

COUNTY OF LEE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

COUNTY OF LEE, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

COUNTY OF LEE, VIRGINIA

BOARD OF SUPERVISORS

D. D. Leonard, Vice Chair Larry Mosley	Nathan Cope, Chair	Robert Smith Charles Slemple, Jr.
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COUNTY SCHOOL BOARD

Mike Kidwell, Vice Chair Pam Fannon	Debbie Jessee, Chair	Ty Harber, Jr. Rob Hines
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COUNTY WELFARE BOARD

Joanne Eldridge Michelle Warner	Noel Hall, Chair	Linda Wampler Chanda Cope
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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	Rita McCann
Sheriff.....	Gary B. Parsons
Superintendent of Schools.....	Brian Austin
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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit - School Board, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of and for the year ended June 30, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lee County Public Service Authority, Lee County Industrial Development Authority or the Lee County Hospital Authority, which, in aggregate, represents 82% of the total assets of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lee County Public Service Authority, Lee County Industrial Development Authority and the Lee County Hospital Authority, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 26 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement Nos. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension and OPEB funding on pages 96 and 97-121, respectively, 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 and Other Information

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020, 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
March 24, 2020

Basic Financial Statements

County of Lee, Virginia
Statement of Net Position
As of June 30, 2019

	Primary Government	Component Units			
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority	Hospital Authority
ASSETS					
Cash and cash equivalents	\$ 8,251,791	\$ 741,978	\$ 239,555	\$ 22,113	\$ 8,844
Cash held at school cafeterias	-	18,655	-	-	-
Investments	25,162	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,079,790	-	-	-	-
Accounts receivable	369,753	-	624,792	-	-
Notes receivable	1,970,977	-	-	76,612	-
Due from primary government	-	1,175,508	-	2,249,660	-
Due from other governmental units	1,270,860	751,227	39,754	-	-
Restricted assets:					
Cash and cash equivalents	363,125	2,805,665	859,277	-	-
Net pension asset	-	-	235,302	-	-
Capital assets (net of accumulated depreciation):					
Land	859,692	528,889	76,843	703,022	-
Buildings and improvements	14,157,357	5,325,812	46,564,115	1,839,107	3,800,000
Machinery and equipment	1,791,587	1,238,734	552,589	279,309	-
Construction in progress	1,232,310	786,908	1,193,368	920,217	-
Total assets	<u>\$ 42,372,404</u>	<u>\$ 13,373,376</u>	<u>\$ 50,385,595</u>	<u>\$ 6,090,040</u>	<u>\$ 3,808,844</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 569,889	\$ 4,040,787	\$ 10,879	\$ -	\$ -
OPEB related items	333,169	706,962	5,495	-	-
Total deferred outflows of resources	<u>\$ 903,058</u>	<u>\$ 4,747,749</u>	<u>\$ 16,374</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ 540,137	\$ 527,072	\$ 316,921	\$ 1,790	\$ 6,929
Accrued liabilities	-	1,668,268	16,907	-	-
Customers' deposits	-	-	158,845	-	-
Accrued interest payable	86,848	-	37,561	-	-
Due to component unit	1,175,508	-	-	-	-
Long-term liabilities:					
Due within one year	1,044,927	599,318	751,238	886,731	50,000
Due in more than one year	9,798,421	49,641,813	17,480,211	2,764,659	3,800,000
Total liabilities	<u>\$ 12,645,841</u>	<u>\$ 52,436,471</u>	<u>\$ 18,761,683</u>	<u>\$ 3,653,180</u>	<u>\$ 3,856,929</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 10,985,743	\$ -	\$ -	\$ -	\$ -
Deferred revenue - prepaid taxes	50,393	-	-	-	-
Pension related items	919,625	3,708,770	58,620	-	-
OPEB related items	270,302	422,462	4,000	-	-
Total deferred inflows of resources	<u>\$ 12,226,063</u>	<u>\$ 4,131,232</u>	<u>\$ 62,620</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 12,850,740	\$ 7,880,343	\$ 30,330,863	\$ 2,339,925	\$ -
Restricted:					
Imagination library	172	-	-	-	-
Community development	405,848	-	-	-	-
Cafeteria operations	-	697,177	-	-	-
Health Insurance	-	2,562,674	-	-	-
Retirement	-	25,143	-	-	-
Headstart program	-	12,699	-	-	-
Coal road expenses	10,644	-	-	-	-
Debt service	-	-	652,498	-	-
Unrestricted	5,136,154	(49,624,614)	594,305	96,935	(48,085)
Total net position	<u>\$ 18,403,558</u>	<u>\$ (38,446,578)</u>	<u>\$ 31,577,666</u>	<u>\$ 2,436,860</u>	<u>\$ (48,085)</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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		School Board	Public Service Authority	Component Units	
			Grants and Contributions	Grants and Contributions			Development Authority	Hospital Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,326,871	\$ 59,398	\$ 264,802	\$ -	\$ (1,002,671)	\$ -	\$ -	\$ -
Judicial administration	1,012,446	5,676	839,451	-	(167,319)	-	-	-
Public safety	6,028,286	64,114	1,765,819	-	(4,198,353)	-	-	-
Public works	2,272,455	177,612	141,192	98,270	(1,855,381)	-	-	-
Health and welfare	9,862,627	-	8,270,439	-	(1,592,188)	-	-	-
Education	5,034,206	-	-	-	(5,034,206)	-	-	-
Parks, recreation, and cultural	453,192	6,512	-	-	(446,680)	-	-	-
Community development	495,179	21,719	-	1,710	(471,750)	-	-	-
Interest on long-term debt	206,643	-	-	-	(206,643)	-	-	-
Total governmental activities	\$ 26,691,905	\$ 335,031	\$ 11,281,703	\$ 99,980	\$ (14,975,191)	\$ -	\$ -	\$ -
Total primary government	\$ 26,691,905	\$ 335,031	\$ 11,281,703	\$ 99,980	\$ (14,975,191)	\$ -	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 37,034,503	\$ 178,862	\$ 33,475,868	\$ -	\$ -	\$ (3,379,773)	\$ -	\$ -
Public Service Authority	5,954,842	3,726,408	-	619,801	-	(1,608,633)	-	-
Industrial Development Authority	616,302	-	246,722	-	-	-	(369,580)	-
Hospital Authority	125,410	-	-	-	-	-	-	(125,410)
Total component units	\$ 43,731,057	\$ 3,905,270	\$ 33,722,590	\$ 619,801	\$ -	\$ (3,379,773)	\$ (369,580)	\$ (125,410)
General revenues:								
General property taxes					\$ 9,770,564	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					1,315,804	-	-	-
Consumer's utility taxes					432,418	-	-	-
Bank Stock taxes					31,380	-	-	-
Motor vehicle licenses					580,901	-	-	-
Taxes on recordation and wills					52,737	-	-	-
Other local taxes					31,259	-	-	-
Unrestricted revenues from use of money and property					141,226	33,732	8,074	3,295
Miscellaneous					104,658	40,703	106,514	19
Contributions from Lee County					-	5,012,698	-	-
Grants and contributions not restricted to specific programs					1,575,034	-	-	-
Gain (loss) on disposal of capital assets					-	-	-	557,894
Total general revenues					\$ 14,035,981	\$ 5,087,133	\$ 114,588	\$ 561,208
Change in net position					\$ (939,210)	\$ 1,707,360	\$ (1,494,045)	\$ 191,628
Net position - beginning					19,342,768	(40,153,938)	33,071,711	2,245,232
Net position - ending					\$ 18,403,558	\$ (38,446,578)	\$ 31,577,666	\$ 2,436,860

