839)	(1,021,060)	(977,492)	(985,772)	(900,230)
Net change in total pension liability	\$ 562,069	\$ 308,087	\$ 479,026	\$ 93,169	\$ 213,495	\$ 628,536	\$ 48,231	\$ 209,422
Total pension liability - beginning	15,754,630	15,446,543	14,967,517	14,874,348	14,660,853	14,032,317	13,984,086	13,774,664
Total pension liability - ending (a)	\$ 16,316,699	\$ 15,754,630	\$ 15,446,543	\$ 14,967,517	\$ 14,874,348	\$ 14,660,853	\$ 14,032,317	\$ 13,984,086
Plan fiduciary net position								
Contributions - employer	\$ 551,057	\$ 563,187	\$ 538,551	\$ 559,501	\$ 539,130	\$ 520,334	\$ 498,642	\$ 412,585
Contributions - employee	93,315	98,475	95,490	93,652	91,102	89,193	86,145	83,036
Net investment income	2,125,227	157,383	533,020	583,937	894,797	126,337	347,642	1,098,282
Benefit payments, including refunds of employee contributions	(1,213,230)	(1,116,663)	(1,061,819)	(1,036,839)	(1,021,060)	(977,492)	(985,772)	(900,230)
Administrative expense	(5,681)	(5,591)	(5,579)	(5,241)	(5,414)	(4,950)	(5,081)	(6,222)
Other	198	(182)	(335)	(514)	(790)	(56)	(77)	58
Net change in plan fiduciary net position	\$ 1,550,886	\$ (303,391)	\$ 99,328	\$ 194,496	\$ 497,765	\$ (246,634)	\$ (58,501)	\$ 687,509
Plan fiduciary net position - beginning	8,078,400	8,381,791	8,282,463	8,087,967	7,590,202	7,836,836	7,895,337	7,207,828
Plan fiduciary net position - ending (b)	\$ 9,629,286	\$ 8,078,400	\$ 8,381,791	\$ 8,282,463	\$ 8,087,967	\$ 7,590,202	\$ 7,836,836	\$ 7,895,337
School Division's net pension liability (asset) - ending (a) - (b)	\$ 6,687,413	\$ 7,676,230	\$ 7,064,752	\$ 6,685,054	\$ 6,786,381	\$ 7,070,651	\$ 6,195,481	\$ 6,088,749
Plan fiduciary net position as a percentage of the total pension liability	59.01%	51.28%	54.26%	55.34%	54.38%	51.77%	55.85%	56.46%
Covered payroll	\$ 2,051,562	\$ 2,146,154	\$ 2,034,505	\$ 1,978,801	\$ 1,929,643	\$ 1,833,085	\$ 1,753,809	\$ 1,661,330
School Division's net pension liability as a percentage of covered payroll	325.97%	357.67%	347.25%	337.83%	351.69%	385.72%	353.26%	366.50%

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

County of Lee, Virginia
 Schedule of Employer's Share of Net Pension Liability (Asset)
 VRS Teacher Retirement Plan

	Pension Plans									
	2021	2020	2019	2018	2017	2016	2015	2014		
Employer's Proportion of the Net Pension Liability (Asset)	0.2137%	0.2277%	0.2226%	0.2335%	0.2334%	0.2326%	0.2407%	0.0234%		
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 16,592,068	\$ 33,140,695	\$ 29,294,108	\$ 27,460,000	\$ 28,707,000	\$ 32,600,000	\$ 30,289,000	\$ 28,300,000		
Employer's Covered Payroll	18,676,707	19,736,030	18,598,431	18,792,032	18,154,850	17,634,275	17,714,196	17,188,687		
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	88.84%	167.92%	157.51%	146.13%	158.12%	184.87%	170.99%	164.64%		
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%	71.47%	73.51%	72.92%	72.92%	68.28%	70.68%	70.88%		

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

County of Lee, Virginia
 Schedule of Employer Contributions
 Pension Plans
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)*	Contributions in Relation to Contractually Required Contribution (2)*	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2022	\$ 503,332	\$ 503,332	-	\$ 6,015,253	8.37%
2021	447,191	447,191	-	5,290,495	8.45%
2020	443,128	443,128	-	5,334,614	8.31%
2019	431,906	431,906	-	5,129,624	8.42%
2018	463,180	463,180	-	5,023,489	9.22%
2017	455,072	455,072	-	4,902,120	9.28%
2016	593,517	593,517	-	4,896,347	12.12%
2015	583,877	583,877	-	4,792,290	12.18%
2014	577,169	577,169	-	4,782,254	12.07%
2013	550,634	550,634	-	4,584,800	12.01%
Component Unit School Board (nonprofessional)					
2022	\$ 628,392	\$ 628,392	-	\$ 2,254,836	27.87%
2021	551,057	551,057	-	2,051,562	26.86%
2020	562,397	562,397	-	2,146,154	26.20%
2019	539,363	539,363	-	2,034,505	26.51%
2018	559,501	559,501	-	1,978,801	28.27%
2017	539,130	539,130	-	1,929,643	27.94%
2016	520,334	520,334	-	1,833,085	28.39%
2015	498,642	498,642	-	1,753,809	28.43%
2014	412,585	412,585	-	1,661,330	24.83%
2013	404,244	404,244	-	1,628,048	24.83%
Component Unit School Board (professional)					
2022	\$ 3,184,036	\$ 3,184,036	-	\$ 19,040,676	16.72%
2021	3,023,744	3,023,744	-	18,676,707	16.19%
2020	3,021,691	3,021,691	-	19,736,030	15.31%
2019	2,848,282	2,848,282	-	18,598,431	15.31%
2018	3,110,689	3,110,689	-	18,792,032	16.55%
2017	2,661,501	2,661,501	-	18,154,850	14.66%
2016	2,479,379	2,479,379	-	17,634,275	14.06%
2015	2,490,616	2,490,616	-	17,714,196	14.06%
2014	1,984,637	1,984,637	-	17,188,687	11.55%
2013	2,103,701	2,103,701	-	18,042,034	11.66%

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

County of Lee, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2022

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

County of Lee, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government - County
 For the Measurement Dates of June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 38,507	\$ 36,268	\$ 34,425	\$ 31,655	\$ 32,443
Interest	15,009	14,835	20,118	20,648	18,273
Economic/demographic gains or losses	(239,714)	-	122,161	-	-
Changes in assumptions	(74,465)	2,973	(41,481)	17,318	(16,717)
Benefit payments	(20,149)	(45,156)	(36,061)	(26,207)	(17,415)
Net change in total OPEB liability	\$ (280,812)	\$ 8,920	\$ 99,162	\$ 43,414	\$ 16,584
Total OPEB liability - beginning	666,346	657,426	558,264	514,850	498,266
Total OPEB liability - ending	\$ 385,534	\$ 666,346	\$ 657,426	\$ 558,264	\$ 514,850
Covered-employee payroll	\$ 3,869,466	\$ 3,460,190	\$ 3,460,190	\$ 3,155,900	\$ 3,155,900
County's total OPEB liability (asset) as a percentage of covered-employee payroll	9.96%	19.26%	19.00%	17.69%	16.31%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Lee, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government - DSS
 For the Measurement Dates of June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 16,655	\$ 13,749	\$ 12,433	\$ 12,092	\$ 12,319
Interest	4,066	4,050	8,293	8,702	7,633
Economic/demographic gains or losses	(30,929)	-	(25,051)	-	-
Changes in assumptions	8,418	243	(32,095)	4,197	(4,201)
Benefit payments	(10,357)	(21,557)	(15,600)	(10,935)	(6,596)
Net change in total OPEB liability	\$ (12,147)	\$ (3,515)	\$ (52,020)	\$ 14,056	\$ 9,155
Total OPEB liability - beginning	176,710	180,225	232,245	218,189	209,034
Total OPEB liability - ending	\$ 164,563	\$ 176,710	\$ 180,225	\$ 232,245	\$ 218,189
Covered-employee payroll	\$ 1,969,000	\$ 1,494,000	\$ 1,494,000	\$ 1,466,200	\$ 1,466,200
DSS's total OPEB liability (asset) as a percentage of covered-employee payroll	8.36%	11.83%	12.06%	15.84%	14.88%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Lee, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2018 through June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 483,270	\$ 447,891	\$ 296,104	\$ 242,204	\$ 254,040
Interest	248,289	249,529	332,870	353,088	331,443
Economic/demographic gains or losses	705,729	-	845,920	-	-
Changes in assumptions	(1,088,422)	44,856	713,964	311,429	(312,796)
Benefit payments	(559,925)	(587,329)	(531,873)	(614,457)	(600,038)
Net change in total OPEB liability	\$ (211,059)	\$ 154,947	\$ 1,656,985	\$ 292,264	\$ (327,351)
Total OPEB liability - beginning	11,290,039	11,135,092	9,478,107	9,185,843	9,513,194
Total OPEB liability - ending	<u>\$ 11,078,980</u>	<u>\$ 11,290,039</u>	<u>\$ 11,135,092</u>	<u>\$ 9,478,107</u>	<u>\$ 9,185,843</u>
Covered-employee payroll	\$ 19,396,055	\$ 21,640,069	\$ 21,640,069	\$ 19,788,600	\$ 19,788,600
School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	57.12%	52.17%	51.46%	47.90%	46.42%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Lee, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

County, DSS, and School Board

Valuation Date: 7/1/2021

Measurement Date: 6/30/2022

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.16% as of June 30, 2021; 3.54% as of June 30, 2022
Inflation	2.50% per year as of June 30, 2021 and June 30, 2022
Healthcare Trend Rate - County	The healthcare trend rate assumption starts at (1.30)% for July 1, 2021 increasing to an ultimate rate of 3.9% by July 1, 2072
Healthcare Trend Rate - DSS	The healthcare trend rate assumption starts at 11.10% for July 1, 2021 decreasing to an ultimate rate of 3.90% by July 1, 2072
Healthcare Trend Rate - School Board	The healthcare trend rate assumption starts at 5.00% for July 1, 2021 decreasing to an ultimate rate of 3.90% by July 1, 2072
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Participation Percentage - County and DSS	30% of future retirees are assumed to elect medical coverage upon retirement and 30% of future retirees are assumed to include their spouse in coverage.
Participation Percentage - School Board	60% of future retirees are assumed to elect medical coverage upon retirement if they are enrolled in the School Board Early Retirement Incentive Program (ERIP). 30% of future retirees are assumed to elect medical coverage upon retirement if they are not. 20% of future retirees are assumed to include their spouse in coverage.
Retirement Age	For VRS Plan 1 employees the average age is 65. For Plan 2 and Hybrid employees the average age of retirement is estimated based on probability of retirement. The participation percentage is 35% when the retiree's age and years of service total 90.
Mortality Rates - Active Employees	Calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected to 2020 using Scale BB with males set back one year, 85% of rates and females set back one year (males 90% of rates and females set forward one year for public safety employees).
Mortality Rates - Healthy Retirees	Calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected to 2020 using Scale BB with males set forward one year and females set back one year with 1.5% increase compounded from ages 70 to 85 (males set forward one year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years for public safety employees).
Mortality Rates - Disabled Retirees	Calculated using the RP-2014 Disabled Mortality Rates projected to 2020 using Scale BB with males 115% of rates and females 130% of rates (males set forward 2 years and unisex using 100% male for public safety employees)

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.0257% \$	298,869 \$	5,300,578	5.64%	67.45%
2020	0.0259%	432,729	5,334,614	8.11%	52.64%
2019	0.0262%	425,855	5,129,624	8.30%	52.00%
2018	0.0265%	402,000	5,023,489	8.00%	51.22%
2017	0.0266%	401,000	4,902,120	8.18%	48.86%

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

County of Lee, Virginia
 Schedule of Employer Contributions - County
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 32,396	\$ 32,396	-	\$ 5,999,281	0.54%
2021	28,623	28,623	-	5,300,578	0.54%
2020	27,751	27,751	-	5,334,614	0.52%
2019	26,689	26,689	-	5,129,624	0.52%
2018	26,162	26,162	-	5,023,489	0.52%
2017	25,516	25,516	-	4,907,011	0.52%
2016	23,502	23,502	-	4,896,347	0.48%
2015	23,026	23,026	-	4,797,165	0.48%
2014	22,988	22,988	-	4,789,096	0.48%
2013	22,007	22,007	-	4,584,800	0.48%

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.0099% \$	115,728 \$	2,052,998	5.64%	67.45%
2020	0.0106%	177,398	2,146,154	8.27%	52.64%
2019	0.0104%	168,910	2,034,505	8.30%	52.00%
2018	0.0104%	159,000	1,978,801	8.04%	51.22%
2017	0.0105%	158,000	1,938,562	8.15%	48.86%

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

County of Lee, Virginia
 Schedule of Employer Contributions - School Board Nonprofessional
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 12,758	\$ 12,758	\$ -	\$ 2,362,513	0.54%
2021	11,084	11,084	-	2,052,998	0.54%
2020	11,160	11,160	-	2,146,154	0.52%
2019	10,605	10,605	-	2,034,505	0.52%
2018	10,325	10,325	-	1,978,801	0.52%
2017	10,081	10,081	-	1,938,562	0.52%
2016	8,799	8,799	-	1,833,085	0.48%
2015	8,418	8,418	-	1,753,809	0.48%
2014	7,996	7,996	-	1,665,820	0.48%
2013	7,869	7,869	-	1,639,274	0.48%

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2021	0.0905%	\$ 1,053,898	\$ 18,689,886	5.64%	67.45%
2020	0.0960%	1,601,916	19,736,030	8.12%	52.64%
2019	0.0949%	1,543,950	18,598,431	8.30%	52.00%
2018	0.0991%	1,505,000	18,847,785	7.99%	51.22%
2017	0.0998%	1,502,000	18,412,748	8.16%	48.86%

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

County of Lee, Virginia
 Schedule of Employer Contributions - School Board Professional
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 106,557	\$ 106,557	\$ -	\$ 19,732,703	0.54%
2021	100,838	100,838	-	18,689,886	0.54%
2020	102,577	102,577	-	19,736,030	0.52%
2019	96,523	96,523	-	18,598,431	0.52%
2018	97,842	97,842	-	18,847,785	0.52%
2017	95,746	95,746	-	18,412,748	0.52%
2016	85,537	85,537	-	17,820,171	0.48%
2015	86,241	86,241	-	17,966,977	0.48%
2014	82,592	82,592	-	17,206,573	0.48%
2013	86,392	86,392	-	17,998,370	0.48%

County of Lee, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2022

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

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

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

	2021	2020	2019	2018	2017
Total HIC OPEB Liability					
Service cost	\$ 9,181	\$ 3,951	\$ 3,863	\$ 3,777	\$ 4,000
Interest	4,662	16,748	19,521	19,189	20,000
Changes of benefit terms	-	13,898	-	-	-
Differences between expected and actual experience	243,509	10,481	(2,366)	11,439	-
Changes of assumptions	9,593	-	6,121	-	(5,000)
Benefit payments	(82,321)	(82,127)	(33,657)	(25,655)	(23,000)
Net change in total HIC OPEB liability	\$ 184,624	\$ (37,049)	\$ (6,518)	\$ 8,750	\$ (4,000)
Total HIC OPEB Liability - beginning	252,137	289,186	295,704	286,954	291,000
Total HIC OPEB Liability - ending (a)	\$ 436,761	\$ 252,137	\$ 289,186	\$ 295,704	\$ 287,000
Plan fiduciary net position					
Contributions - employer	\$ 20,311	\$ 19,897	\$ 18,894	\$ 19,589	\$ 19,000
Net investment income	1	734	4,165	4,941	8,000
Benefit payments	(82,321)	(82,127)	(33,657)	(25,655)	(23,000)
Administrattor charges	-	11	(79)	(109)	-
Other	-	(1)	(5)	(405)	-
Net change in plan fiduciary net position	\$ (62,009)	\$ (61,486)	\$ (10,682)	\$ (1,639)	\$ 4,000
Plan fiduciary net position - beginning	74	61,560	72,242	73,881	70,000
Plan fiduciary net position - ending (b)	\$ (61,935)	\$ 74	\$ 61,560	\$ 72,242	\$ 74,000
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 498,696	\$ 252,063	\$ 227,626	\$ 223,462	\$ 213,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	-14.18%	0.03%	21.29%	24.43%	25.78%
Covered payroll	\$ 2,051,562	\$ 2,146,154	\$ 2,029,302	\$ 1,978,801	\$ 1,929,643
School Board's net HIC OPEB liability as a percentage of covered payroll	24.31%	11.74%	11.22%	11.29%	11.04%

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

County of Lee, Virginia
 Schedule of Employer Contributions - School Board Nonprofessional
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 23,171	\$ 23,171	-	\$ 2,340,538	0.99%
2021	20,286	20,286	-	2,051,562	0.99%
2020	19,861	19,861	-	2,146,154	0.93%
2019	18,921	18,921	-	2,029,302	0.93%
2018	19,589	19,589	-	1,978,801	0.99%
2017	19,157	19,157	-	1,929,643	0.99%
2016	17,048	17,048	-	1,833,085	0.93%
2015	16,310	16,310	-	1,753,809	0.93%
2014	17,278	17,278	-	1,661,330	1.04%
2013	16,829	16,829	-	1,618,132	1.04%

County of Lee, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2022

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

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

Non-Largest Ten Locality Employers - General Employees

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

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2021	0.2112%	\$ 2,711,283	\$ 18,681,364	14.51%	13.15%
2020	0.2251%	2,936,727	19,736,030	14.88%	9.95%
2019	0.2212%	2,895,723	18,598,431	15.57%	8.97%
2018	0.2328%	2,956,000	18,828,086	15.70%	8.08%
2017	0.2324%	2,948,000	18,337,536	16.08%	7.04%

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

County of Lee, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2013 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2022	\$ 238,449	\$ 238,449	\$ -	\$ 19,706,518	1.21%
2021	226,295	226,295	-	18,681,364	1.21%
2020	236,484	236,484	-	19,736,030	1.20%
2019	222,296	222,296	-	18,598,431	1.20%
2018	231,143	231,143	-	18,828,086	1.23%
2017	203,547	203,547	-	18,337,536	1.11%
2016	188,003	188,003	-	17,736,164	1.06%
2015	189,655	189,655	-	17,891,981	1.06%
2014	190,094	190,094	-	17,125,567	1.11%
2013	217,080	217,080	-	19,556,732	1.11%

County of Lee, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2022

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

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

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

County of Lee, Virginia
 Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2021

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2021	0.4272% \$	1,884,049	N/A	N/A	1.68%
2020	0.4492%	1,881,403	N/A	N/A	1.02%
2019	0.4601%	1,650,846	N/A	N/A	0.79%
2018	0.4488%	1,407,000	N/A	N/A	0.60%
2017	0.4669%	1,227,000	N/A	N/A	1.30%

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

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

County of Lee, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2017 through June 30, 2022

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2022	\$ 57,443	\$ 57,443	-	N/A	N/A
2021	61,049	61,049	-	N/A	N/A
2020	61,049	61,049	-	N/A	N/A
2019	61,754	61,754	-	N/A	N/A
2018	47,800	47,800	-	N/A	N/A
2017	50,354	50,354	-	N/A	N/A

*
 The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Lee, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2022

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

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

Other Supplementary Information

County of Lee, Virginia
 Capital Projects Fund - Airport Project
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2022

	Airport Project Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 3,491	\$ 3,491
Federal	-	-	281,964	281,964
Total revenues	\$ -	\$ -	\$ 285,455	\$ 285,455
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 395,164	\$ (395,164)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (109,709)	\$ (109,709)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 175,837	\$ 175,837
Total other financing sources (uses)	\$ -	\$ -	\$ 175,837	\$ 175,837
Net change in fund balances	\$ -	\$ -	\$ 66,128	\$ 66,128
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 66,128	\$ 66,128

County of Lee, Virginia
 Capital Projects Fund - Capital Improvements
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2022

	Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal	\$ 2,582,907	\$ 2,582,907	\$ 16,250	\$ (2,566,657)
Total revenues	<u>\$ 2,582,907</u>	<u>\$ 2,582,907</u>	<u>\$ 16,250</u>	<u>\$ (2,566,657)</u>
EXPENDITURES				
Current:				
Community development	\$ 2,582,907	\$ 2,582,907	\$ 16,250	\$ 2,566,657
Total expenditures	<u>\$ 2,582,907</u>	<u>\$ 2,582,907</u>	<u>\$ 16,250</u>	<u>\$ 2,566,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 18,934	\$ 18,934
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,934</u>	<u>\$ 18,934</u>
Net change in fund balances	\$ -	\$ -	\$ 18,934	\$ 18,934
Fund balances - beginning	-	-	259,875	259,875
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,809</u>	<u>\$ 278,809</u>

County of Lee, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Coal Road Improvement
 For the Year Ended June 30, 2022

	Coal Road Improvement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ 1,239	\$ 4,396	\$ 3,157
Revenue from the use of money and property	-	-	61	61
Total revenues	<u>\$ -</u>	<u>\$ 1,239</u>	<u>\$ 4,457</u>	<u>\$ 3,218</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ 1,239	\$ 1,263	\$ (24)
Total expenditures	<u>\$ -</u>	<u>\$ 1,239</u>	<u>\$ 1,263</u>	<u>\$ (24)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,194</u>	<u>\$ 3,194</u>
Net change in fund balances	\$ -	\$ -	\$ 3,194	\$ 3,194
Fund balances - beginning	-	-	67,782	67,782
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,976</u>	<u>\$ 70,976</u>

County of Lee, Virginia
 Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 As of June 30, 2022

	School Operating <u>Fund</u>	School Head Start <u>Fund</u>	Nonmajor School Activity <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,823,271	\$ 35,658	\$ -	\$ 2,858,929
Cash held at individual schools	-	-	821,536	821,536
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	16,503	16,503
Due from other governmental units	2,523,509	-	-	2,523,509
Prepaid items	500,779	-	-	500,779
Total assets	<u>\$ 5,847,559</u>	<u>\$ 35,658</u>	<u>\$ 838,039</u>	<u>\$ 6,721,256</u>
LIABILITIES				
Accounts payable	\$ 1,347,096	\$ -	\$ 40,977	\$ 1,388,073
Accrued liabilities	1,967,723	-	-	1,967,723
Due to primary government	1,677,192	-	-	1,677,192
Total liabilities	<u>\$ 4,992,011</u>	<u>\$ -</u>	<u>\$ 40,977</u>	<u>\$ 5,032,988</u>
FUND BALANCES				
Nonspendable	\$ 500,779	\$ -	\$ -	\$ 500,779
Restricted:				
Head Start program	-	35,658	-	35,658
Cafeteria operations	917,773	-	12,241	930,014
Retirement	25,618	-	-	25,618
Committed				
School activities	-	-	784,821	784,821
Unassigned	(588,622)	-	-	(588,622)
Total fund balances	<u>\$ 855,548</u>	<u>\$ 35,658</u>	<u>\$ 797,062</u>	<u>\$ 1,688,268</u>
Total liabilities and fund balances	<u>\$ 5,847,559</u>	<u>\$ 35,658</u>	<u>\$ 838,039</u>	<u>\$ 6,721,256</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above	\$	1,688,268
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	528,889	
Construction in progress		2,770,620	
Buildings and improvements		7,433,823	
Machinery and equipment		2,226,449	
Lease assets - machinery and equipment		<u>155,707</u>	13,115,488

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

1,176,584

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

Pension related items	\$	7,415,492	
OPEB related items		<u>2,639,996</u>	10,055,488

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(1,113,922)	
Early retirement incentive plan liability		(202,919)	
Lease liabilities		(157,151)	
Net pension liability		(23,279,481)	
Net OPEB liabilities		<u>(15,458,585)</u>	(40,212,058)

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

Pension related items	\$	(15,028,027)	
OPEB related items		<u>(1,925,496)</u>	(16,953,523)

Net position of governmental activities	\$	<u>(31,129,753)</u>
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County of Lee, Virginia
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2022

	School Operating Fund	School Head Start Fund	Nonmajor School Activity Fund*	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 935	\$ -	\$ -	\$ 935
Charges for services	181,890	-	183,488	365,378
Miscellaneous	47,702	11,075	1,056,791	1,115,568
Recovered costs	991,388	8,164	-	999,552
Intergovernmental:				
Local government	2,796,649	-	-	2,796,649
Commonwealth	29,294,966	-	-	29,294,966
Federal	13,101,131	1,982,421	-	15,083,552
Total revenues	<u>\$ 46,414,661</u>	<u>\$ 2,001,660</u>	<u>\$ 1,240,279</u>	<u>\$ 49,656,600</u>
EXPENDITURES				
Current:				
Education	\$ 46,121,184	\$ 1,989,979	\$ 1,332,352	\$ 49,443,515
Debt service:				
Principal retirement	73,140	-	-	73,140
Interest and other fiscal charges	3,938	-	-	3,938
Total expenditures	<u>\$ 46,198,262</u>	<u>\$ 1,989,979</u>	<u>\$ 1,332,352</u>	<u>\$ 49,520,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 216,399</u>	<u>\$ 11,681</u>	<u>\$ (92,073)</u>	<u>\$ 136,007</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 139,681	\$ 139,681
Transfers out	(139,681)	-	-	(139,681)
Total other financing sources and uses	<u>\$ (139,681)</u>	<u>\$ -</u>	<u>\$ 139,681</u>	<u>\$ -</u>
Net change in fund balances	\$ 76,718	\$ 11,681	\$ 47,608	\$ 136,007
Fund balances - beginning	778,830	23,977	749,454	1,552,261
Fund balances - ending	<u>\$ 855,548</u>	<u>\$ 35,658</u>	<u>\$ 797,062</u>	<u>\$ 1,688,268</u>

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

Net change in fund balances - total governmental funds - per above \$ 136,007

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

Capital outlays	\$ 5,784,895	
Depreciation and amortization expenses	<u>(1,076,964)</u>	4,707,931

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

Principal Payments

Lease liabilities	\$ 73,140	73,140
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase) decrease in compensated absences	\$ 49,356	
(Increase) decrease in early retirement incentive plan liability	174,359	
Non-employer contribution to net pension liability	131,111	
Change in net pension liabilities and related items	3,405,156	
Change in net OPEB liabilities and related items	<u>(232,477)</u>	3,527,505

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(15,675)

Change in net position of governmental activities \$ 8,428,908

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

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

	School Operating Fund			School Head Start Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	
	Original	Final		Original	Final		
REVENUES							
Revenue from the use of money and property	\$ 800	\$ 800	\$ 935	\$ 135	\$ -	\$ -	\$ -
Charges for services	50,000	50,000	181,890	131,890	-	-	-
Miscellaneous	15,000	15,000	47,702	32,702	-	11,075	11,075
Recovered costs	775,059	775,059	991,388	216,329	-	8,164	8,164
Intergovernmental:							
Local government	4,656,390	4,656,390	2,796,649	(1,859,741)	-	-	-
Commonwealth	29,923,072	37,072,993	29,294,966	(7,778,027)	-	-	-
Federal	4,902,146	23,127,647	13,101,131	(10,026,516)	1,553,635	1,864,065	118,356
Total revenues	\$ 40,322,467	\$ 65,697,889	\$ 46,414,661	\$ (19,283,228)	\$ 1,553,635	\$ 2,001,660	\$ 137,595
EXPENDITURES							
Current:							
Education	\$ 40,680,467	\$ 66,055,889	\$ 46,121,184	\$ 19,857,627	\$ 1,553,635	\$ 1,989,979	\$ (125,914)
Debt service:							
Principal retirement	-	-	73,140	-	-	-	-
Interest and other fiscal charges	-	-	3,938	-	-	-	-
Total expenditures	\$ 40,680,467	\$ 66,055,889	\$ 46,198,262	\$ 19,857,627	\$ 1,553,635	\$ 1,989,979	\$ (125,914)
Excess (deficiency) of revenues over (under) expenditures	\$ (358,000)	\$ (358,000)	\$ 216,399	\$ 574,399	\$ -	\$ 11,681	\$ 11,681
OTHER FINANCING SOURCES (USES)							
Transfers out	\$ -	\$ -	\$ (139,681)	\$ (139,681)	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ (139,681)	\$ (139,681)	\$ -	\$ -	\$ -
Net change in fund balances	\$ (358,000)	\$ (358,000)	\$ 76,718	\$ 434,718	\$ -	\$ 11,681	\$ 11,681
Fund balances - beginning	358,000	358,000	778,830	420,830	-	23,977	23,977
Fund balances - ending	\$ -	\$ -	\$ 855,548	\$ 855,548	\$ -	\$ 35,658	\$ 35,658

County of Lee, Virginia
Statement of Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
As of June 30, 2022

	Self- Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,348,610
Total assets	\$ 1,348,610
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 172,026
Total liabilities	\$ 172,026
 NET POSITION	
Restricted	\$ 1,176,584
Total net position	\$ 1,176,584

County of Lee, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2022

	<u>Self- Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 4,551,050
Total operating revenues	<u>\$ 4,551,050</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 4,567,513
Total operating expenses	<u>\$ 4,567,513</u>
Operating income (loss)	<u>\$ (16,463)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>\$ 788</u>
Change in net position	\$ (15,675)
Total net position - beginning	<u>1,192,259</u>
Total net position - ending	<u><u>\$ 1,176,584</u></u>

County of Lee, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2022

	Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 4,551,050
Payments for claims and expenses	(5,149,577)
Net cash provided by (used for) operating activities	<u>\$ (598,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 788
Net cash provided by (used for) investing activities	<u>\$ 788</u>
Net increase (decrease) in cash and cash equivalents	\$ (597,739)
Cash and cash equivalents - beginning	<u>1,946,349</u>
Cash and cash equivalents - ending	<u><u>\$ 1,348,610</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (16,463)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	\$ (582,064)
Total adjustments	<u>\$ (582,064)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (598,527)</u></u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,055,354	\$ 6,055,354	\$ 6,092,360	\$ 37,006
Real and personal public service corporation taxes	560,000	560,000	537,937	(22,063)
Personal property taxes	1,965,700	1,965,700	2,115,268	149,568
Mobile home taxes	92,100	92,100	92,812	712
Machinery and tools taxes	371,000	371,000	378,596	7,596
Merchant's capital	85,100	85,100	70,367	(14,733)
Business personal property	222,000	222,000	225,482	3,482
Penalties	145,000	145,000	119,794	(25,206)
Interest	145,000	145,000	114,015	(30,985)
Total general property taxes	<u>\$ 9,641,254</u>	<u>\$ 9,641,254</u>	<u>\$ 9,746,631</u>	<u>\$ 105,377</u>
Other local taxes:				
Local sales and use taxes	\$ 1,608,414	\$ 1,608,414	\$ 1,779,681	\$ 171,267
Meals Tax	168,000	168,000	193,627	25,627
Consumers' utility and consumption taxes	436,500	436,500	436,345	(155)
Oil and gas severance taxes	1,625	1,625	5,747	4,122
Motor vehicle licenses	723,500	723,500	678,960	(44,540)
Bank stock taxes	70,000	70,000	37,030	(32,970)
Taxes on recordation and wills	59,300	59,300	91,935	32,635
Hotel and motel room taxes	1,600	1,600	2,599	999
Amusement tax	125	125	23	(102)
Total other local taxes	<u>\$ 3,069,064</u>	<u>\$ 3,069,064</u>	<u>\$ 3,225,947</u>	<u>\$ 156,883</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 750	\$ 750	\$ 1,797	\$ 1,047
Zoning and subdivision permits	3,300	3,300	4,387	1,087
Transfer fees	800	800	1,069	269
Gun permits	4,000	4,940	3,060	(1,880)
Contractor's licenses	8,000	8,000	24,779	16,779
Building permits	42,000	42,000	53,878	11,878
Total permits, privilege fees, and regulatory licenses	<u>\$ 58,850</u>	<u>\$ 59,790</u>	<u>\$ 88,970</u>	<u>\$ 29,180</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 800	\$ 800	\$ 1,655	\$ 855
Revenue from use of money and property:				
Revenue from use of money	\$ 46,000	\$ 46,000	\$ 27,456	\$ (18,544)
Revenue from use of property	67,500	67,500	68,056	556
Total revenue from use of money and property	<u>\$ 113,500</u>	<u>\$ 113,500</u>	<u>\$ 95,512</u>	<u>\$ (17,988)</u>
Charges for services:				
Charges for excess clerk fees	\$ 1,000	\$ 1,000	\$ 645	\$ (355)
Charges for courthouse maintenance	3,400	3,400	2,781	(619)
Charges for courthouse security	28,000	28,000	19,951	(8,049)
Charges for Commonwealth's Attorney	2,000	2,000	2,128	128
Charges for inmates	1,200	1,200	996	(204)
Charges for aviation fuel	24,000	24,000	74,205	50,205
Charges for sanitation, waste removal and recycling	150,000	150,000	145,161	(4,839)
Charges for parks and recreation	3,800	3,800	5,400	1,600
Charges for garage services	10,000	10,000	10,845	845
Other charges for services	1,000	1,000	842	(158)
Total charges for services	<u>\$ 224,400</u>	<u>\$ 224,400</u>	<u>\$ 262,954</u>	<u>\$ 38,554</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 58,850	\$ 73,076	\$ 192,458	\$ 119,382
Contributions	-	36,663	14,915	(21,748)
Economic development	-	33,500	33,500	-
Total miscellaneous	<u>\$ 58,850</u>	<u>\$ 143,239</u>	<u>\$ 240,873</u>	<u>\$ 97,634</u>
Recovered costs:				
Health department	\$ -	\$ -	\$ 14,280	\$ 14,280
Insurance recovery	30,000	66,201	44,714	(21,487)
Welfare refunds and recoveries	-	-	9,035	9,035
Juror and witness recoveries	-	-	5,488	5,488
Regional jail	555,887	555,887	622,908	67,021
Delinquent tax collection fees	11,500	11,500	15,944	4,444
Other recovered costs	63,000	121,877	72,721	(49,156)
Total recovered costs	<u>\$ 660,387</u>	<u>\$ 755,465</u>	<u>\$ 785,090</u>	<u>\$ 29,625</u>
Total revenue from local sources	<u>\$ 13,827,105</u>	<u>\$ 14,007,512</u>	<u>\$ 14,447,632</u>	<u>\$ 440,120</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Games of skill tax	\$ -	\$ -	\$ 1,008	\$ 1,008
Rolling stock tax	99,000	99,000	99,563	563
Mobile home titling tax	63,000	63,000	122,447	59,447
Motor vehicle rental tax	5,700	5,700	6,225	525
Telecommunications taxes	330,000	330,000	300,895	(29,105)
Grantor's tax	17,500	17,500	29,116	11,616
Personal property tax relief funds	798,646	798,646	798,646	-
Total noncategorical aid	<u>\$ 1,313,846</u>	<u>\$ 1,313,846</u>	<u>\$ 1,357,900</u>	<u>\$ 44,054</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 510,386	\$ 510,386	\$ 500,941	\$ (9,445)
Sheriff	1,629,658	1,629,658	1,673,568	43,910
Commissioner of revenue	137,908	137,908	136,680	(1,228)
Treasurer	101,276	101,276	99,005	(2,271)
Registrar/electoral board	56,714	56,714	69,661	12,947
Clerk of the Circuit Court	344,680	344,680	356,793	12,113
Total shared expenses	<u>\$ 2,780,622</u>	<u>\$ 2,780,622</u>	<u>\$ 2,836,648</u>	<u>\$ 56,026</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 4,058,598	\$ 4,082,598	\$ 2,684,451	\$ (1,398,147)
Children's services act	1,616,014	1,616,014	1,300,687	(315,327)
Law enforcement grants	-	-	15,886	15,886
Litter control grant	9,488	9,488	13,199	3,711
School resource officer	152,312	152,312	42,331	(109,981)
Fire programs	82,500	82,500	4,272	(78,228)
Records preservation grant	-	16,606	5,007	(11,599)
Commissioner of revenue grant	-	4,019	3,253	(766)
Victim-witness grant	30,610	30,610	30,558	(52)
Four-for-life payments	20,500	20,500	-	(20,500)

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
VDOT litter grant	\$ -	\$ -	\$ 2,560	\$ 2,560
E-911 wireless grant	67,500.00	67,500.00	85,039	17,539
Asset forfeitures	32,000	86,701	55,694	(31,007)
VHDA community development grant	3,000	3,000	40,000	37,000
Other state aid	2,500	2,500	2,500	-
Total other categorical aid	<u>\$ 6,075,022</u>	<u>\$ 6,174,348</u>	<u>\$ 4,285,437</u>	<u>\$ (1,888,911)</u>
Total categorical aid	<u>\$ 8,855,644</u>	<u>\$ 8,954,970</u>	<u>\$ 7,122,085</u>	<u>\$ (1,832,885)</u>
Total revenue from the Commonwealth	<u>\$ 10,169,490</u>	<u>\$ 10,268,816</u>	<u>\$ 8,479,985</u>	<u>\$ (1,788,831)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 213,000</u>	<u>\$ 213,000</u>	<u>\$ 217,826</u>	<u>\$ 4,826</u>
Categorical aid:				
Public assistance and welfare administration	\$ 3,498,421	\$ 3,498,421	\$ 3,498,421	\$ -
Children's services act	102,106	102,106	102,106	-
Justice assistance grant	-	-	41,603	41,603
Victim witness grant	71,423	71,423	71,423	-
Workforce grants	-	-	1,729,191	1,729,191
Law enforcement grants	23,000	23,000	6,270	(16,730)
Emergency preparedness grant	-	-	7,500	7,500
Domestic violence grant	36,056	36,056	39,533	3,477
American Rescue Plan Act (ARPA) Funds	-	-	62,529	62,529
COVID-19 Coronavirus Relief Funds	-	306,438	1,159,871	853,433
Total categorical aid	<u>\$ 3,731,006</u>	<u>\$ 4,037,444</u>	<u>\$ 6,718,447</u>	<u>\$ 2,681,003</u>
Total revenue from the federal government	<u>\$ 3,944,006</u>	<u>\$ 4,250,444</u>	<u>\$ 6,936,273</u>	<u>\$ 2,685,829</u>
Total General Fund	<u>\$ 27,940,601</u>	<u>\$ 28,526,772</u>	<u>\$ 29,863,890</u>	<u>\$ 1,337,118</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road severance taxes	<u>\$ -</u>	<u>\$ 1,239</u>	<u>\$ 4,396</u>	<u>\$ 3,157</u>
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 61</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 1,239</u>	<u>\$ 4,457</u>	<u>\$ 3,218</u>
Total Coal Road Improvement Fund	<u>\$ -</u>	<u>\$ 1,239</u>	<u>\$ 4,457</u>	<u>\$ 3,218</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Funds:				
Airport Project Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State aviation grant	\$ -	\$ -	\$ 3,491	\$ 3,491
Total categorical aid	\$ -	\$ -	\$ 3,491	\$ 3,491
 Total revenue from the Commonwealth	 \$ -	 \$ -	 \$ 3,491	 \$ 3,491
 Capital Projects Fund: (Continued)				
Airport Project Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Airport Improvement Grant	\$ -	\$ -	\$ 281,964	\$ 281,964
Total categorical aid	\$ -	\$ -	\$ 281,964	\$ 281,964
 Total revenue from the federal government	 \$ -	 \$ -	 \$ 281,964	 \$ 281,964
 Total Airport Project Fund	 \$ -	 \$ -	 \$ 285,455	 \$ 285,455
 Capital Projects Funds:				
Capital Improvements Fund:				
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 1,369,887	\$ 1,369,887	\$ 11,250	\$ (1,358,637)
ARC grants	1,213,020	1,213,020	5,000	(1,208,020)
Total categorical aid	\$ 2,582,907	\$ 2,582,907	\$ 16,250	\$ (2,566,657)
 Total revenue from the federal government	 \$ 2,582,907	 \$ 2,582,907	 \$ 16,250	 \$ (2,566,657)
 Total Capital Improvements Fund	 \$ 2,582,907	 \$ 2,582,907	 \$ 16,250	 \$ (2,566,657)
 Total Primary Government	 \$ 30,523,508	 \$ 31,110,918	 \$ 30,170,052	 \$ (940,866)
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 800	\$ 800	\$ 935	\$ 135
 Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 162,504	\$ 162,504
Payments from other localities	35,000	35,000	18,109	(16,891)
Transportation of pupils	15,000	15,000	1,277	(13,723)
Total charges for services	\$ 50,000	\$ 50,000	\$ 181,890	\$ 131,890
 Miscellaneous:				
Other miscellaneous	\$ 15,000	\$ 15,000	\$ 47,702	\$ 32,702
 Recovered costs:				
JROTC revenues	\$ 63,938	\$ 63,938	\$ 50,821	\$ (13,117)
Medicaid reimbursements	250,000	250,000	700,545	450,545

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2022

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (continued)				
Recovered costs: (Continued)				
E-rate reimbursements	\$ 441,121	\$ 441,121	\$ 185,837	\$ (255,284)
Other recovered costs	20,000	20,000	54,185	34,185
Total recovered costs	<u>\$ 775,059</u>	<u>\$ 775,059</u>	<u>\$ 991,388</u>	<u>\$ 216,329</u>
Total revenue from local sources	<u>\$ 840,859</u>	<u>\$ 840,859</u>	<u>\$ 1,221,915</u>	<u>\$ 381,056</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lee, Virginia	\$ 4,656,390	\$ 4,656,390	\$ 2,796,649	\$ (1,859,741)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,844,674	\$ 3,844,674	\$ 4,778,176	\$ 933,502
Basic school aid	12,832,014	12,832,014	11,818,399	(1,013,615)
Compensation Supplement	899,727	899,727	875,567	(24,160)
Gifted and talented	123,773	123,773	120,441	(3,332)
Remedial education	614,102	614,102	597,572	(16,530)
Special education	2,016,065	2,016,065	1,986,822	(29,243)
Textbook payment	255,805	255,805	198,521	(57,284)
Vocational standards of quality payments	-	-	7,841	7,841
Social security-instructional	844,986	844,986	822,241	(22,745)
Retirement-instructional	1,968,460	1,968,460	1,915,473	(52,987)
Group life	59,506	59,506	57,904	(1,602)
State lottery payments	954,223	954,223	991,698	37,475
Special education foster children	91,707	91,707	21,756	(69,951)
Special education homebound	69,957	69,957	5,479	(64,478)
Early reading intervention	127,000	127,000	242,187	115,187
Career and technology	-	-	11,848	11,848
School food programs	29,373	29,373	64,418	35,045
Vocational education	633,144	633,144	616,101	(17,043)
GED prep program	16,772	16,772	16,465	(307)
At risk payments	1,704,620	1,704,620	1,658,521	(46,099)
No loss funding	173,259	173,259	703,765	530,506
Alternative education	226,514	226,514	226,514	-
Primary class size	787,532	787,532	760,924	(26,608)
VPSA technology	310,000	310,000	310,000	-
Mentor teacher program	1,576	1,576	1,247	(329)
Standards of Learning algebra readiness	74,657	74,657	80,458	5,801
English as a second language	3,307	3,307	4,769	1,462
Other state funds	1,260,319	8,410,240	399,859	(8,010,381)
Total categorical aid	<u>\$ 29,923,072</u>	<u>\$ 37,072,993</u>	<u>\$ 29,294,966</u>	<u>\$ (7,778,027)</u>
Total revenue from the Commonwealth	<u>\$ 29,923,072</u>	<u>\$ 37,072,993</u>	<u>\$ 29,294,966</u>	<u>\$ (7,778,027)</u>
Revenue from the federal government:				
Categorical aid:				
Rural and low income schools	\$ 61,602	\$ 61,602	\$ 84,167	\$ 22,565
Emergency Connectivity Fund	-	-	261,750	261,750
Title I	2,169,850	2,169,850	1,698,779	(471,071)
Distance learning and telemedicine grant	-	752,857	752,857	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	-	-	299,230	299,230
COVID-19 ESSERF LEA	-	17,472,644	6,193,312	(11,279,332)

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title VI-B, special education flow-through	\$ 877,263	\$ 877,263	\$ 1,014,493	\$ 137,230
Vocational education	95,201	95,201	111,410	16,209
Student support	129,391	129,391	131,359	1,968
Title VI-B, special education pre-school	28,710	28,710	42,370	13,660
School food programs	1,341,374	1,341,374	2,252,973	911,599
Forest reserve funds	10,000	10,000	21,640	11,640
Improving teacher quality	188,755	188,755	236,791	48,036
Total categorical aid	<u>\$ 4,902,146</u>	<u>\$ 23,127,647</u>	<u>\$ 13,101,131</u>	<u>\$ (10,026,516)</u>
Total revenue from the federal government	<u>\$ 4,902,146</u>	<u>\$ 23,127,647</u>	<u>\$ 13,101,131</u>	<u>\$ (10,026,516)</u>
Total School Operating Fund	<u>\$ 40,322,467</u>	<u>\$ 65,697,889</u>	<u>\$ 46,414,661</u>	<u>\$ (19,283,228)</u>
Special Revenue Fund:				
School Head Start Fund:				
Revenue from local sources:				
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 11,075	\$ 11,075
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 8,164	\$ 8,164
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,239</u>	<u>\$ 19,239</u>
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Head Start	\$ 1,403,635	\$ 1,714,065	\$ 1,710,659	\$ (3,406)
Coronavirus Relief Fund	-	-	139,585	139,585
USDA	150,000	150,000	132,177	(17,823)
Total categorical aid	<u>\$ 1,553,635</u>	<u>\$ 1,864,065</u>	<u>\$ 1,982,421</u>	<u>\$ 118,356</u>
Total revenue from the federal government	<u>\$ 1,553,635</u>	<u>\$ 1,864,065</u>	<u>\$ 1,982,421</u>	<u>\$ 118,356</u>
Total School Head Start Fund	<u>\$ 1,553,635</u>	<u>\$ 1,864,065</u>	<u>\$ 2,001,660</u>	<u>\$ 137,595</u>
Nonmajor Special Revenue Fund:				
School Activity Fund:				
Revenue from local sources:				
Charges for services:				
Other charges for services	\$ -	\$ -	\$ 183,488	\$ 183,488
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,488</u>	<u>\$ 183,488</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 1,056,791	\$ 1,056,791
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,056,791</u>	<u>\$ 1,056,791</u>
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,240,279</u>	<u>\$ 1,240,279</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 41,876,102</u>	<u>\$ 67,561,954</u>	<u>\$ 49,656,600</u>	<u>\$ (17,905,354)</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 137,124	\$ 290,245	\$ 163,522	\$ 126,723
Housing authority	3,000	3,000	3,300	(300)
RADA	1,942	1,942	811	1,131
Total legislative	<u>\$ 142,066</u>	<u>\$ 295,187</u>	<u>\$ 167,633</u>	<u>\$ 127,554</u>
General and financial administration:				
County administrator	\$ 158,609	\$ 158,609	\$ 132,431	\$ 26,178
Audit services	79,000	79,000	76,000	3,000
Legal services	23,285	23,285	21,868	1,417
Commissioner of revenue	355,800	359,819	342,513	17,306
Central purchasing	45,424	45,424	36,829	8,595
Treasurer	298,604	298,604	290,414	8,190
Delinquent tax collections	42,000	42,000	32,847	9,153
Central accounting	67,272	67,272	55,678	11,594
Central garage	145,791	181,992	174,406	7,586
Data processing	60,463	60,463	47,720	12,743
COVID-19 general admin	-	26,068	26,068	-
Reassessment	104,561	104,561	27,155	77,406
Total general and financial administration	<u>\$ 1,380,809</u>	<u>\$ 1,447,097</u>	<u>\$ 1,263,929</u>	<u>\$ 183,168</u>
Board of elections:				
Electoral board and officials	\$ 82,746	\$ 82,746	\$ 34,273	\$ 48,473
Registrar	173,456	173,456	163,817	9,639
Total board of elections	<u>\$ 256,202</u>	<u>\$ 256,202</u>	<u>\$ 198,090</u>	<u>\$ 58,112</u>
Total general government administration	<u>\$ 1,779,077</u>	<u>\$ 1,998,486</u>	<u>\$ 1,629,652</u>	<u>\$ 368,834</u>
Judicial administration:				
Courts:				
Circuit court	\$ 61,465	\$ 77,424	\$ 64,452	\$ 12,972
General district court	2,550	2,550	15,467	(12,917)
Clerk of the circuit court	490,045	524,831	508,610	16,221
Juvenile and domestic relations court	3,615	3,615	2,442	1,173
Victim and witness assistance	102,033	102,033	101,981	52
Special magistrates	1,601	1,601	800	801
Total courts	<u>\$ 661,309</u>	<u>\$ 712,054</u>	<u>\$ 693,752</u>	<u>\$ 18,302</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 602,908	\$ 644,347	\$ 630,424	\$ 13,923
Total judicial administration	<u>\$ 1,264,217</u>	<u>\$ 1,356,401</u>	<u>\$ 1,324,176</u>	<u>\$ 32,225</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,690,815	\$ 2,810,744	\$ 3,017,644	\$ (206,900)
Domestic violence	48,282	49,952	44,438	5,514
Courtroom security	67,589	67,589	57,426	10,163
E-911	548,607	548,607	475,078	73,529
School resource officer	140,000	140,000	35,828	104,172
Total law enforcement and traffic control	<u>\$ 3,495,293</u>	<u>\$ 3,616,892</u>	<u>\$ 3,630,414</u>	<u>\$ (13,522)</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 270,281	\$ 270,281	\$ 257,678	\$ 12,603
Emergency medical services	84,950	84,950	61,554	23,396
Emergency services	60,398	60,398	99,225	(38,827)
Total fire and rescue services	<u>\$ 415,629</u>	<u>\$ 415,629</u>	<u>\$ 418,457</u>	<u>\$ (2,828)</u>
Correction and detention:				
Jail operations	\$ 1,807,855	\$ 1,807,855	\$ 1,807,855	\$ -
Lee County Works Program	108,257	108,257	104,235	4,022
Juvenile probation and detention	244,932	244,932	244,932	-
Total correction and detention	<u>\$ 2,161,044</u>	<u>\$ 2,161,044</u>	<u>\$ 2,157,022</u>	<u>\$ 4,022</u>
Inspections:				
Building	\$ 165,535	\$ 170,952	\$ 171,192	\$ (240)
Other protection:				
Animal control	\$ 146,630	\$ 156,361	\$ 156,176	\$ 185
COVID-19 Other protection	-	96,885	96,885	-
Medical examiner	500	540	540	-
Total other protection	<u>\$ 147,130</u>	<u>\$ 253,786</u>	<u>\$ 253,601</u>	<u>\$ 185</u>
Total public safety	<u>\$ 6,384,631</u>	<u>\$ 6,618,303</u>	<u>\$ 6,630,686</u>	<u>\$ (12,383)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Sanitation and waste removal:				
Waste collection	\$ 869,163	\$ 883,623	\$ 863,140	\$ 20,483
Waste disposal	717,394	730,777	724,779	5,998
Landfill	50,000	58,874	60,494	(1,620)
Litter control	55,991	55,991	42,365	13,626
Total sanitation and waste removal	<u>\$ 1,692,548</u>	<u>\$ 1,729,265</u>	<u>\$ 1,690,778</u>	<u>\$ 38,487</u>
Maintenance of general buildings and grounds:				
General properties	\$ 271,419	\$ 271,419	\$ 262,790	\$ 8,629
Total maintenance of general buildings and grounds	<u>\$ 271,419</u>	<u>\$ 271,419</u>	<u>\$ 262,790</u>	<u>\$ 8,629</u>
Total public works	<u>\$ 1,964,467</u>	<u>\$ 2,001,184</u>	<u>\$ 1,953,568</u>	<u>\$ 47,616</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 255,324	\$ 255,324	\$ 255,324	\$ -
Mental health and mental retardation:				
Community services board	\$ 180,148	\$ 180,148	\$ 180,148	\$ -

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 10,701,175	\$ 10,725,175	\$ 8,716,979	\$ 2,008,196
Tax relief for the elderly	252,854	252,854	252,854	-
Workforce grants	-	-	1,729,191	(1,729,191)
Other welfare services and contributions	57,900	57,900	52,900	5,000
Total welfare	\$ 11,011,929	\$ 11,035,929	\$ 10,751,924	\$ 284,005
Total health and welfare	\$ 11,447,401	\$ 11,471,401	\$ 11,187,396	\$ 284,005
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 25,062	\$ 25,062	\$ 24,760	\$ 302
Contribution to County School Board	4,656,390	4,656,390	2,796,649	1,859,741
Total education	\$ 4,681,452	\$ 4,681,452	\$ 2,821,409	\$ 1,860,043
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Tourism	9,240	9,240	6,829	2,411
Thomas Walker pool	28,342	39,635	40,310	(675)
Total parks and recreation	\$ 87,582	\$ 98,875	\$ 97,139	\$ 1,736
Library:				
Lonesome Pine Regional Library	\$ 222,082	\$ 222,082	\$ 222,082	\$ -
Total parks, recreation, and cultural	\$ 309,664	\$ 320,957	\$ 319,221	\$ 1,736
Community development:				
Planning and community development:				
Lenowisco	\$ 41,878	\$ 41,878	\$ 41,878	\$ -
Economic Development Authority Board stipends	6,802	40,302	37,718	2,584
Board of zoning appeals	2,321	2,321	2,107	214
Planning commission	3,738	3,738	2,538	1,200
Community development	99,170	99,170	105,421	(6,251)
Lee County Airport	157,888	157,888	104,079	53,809
COVID-19 Economic development	-	1,099,447	1,099,447	-
Public Service Authority Board stipends	3,236	3,236	1,427	1,809
Total planning and community development	\$ 315,033	\$ 1,447,980	\$ 1,394,615	\$ 53,365
Environmental management:				
Contribution to soil and water district	\$ 45,976	\$ 45,976	\$ 45,976	\$ -
Cooperative extension program:				
Extension office	\$ 63,926	\$ 63,926	\$ 55,321	\$ 8,605
Total community development	\$ 424,935	\$ 1,557,882	\$ 1,495,912	\$ 61,970

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Nondepartmental:				
General expenses	\$ -	\$ 2,272,618	\$ 49,552	\$ 2,223,066
Refunds	-	40	641	(601)
Miscellaneous	25,000	9,812	3,038	6,774
Total nondepartmental	<u>\$ 25,000</u>	<u>\$ 2,282,470</u>	<u>\$ 53,231</u>	<u>\$ 2,229,239</u>
Capital projects:				
Courthouse renovations	\$ 160,000	\$ 160,000	\$ 18,408	\$ 141,592
Total capital projects	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 18,408</u>	<u>\$ 141,592</u>
Debt service:				
Principal retirement	\$ 682,165	\$ 682,165	\$ 816,746	\$ (134,581)
Interest and other fiscal charges	130,875	130,875	156,695	(25,820)
Total debt service	<u>\$ 813,040</u>	<u>\$ 813,040</u>	<u>\$ 973,441</u>	<u>\$ (160,401)</u>
Total General Fund	<u>\$ 29,253,884</u>	<u>\$ 33,261,576</u>	<u>\$ 28,407,100</u>	<u>\$ 4,854,476</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ 1,239	\$ 1,263	\$ (24)
Total Coal Road Improvement Fund	<u>\$ -</u>	<u>\$ 1,239</u>	<u>\$ 1,263</u>	<u>\$ (24)</u>
Airport Project Fund:				
Capital projects:				
Capital projects expenditures:				
Airport improvements	\$ -	\$ -	\$ 395,164	\$ (395,164)
Total Airport Project Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 395,164</u>	<u>\$ (395,164)</u>
Capital Projects Fund:				
Capital Improvements Fund:				
Community development:				
Planning and community development:				
Water and sewer contributions	\$ 2,582,907	\$ 2,582,907	\$ 16,250	\$ 2,566,657
Total Capital Improvements Fund	<u>\$ 2,582,907</u>	<u>\$ 2,582,907</u>	<u>\$ 16,250</u>	<u>\$ 2,566,657</u>
Total Primary Government	<u>\$ 31,836,791</u>	<u>\$ 35,845,722</u>	<u>\$ 28,819,777</u>	<u>\$ 7,025,945</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health	\$ 2,373,375	\$ 3,473,375	\$ 3,426,404	\$ 46,971
Instruction costs:				
Instruction	\$ 27,217,938	\$ 27,217,938	\$ 25,940,014	\$ 1,277,924

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2022

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 1,727,228	\$ 2,327,228	\$ 2,244,175	\$ 83,053
Operation and maintenance of school plant	3,861,728	4,461,728	4,444,347	17,381
Food services and non-instructional operations	2,060,350	2,660,350	2,408,162	252,188
Facilities	2,056,460	23,179,025	5,058,541	18,120,484
Technology	1,306,310	2,659,167	2,599,541	59,626
Total operating costs	<u>\$ 11,012,076</u>	<u>\$ 35,287,498</u>	<u>\$ 16,754,766</u>	<u>\$ 18,532,732</u>
Debt service:				
Principal	\$ 73,140	\$ 73,140	\$ 73,140	\$ -
Interest	3,938	3,938	3,938	-
Total debt service	<u>\$ 77,078</u>	<u>\$ 77,078</u>	<u>\$ 77,078</u>	<u>\$ -</u>
Total education	<u>\$ 40,680,467</u>	<u>\$ 66,055,889</u>	<u>\$ 46,198,262</u>	<u>\$ 19,857,627</u>
Total School Operating Fund	<u>\$ 40,680,467</u>	<u>\$ 66,055,889</u>	<u>\$ 46,198,262</u>	<u>\$ 19,857,627</u>
Special Revenue Fund:				
School Head Start Fund:				
Education:				
Operating costs:				
Operation of Head Start program	\$ 1,553,635	\$ 1,864,065	\$ 1,989,979	\$ (125,914)
Total School Head Start Fund	<u>\$ 1,553,635</u>	<u>\$ 1,864,065</u>	<u>\$ 1,989,979</u>	<u>\$ (125,914)</u>
Nonmajor Special Revenue Fund:				
School Activity Fund:				
Education:				
Instructional services:				
Other instructional services	\$ -	\$ -	\$ 1,332,352	\$ (1,332,352)
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,332,352</u>	<u>\$ (1,332,352)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 42,234,102</u>	<u>\$ 67,919,954</u>	<u>\$ 49,520,593</u>	<u>\$ 18,399,361</u>

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2012-13	\$ 1,147,160	\$ 1,067,011	\$ 4,321,233	\$ 2,253,377	\$ 6,580,988	\$ 4,805,659	\$ 456,913	\$ 407,271	\$ 192,257	\$ 21,231,869
2013-14	1,370,313	1,042,801	4,835,366	2,235,440	6,878,761	4,214,884	509,961	587,108	215,432	21,890,066
2014-15	1,674,667	1,032,393	4,797,009	2,598,554	7,868,449	4,785,003	529,431	377,682	164,480	23,827,668
2015-16	1,236,676	908,855	5,273,487	2,164,068	7,994,289	2,861,708	546,643	455,125	213,702	21,654,553
2016-17	1,280,155	1,031,469	5,440,000	2,264,130	8,210,746	5,167,171	572,794	388,366	184,699	24,539,530
2017-18	1,345,920	1,054,513	5,784,987	2,290,057	7,888,474	3,266,541	457,539	1,220,391	178,167	23,486,589
2018-19	1,326,871	1,012,446	6,028,286	2,272,455	9,862,627	5,034,206	453,192	495,179	206,643	26,691,905
2019-20	1,430,047	1,229,444	6,711,656	2,480,316	10,872,896	4,663,216	455,952	1,138,263	172,043	29,153,833
2020-21	1,731,772	1,240,351	7,826,978	2,450,930	10,784,479	2,700,150	478,115	3,346,973	179,725	30,739,473
2021-22	1,522,319	1,277,256	5,818,296	2,520,734	11,124,229	2,870,171	569,965	1,514,398	128,148	27,345,516

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Revenues from Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2012-13	\$ 466,567	\$ 7,867,563	\$ 470,920	\$ 8,977,620	\$ 2,656,106	\$ 90,635	\$ 103,975	\$ 1,792,153	\$ 22,425,539			
2013-14	387,988	8,434,498	3,000	9,035,889	2,410,385	83,584	64,424	1,677,730	22,097,498			
2014-15	391,806	9,174,855	17,000	9,284,419	2,437,621	88,767	130,475	1,583,800	23,108,743			
2015-16	304,439	9,286,956	545,415	9,413,541	2,433,363	91,731	154,560	1,588,283	23,818,288			
2016-17	409,602	9,501,413	238,883	9,416,374	2,348,716	93,411	180,866	1,598,415	23,787,680			
2017-18	362,794	9,616,869	614,633	9,401,036	2,438,443	102,684	96,512	1,874,132	24,507,103			
2018-19	335,031	11,281,703	99,980	9,770,564	2,444,499	141,226	104,658	1,575,034	25,752,695			
2019-20	303,211	12,089,002	872,209	9,811,066	2,799,484	109,196	49,224	1,569,530	27,602,922			
2020-21	315,626	16,814,625	414,204	9,575,812	3,203,605	108,089	147,747	1,548,909	32,128,617			
2021-22	426,755	13,800,532	341,705	9,844,143	3,230,343	27,517	869,155	1,575,726	30,115,876			

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
2012-13	\$ 1,340,114	\$ 1,080,177	\$ 4,385,599	\$ 1,739,984	\$ 6,586,407	\$ 35,969,716	\$ 311,964	\$ 409,339	\$ 12,615	\$ 568,813	\$ 2,817,438	\$ 55,222,166
2013-14	1,397,440	1,043,375	4,752,870	1,941,712	7,013,740	35,239,555	309,377	463,198	19,114	230,365	574,858	52,985,604
2014-15	1,816,613	1,070,181	4,861,877	2,114,023	7,945,407	36,103,450	337,321	376,291	19,883	106,284	537,961	55,289,291
2015-16	1,405,618	960,385	5,462,812	1,863,565	8,201,547	35,313,755	357,867	463,243	30,429	1,311,379	2,167,141	57,537,741
2016-17	1,379,545	1,051,408	5,830,341	1,669,848	8,295,771	39,650,960	377,744	389,926	32,662	92,354	722,420	59,492,979
2017-18	1,592,446	1,111,986	6,340,021	1,748,011	7,988,986	40,359,342	303,273	1,220,508	20,884	501,347	656,979	61,843,783
2018-19	1,490,011	1,128,396	6,414,025	2,046,401	10,063,400	39,661,030	311,380	499,484	68,994	20,812	1,017,825	62,721,758
2019-20	1,514,931	1,178,860	6,782,113	1,866,801	10,847,452	40,792,348	292,328	1,139,243	48,491	321,367	933,722	65,717,656
2020-21	1,778,015	1,174,756	8,301,616	1,859,045	10,611,417	41,776,617	279,290	2,919,000	22,775	64,450	928,767	69,715,748
2021-22	1,629,652	1,324,176	6,630,686	1,954,831	11,187,396	49,468,275	319,221	1,495,912	53,231	18,408	1,050,519	75,132,307

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2012-13	\$ 8,974,349	\$ 2,656,106	\$ 31,861	\$ 2,957	\$ 91,606	\$ 912,199	\$ 209,358	\$ 1,115,623	\$ 38,934,262	\$ 52,928,321
2013-14	8,903,972	2,410,385	36,071	3,784	84,596	716,628	573,487	1,325,166	39,425,164	53,479,253
2014-15	9,356,898	2,437,621	65,553	2,557	89,609	670,028	163,916	1,243,334	41,532,295	55,561,811
2015-16	9,133,324	2,433,363	53,901	3,754	94,557	453,485	171,130	1,253,055	41,467,802	55,064,371
2016-17	9,793,770	2,348,716	60,884	1,065	98,251	714,165	328,744	1,517,237	45,463,161	60,325,993
2017-18	9,346,137	2,438,443	73,612	628	106,305	436,659	193,962	1,105,773	46,491,233	60,192,752
2018-19	9,958,690	2,444,499	36,718	1,448	147,733	487,318	145,361	1,120,496	46,432,585	60,774,848
2019-20	9,309,337	2,799,484	50,847	823	112,694	362,743	64,458	1,174,897	49,365,876	63,241,159
2020-21	9,728,479	3,203,605	89,625	171	109,040	334,126	592,967	1,516,449	56,692,379	72,266,841
2021-22	9,746,631	3,230,343	88,970	1,655	96,508	628,332	1,356,441	1,784,642	59,794,776	76,728,298

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

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

Fiscal Year	Total Tax Levy (1, 2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Outstanding Delinquent Taxes to Tax Levy
2012-13	\$ 8,832,738	\$ 8,184,060	92.66%	\$ 507,811	\$ 8,691,871	98.41%	\$ 1,431,419	16.21%
2013-14	8,726,504	7,917,499	90.73%	528,092	8,445,591	96.78%	1,685,412	19.31%
2014-15	8,840,676	8,058,024	91.15%	789,531	8,847,555	100.08%	1,556,832	17.61%
2015-16	8,846,998	8,172,731	92.38%	499,254	8,671,985	98.02%	1,761,686	19.91%
2016-17	8,970,226	8,319,766	92.75%	888,007	9,207,773	102.65%	1,424,410	15.88%
2017-18	9,124,280	8,967,635	98.28%	640,322	9,607,957	105.30%	1,533,230	16.80%
2018-19	9,451,899	9,441,957	99.89%	712,102	10,154,059	107.43%	1,276,714	13.51%
2019-20	9,556,971	9,150,241	95.74%	475,678	9,625,919	100.72%	1,793,015	18.76%
2020-21	9,938,406	9,461,230	95.20%	520,191	9,981,421	100.43%	1,707,379	17.18%
2021-22	10,124,566	9,570,402	94.53%	488,212	10,058,614	99.35%	1,822,002	18.00%

(1) Exclusive of penalties and interest.

(2) Adjusted for tax supplements and exonerations

Table 6

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

Fiscal Year	Real Estate (2) (4)	Personal Property and Mobile Homes (3)	Machinery and Tools	Merchant's Capital	Public Utility (1) Real Estate and Personal Property	Total
2012-13	\$ 877,247,929	\$ 150,930,178	\$ 39,381,465	\$ 5,506,494	\$ 69,780,906	\$ 1,142,846,972
2013-14	880,347,436	150,961,628	36,979,868	5,611,004	61,492,523	1,135,392,459
2014-15	893,516,153	157,875,864	35,105,052	5,005,906	67,704,281	1,159,207,256
2015-16	894,666,051	157,268,434	31,980,335	4,795,659	77,899,412	1,166,609,891
2016-17	943,846,489	162,526,640	24,656,658	4,974,615	88,010,662	1,224,015,064
2017-18	946,739,182	162,526,640	26,069,337	4,762,661	90,332,400	1,230,430,220
2018-19	961,334,798	169,223,843	35,184,102	4,882,682	85,107,847	1,255,733,272
2019-20	966,243,274	171,273,811	31,255,386	5,144,914	87,233,857	1,261,151,242
2020-21	959,532,274	172,949,046	28,230,631	6,058,350	88,613,760	1,255,384,061
2021-22	971,426,342	173,821,553	29,170,601	5,048,854	86,465,709	1,265,933,059

(1) Assessed values are established by the State Corporation Commission.

(2) Includes minerals.

(3) Includes business property.

(4) Original assessments presented above.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2012-13	\$ 0.65	\$ 2.00	\$ 2.00	\$ 1.41
2013-14	0.65	2.00	2.00	1.41
2014-15	0.65	2.00	2.00	1.41
2015-16	0.65	2.00	2.00	1.41
2016-17	0.62	2.00	2.00	1.41
2017-18	0.62	2.00	2.00	1.41
2018-19	0.62	2.00	2.00	1.41
2019-20	0.62	2.00	2.00	1.41
2020-21	0.62	2.00	2.00	1.41
2021-22	0.62	2.00	2.00	1.41

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	25,474	\$ 1,142,847	\$ 3,570,000	\$ 3,570,000	0.31%	\$ 140
2013-14	25,474	1,135,392	3,716,951	3,716,951	0.33%	146
2014-15	25,474	1,159,207	3,578,907	3,578,907	0.31%	140
2015-16	25,587	1,166,610	2,321,827	2,321,827	0.20%	91
2016-17	25,587	1,224,015	2,165,908	2,165,908	0.18%	85
2017-18	25,587	1,230,430	2,095,386	2,095,386	0.17%	82
2018-19	25,587	1,255,733	1,908,304	1,908,304	0.15%	75
2019-20	25,587	1,261,151	1,763,597	1,763,597	0.14%	69
2020-21	25,587	1,255,384	1,529,760	1,529,760	0.12%	60
2021-22	22,116	1,265,933	1,376,750	1,376,750	0.11%	62

(1) Bureau of the Census.

(2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, secured notes payable, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Lee, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded Debt to
Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012-13	\$ 2,616,243	\$ 201,195	\$ 2,817,438	\$ 55,222,166	5.10%
2013-14	349,153	225,705	574,858	52,985,604	1.08%
2014-15	338,578	199,383	537,961	55,289,291	0.97%
2015-16	1,901,338	237,595	2,138,933	57,537,741	3.72%
2016-17	535,454	186,966	722,420	59,492,979	1.21%
2017-18	473,314	183,665	656,979	61,843,783	1.06%
2018-19	805,419	212,406	1,017,825	62,721,758	1.62%
2019-20	732,194	201,528	933,722	65,717,656	1.42%
2020-21	722,415	206,352	928,767	69,715,748	1.33%
2021-22	816,746	156,695	973,441	75,132,307	1.30%

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Unit-School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

COMPLIANCE SECTION



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**To the Honorable Members of the Board of Supervisors
County of Lee, Virginia
Jonesville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County of Lee, Virginia's basic financial statements, and have issued our report thereon dated October 25, 2023. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit - Lee County Economic Development Authority, and the discretely presented component unit - Lee County Hospital Authority, as described in our report on the County of Lee, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Lee, 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 Lee, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Lee, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lee, 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2022-004 and 2022-005.

County of Lee, Virginia's Response to Findings

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

Purpose of This Report

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



Blacksburg, Virginia
October 25, 2023



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

**To the Honorable Members of the Board of Supervisors
County of Lee, Virginia
Jonesville, Virginia**

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the County of Lee, Virginia's compliance with the types of compliance requirements subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Lee, Virginia's major federal programs for the year ended June 30, 2022. The County of Lee, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Lee, Virginia's basic financial statements include the operations of the Lee County Public Service Authority, Lee County Economic Development Authority, and Lee County Hospital Authority, which are not included in the County's schedule of expenditures of federal awards during the year ended June 30, 2022. Our audit, described below, did not include the operations of the Lee County Economic Development Authority or Lee County Hospital Authority because the component units engaged other auditors to perform their audit in accordance with the *Uniform Guidance*, if applicable.

Qualified Opinion on Workforce Innovation and Opportunity Act Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Lee, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance Listing Number 17.258/17.259/17.278 Workforce Innovation and Opportunity Act Cluster for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County of Lee, 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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

Basis for Qualified and Unmodified Opinions (Continued)

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

Matter(s) Giving Rise to Qualified Opinion on 17.258/17.259/17.278 Workforce Innovation and Opportunity Act Cluster

As described in finding number 2022-006, in the accompanying schedule of findings and questioned costs, the County of Lee, Virginia did not comply with requirements regarding CFDA 17.258/17.259/17.278 Workforce Innovation and Opportunity Act Cluster for Subrecipient Monitoring.

Compliance with such requirements is necessary, in our opinion, for the County of Lee, Virginia to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

Auditors' Responsibilities for the Audit of Compliance (Continued)

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

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

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses. (If there are no significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-007 to be a material weakness.

Report on Internal Control over Compliance (Continued)

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

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

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

Robinson, Famer, Cox Associates

Blacksburg, Virginia
October 25, 2023

County of Lee, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Health and Human Services:				
Direct Payments:				
Head Start Cluster:				
Head Start	93.600	Not applicable	\$ 1,710,659	
COVID-19 Head Start	93.600	Not applicable	<u>139,585</u>	\$ 1,850,244
Pass Through Payments:				
Virginia Department of Social Services:				
MaryLee Allen Promoting Safe and Stable Families	93.556	0950120, 0950121		7,090
Temporary Assistance for Needy Families	93.558	0400121, 0400122		443,198
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	0500122		1,958
Low-Income Home Energy Assistance	93.568	0600421, 0600422		75,157
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900121		1,016
Social Services Block Grant	93.667	1000121, 1000122		492,268
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120, 9150121		31,150
Children's Health Insurance Program	93.767	0540121, 0540122		3,900
Medicaid Cluster:				
Medical Assistance Program	93.778	1200121, 1200122		380,748
Foster Care - Title IV-E	93.658	1100121, 1100122		424,874
Adoption Assistance	93.659	1120121, 1120122		907,902
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760121, 0760122		92,061
Title IV-E Prevention Program	93.472	1140122		5,299
Guardianship Assistance	93.090	1110121, 1110122		398
Elder Abuse Prevention Interventions Program	93.747	8000321		<u>5,339</u>
Total Department Health and Human Services-pass through			\$ 2,872,358	
Total Department of Health and Human Services			\$ 4,722,602	
Department of Agriculture:				
Direct Payments:				
Child and Adult Care Food Program	10.558	Not applicable	\$ 132,177	
Distance Learning and Telemedicine Loans and Grants	10.855	Not applicable		752,857
Pass Through Payments:				
Child Nutrition Cluster:				
Virginia Department of Agriculture and Consumer Services:				
Food Distribution (Note C)	10.555	Not available	\$ 171,705	
Virginia Department of Education:				
School Nutrition Program (SNP) Supply Chain Assistance (SCA) Funds	10.555	APE411080	47,747	
National School Lunch Program	10.555	APE402540	1,351,251	
COVID-19 National School Lunch Program	10.555	DOE865570	<u>140,445</u>	\$ 1,711,148
School Breakfast Program	10.553	APE40253		503,872
Summer Food Service Program for Children	10.559	APE603020, APE603030	<u>21,970</u>	\$ 2,236,990
Virginia Department of Education:				
COVID-19 Pandemic EBT	10.649	DOE865560		3,063
Child Nutrition Discretionary Grants Limited Availability	10.579	DOE86804		12,920
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	APE438410		21,640
Virginia Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010121, 0010122 0040121, 0040122		<u>728,169</u>
Total Department of Agriculture			\$ 3,887,816	
Department of Justice:				
Pass Through Payments:				
Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	19V2GX0054	\$ 71,423	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18DJBX0728		18,039
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	20VDBX0141		23,564
Violence Against Women Formula Grants	16.588	20WVFX0011		<u>39,533</u>
Total Department of Justice			\$ 152,559	
Department of Treasury:				
Pass Through Payments:				
Virginia Department of Accounts:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	\$ 1,159,871	
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	Not available		62,529
Virginia Department of Education:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	APE45277		<u>299,230</u>
Total Department of Treasury			\$ 1,521,630	

County of Lee, Virginia
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2022

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Homeland Security Pass Through Payments: Department of Emergency Management Emergency Management Preparedness Grants	97.042	Not available	\$ 7,500	
Department of Transportation: Direct Payments: Airport Improvement Program	20.106	Not applicable	\$ 281,964	
Pass Through Payments: Virginia Department of Motor Vehicles: Highway Safety Cluster: National Priority Safety Programs	20.616	FM6OT-2021-51322-21322, FM6OT-2022-52343-22343	6,270	
Total Department of Transportation			<u>\$ 288,234</u>	
Appalachian Regional Commission: Pass Through Payments: Virginia Department of Housing and Community Development: Appalachian Area Development	23.002	HCD49302	\$ 5,000	\$ 5,000
Department of Housing and Urban Development: Pass Through Payments: Virginia Department of Housing and Community Development: CDBG - Entitlement Grants Cluster: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ 11,250	\$ 11,250
Department of Labor Pass Through Payments: Virginia Employment Commission: Employment Service Cluster: Employment Service/Wagner-Peyser Funded Activities	17.207	Not available	\$ 30,921	\$ 30,921
Virginia Community College System: Workforce Innovation and Opportunity Act Cluster: WIOA Adult Program	17.258	534027	582,311	582,311
COVID-19 WIOA Dislocated Worker Formula Grants	17.278	534027	\$ 33	
WIOA Dislocated Worker Formula Grants	17.278	534027	322,844	322,877
WIOA Youth Activities	17.259	534027	793,082	793,082
Total Department of Labor			<u>\$ 1,729,191</u>	<u>\$ 1,729,191</u>
Federal Communications Commission: Direct payments: COVID-19 Emergency Connectivity Fund Program	32.009	Not applicable	\$ 261,750	
Department of Education: Pass Through Payments: Virginia Department of Education: Career and Technical Education - Basic Grants to States	84.048	APE600310, APE600311, APE610951	\$ 111,410	
Student Support and Academic Enrichment Program	84.424	APE602810	131,359	
Rural Education	84.358	APE434810	84,167	
Supporting Effective Instruction State Grants	84.367	APE614800	236,791	
COVID-19 Governor's Emergency Education Relief Fund	84.425C	APE700370	\$ 141,568	
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	APE501950, APE600420	2,967,037	
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ESSER) III	84.425U	APE501830, APE501930, APE601710, APE601730	3,084,707	6,193,312
Title I: Grants to Local Educational Agencies Special Education Cluster (IDEA)	84.010	APE429010	1,698,779	
Special Education - Grants to States	84.027	APE430710	\$ 869,409	
COVID-19 Special Education - Grants to States	84.027	APE402870	145,084	
Special Education - Preschool Grants	84.173	APE625210	28,546	
COVID-19 Special Education - Preschool Grants	84.173	APE402860	13,824	1,056,863
Total Department of Education			<u>\$ 9,512,681</u>	
Total Expenditures of Federal Awards			<u>\$ 22,100,213</u>	<u>\$ 1,745,441</u>

County of Lee, Virginia
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2022

Notes to the Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation

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

Note B -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity indentifying numbers are presented where available.
- (3) The County did not elect the 10% de minimis indirect cost rate because they only request direct costs for reimbursement.

Note C -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the Lee County School Board had food commodities totaling \$0 in inventory.

Note D -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 6,936,273
Payments in Lieu of Taxes	(217,826)
Airport Project Fund	281,964
Capital Improvements Fund	16,250
Total primary government	<u>\$ 7,016,661</u>
Component Unit School Board:	
School Operating Fund	\$ 13,101,131
School Head Start Fund	1,982,421
Total Component Unit School Board	<u>\$ 15,083,552</u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 22,100,213</u></u>

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported

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

Unmodified for all major programs except for Workforce Innovation and Opportunity Act Cluster, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
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Identification of major programs:

ALN	Name of Federal Program or Cluster
10.855	USDA Distance Learning and Telemedicine Grant
21.019	COVID-19 Coronavirus Relief Fund (CRF)
84.425	COVID-19 Education Stabilization Fund
17.258/17.259/17.278	Workforce Innovation and Opportunity Act Cluster
84.010	Title I: Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster
93.677	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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County of Lee, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II - Financial Statement Findings**2022-001 - Material Weakness**

Criteria:	An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause:	The County and School Board do not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the County's or School Board's internal controls over financial reporting.
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit going forward.
Management's Response:	The County and School Board will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2022-002 - Material Weakness

Criteria:	The audited financial statements are required to be on file with the Auditor of Public Accounts of the Commonwealth of Virginia by December 15th of each year.
Condition:	The audited financial statements were not filed by December 15, 2022.
Cause:	The adjusted trial balances for audit were provided to the auditors on March 1, 2023 and the required component unit audit reports were not issued until October 2023. Finally, the auditors were not provided requested documentation in a timely manner.
Effect:	The audited financial statements are not issued in compliance with the Code of Virginia requirements. As a result, the financial information is not included in the annual Comparative Cost Report issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Finally, the audited financial statements as provided to the County and School Board will not provide timely information to make proper decisions.

County of Lee, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II - Financial Statement Findings (Continued)

2022-002 - Material Weakness (Continued)

Recommendation: We recommend the County ensure financial information is maintained in an accurate and efficient manner to expedite the financial preparation process for audit.

Management's Response: The County will continue to work to improve its financial closing process in order to improve timeliness going forward.

2022-003 - Material Weakness

Criteria: An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.

Condition: The County, School Board, and Headstart department operate separate accounting systems that were not accurately reconciled to each other.

Cause: The County, School Board, and Headstart department do not have proper controls in place to detect and correct adjustments in closing their year end financial statements.

Effect: There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the County's, School Board's, or Headstart's internal controls over financial reporting.

Recommendation: The County and School Board should reconcile to each others accounting records by fund each month.

Management's Response: The School Board has hired a consultant to help reconcile their accounting system, along with Headstart's accounting, to the County's accounting records.

County of Lee, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2022-004 - Material Noncompliance

Criteria: The County and its volunteer agencies participate in the Virginia Retirement System Line of Duty Act (LODA) Plan. The LODA Plan requires covered employees be meet eligibility criteria as specified in Plan documents.

Condition: The County includes volunteer agencies in the LODA Plan but was unable to document the eligibility of any of the volunteer members.

Cause: The County has difficulty obtaining up to date enrollment and position reports from the volunteer agencies and rolls forward prior listings for each annual renewal.

Effect: The County has 200 volunteers included in its 232 individuals covered in the LODA Plan and therefore a majority of the participants may or may not be eligible for the Plan.

Recommendation: Management should obtain an accurate position listing for each volunteer agency prior to allowing them to continue participating in the VRS LODA Plan. Further, the listing should include required census (full name, gender, date of birth, agency, and personnel type) information with supporting documentation to allow for testing in accordance with the Auditor of Public Accounts' (APA) *Specifications for Counties, Cities, and Towns*.

Management's Response: Management will attempt to obtain updated and complete information from the volunteer agencies to ensure only eligible participants are included.

2022-005 - Material Noncompliance

Criteria: The County receives grant funding from the Virginia Department of Fire Programs known as Aid to Locality (ATL) funding. The County is required to complete annual reporting on the balance, receipt, and disbursement of these funds.

Condition: The auditors were not provided a copy of the fiscal year 2021 ATL Annual report filed during fiscal year 2022 and supporting reconciliation as required.

Cause: The County did not maintain proper documentation of expenditures claimed in the report.

Effect: The County may not be in compliance with State requirements.

County of Lee, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section II - Financial Statement Findings (Continued)

2022-005 - Material Noncompliance (Continued)

Recommendation:	We recommend the County annually reconcile the ATL Annual report and have a proper review of the report to ensure it agrees to the County's general ledger and maintain records of same for audit.
Management's Response:	Management concurs with the recommendations and will implement those changes.

Section III - Federal Award Findings and Questioned Costs

2022-006 - WIOA Cluster (17.258/17.259/17.278)Department of Labor funds as passed through to Southwest Virginia Workforce Development Board

Agency:	Department of Labor
Federal Award Number/Year:	534027 - 2020; 534027 - 2021
Program & ALN:	WIOA Cluster (17.258/17.259/17.278)
Pass-through Entities:	Virginia Community College Systems received by County and passed through to Southwest Virginia Workforce Development Board
Compliance Requirement:	Subrecipient Monitoring
Finding Type:	Noncompliance
Criteria:	The County is the grant recipient for the award and is required to perform subrecipient monitoring procedures to ensure proper compliance with Uniform Guidance.
Condition:	Funds are requested for drawdown by the subrecipient without the County reviewing and approving documentation.
Cause:	The County misunderstood the compliance requirements for subrecipient monitoring.
Effect:	The County does not properly monitor the subrecipient of the grants to ensure proper use of funds.
Recommendation:	We recommend the County obtain, review, and approve the reimbursement requests prior to submission. Further, we recommend the County obtain and review periodic financial statements and/or underlying documentation and obtain a copy of the annual audit report in accordance with Uniform Guidance.
Views of Responsible Officials and Planned Corrective Action:	The County will work with the subrecipient to implement necessary controls to be in compliance.

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs (Continued)

2022-007 - COVID-19 Coronavirus Relief Fund (21.019)

Agency:	Department of Treasury
Federal Award Number/Year:	2020
Program & ALN:	COVID-19 Coronavirus Relief Fund - 21.019
Pass-through Entities:	Virginia Department of Accounts
Compliance Requirement:	Reporting
Finding Type:	Finding reported in accordance with 2 CFR section 200.516(a) and material weakness of internal controls surrounding reporting requirements.
Criteria:	Per single audit requirements, prime recipients (i.e. the Commonwealth of Virginia) are required to submit quarterly Financial Progress reports. To assist with the reporting requirement, the Commonwealth required quarterly reports from its subrecipients (the County).
Condition:	The County did not file a required quarterly report for the quarter ended September 30, 2021.
Cause:	The County did not have a proper reporting and review process of federal grants and failed to submit the required report.
Effect:	The amounts reported by the County to the Commonwealth are understated resulting in an error in reporting by the Commonwealth to the federal government.
Recommendation:	Management should establish a reconciliation process and reports should be reviewed by someone other than the preparer prior to submission to ensure accuracy of reporting.
Views of Responsible Officials and Planned Corrective Action:	The County concurs with the finding. The County corrected activity with the final reporting filed for the period ended December 31, 2021.

County of Lee, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Finding 2021-001

Finding Type: Material Weakness

Condition: The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Recommendation: The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Current Status: Finding 2021-001 is recurring in fiscal year 2022 as 2022-001 and reported as a material weakness.

Finding 2021-002

Finding Type: Material Weakness

Condition: The audit information was not available for the auditors to begin their audit until March 9, 2022. Therefore, the audited financial statements were not filed by December 15, 2021.

Recommendation: We recommend the County ensure financial information is maintained in an accurate and efficient manner to expedite the financial preparation process for audit.

Current Status: Finding 2021-002 is recurring in fiscal year 2022 as 2022-002 and reported as a material weakness.

Finding 2021-003

Finding Type: Material Noncompliance

Condition: The County includes volunteer agencies in the LODA Plan but was unable to document the eligibility of any of the volunteer members.

Recommendation: Management should obtain an accurate position listing for each volunteer agency prior to allowing them to continue participating in the VRS LODA Plan. Further, the listing should include required census (full name, gender, date of birth, agency, and personnel type) information with supporting documentation to allow for testing in accordance with the Auditor of Public Accounts' (APA) Specifications for Counties, Cities, and Towns.

Current Status: Finding 2021-003 is recurring in fiscal year 2022 as 2022-004 and reported as a federal noncompliance finding.

Finding 2021-004

Finding Type: Federal Noncompliance Finding -WIOA Cluster (17.258/17.259/17.278)

Condition: Funds are requested for drawdown by the subrecipient without the County reviewing and approving documentation.

Recommendation: We recommend the County obtain, review, and approve the reimbursement requests prior to submission. Further, we recommend the County obtain and review periodic financial statements and/or underlying documentation and obtain a copy of the annual audit report in accordance with Uniform Guidance.

Current Status: Finding 2021-004 is recurring in fiscal year 2022 as 2022-006 and reported as a federal noncompliance finding.

County of Lee, Virginia
Summary Schedule of Prior Audit Findings (Continued)
For the Year Ended June 30, 2022

Finding 2021-005

Finding Type: Federal Noncompliance Finding - COVID-19 Coronavirus Relief Fund (21.019)

Condition: The County did not file a required quarterly report for the quarter ended June 30, 2021.

Recommendation: Management should establish a reconciliation process and reports should be reviewed by someone other than the preparer prior to submission to ensure accuracy of reporting.

Current Status: Finding 2021-005 is recurring in fiscal year 2022 as 2022-007 and reported as a federal noncompliance finding.

Finding 2021-006

Finding Type: Federal Noncompliance Finding - COVID-19 Coronavirus Relief Fund (21.019)

Condition: The School Board reported expenditures of \$309,600 but incurred expenditures under the grant in the amount of \$512,523 during fiscal year 2021.

Recommendation: Management should establish a reconciliation process and reports should be reviewed by someone other than the preparer prior to submission to ensure accuracy of reporting.

Current Status: The School Board improved reconciliation process and no findings were reported in 2022.