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, 2019

	<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	\$ 7,455,570	\$ 590,578	\$ 195,480	\$ 10,163	\$ 8,251,791
Investments	25,162	-	-	-	25,162
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,079,790	-	-	-	12,079,790
Accounts receivable	369,272	-	-	481	369,753
Due from other governmental units	1,270,860	-	-	-	1,270,860
Notes receivable	1,970,977	-	-	-	1,970,977
Restricted assets:					
Cash and cash equivalents	363,125	-	-	-	363,125
Total assets	\$ 23,534,756	\$ 590,578	\$ 195,480	\$ 10,644	\$ 24,331,458
LIABILITIES					
Accounts payable	\$ 540,137	\$ -	\$ -	\$ -	\$ 540,137
Due to component unit	1,175,508	-	-	-	1,175,508
Total liabilities	\$ 1,715,645	\$ -	\$ -	\$ -	\$ 1,715,645
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 11,943,276	\$ -	\$ -	\$ -	\$ 11,943,276
Unavailable revenue - prepaid taxes	50,393	-	-	-	50,393
Unavailable revenue - tipping fees	570	-	-	-	570
Total deferred inflows of resources	\$ 11,994,239	\$ -	\$ -	\$ -	\$ 11,994,239
FUND BALANCES					
Nonspendable:					
Notes receivable	\$ 1,970,977	\$ -	\$ -	\$ -	\$ 1,970,977
Restricted:					
Coal road expenses	-	-	-	10,644	10,644
Community development	405,848	-	-	-	405,848
Emergency equipment projects	363,125	-	-	-	363,125
Imagination library	172	-	-	-	172
Assigned:					
County capital projects funds	-	590,578	9,917	-	600,495
School capital projects funds	25,162	-	185,563	-	210,725
Unassigned	7,059,588	-	-	-	7,059,588
Total fund balances	\$ 9,824,872	\$ 590,578	\$ 195,480	\$ 10,644	\$ 10,621,574
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,534,756	\$ 590,578	\$ 195,480	\$ 10,644	\$ 24,331,458

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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,621,574
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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		14,157,357	
Machinery and equipment		1,791,587	
Construction in progress		<u>1,232,310</u>	18,040,946

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

Unearned revenue - tipping fees	\$	570	
Unavailable revenue - property taxes		<u>957,533</u>	958,103

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

Pension related items	\$	569,889	
OPEB related items		<u>333,169</u>	903,058

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	\$	(4,157,963)	
Capital leases		(1,395,368)	
Accrued interest payable		(86,848)	
Net pension liability		(2,076,673)	
Landfill closure and postclosure liability		(80,105)	
Compensated absences		(533,730)	
Net OPEB liabilities		<u>(2,599,509)</u>	(10,930,196)

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

Pension related items	\$	(919,625)	
OPEB related items		<u>(270,302)</u>	(1,189,927)

Net position of governmental activities	\$	<u><u>18,403,558</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, 2019

	<u>General</u>	<u>Airport Project</u>	<u>Capital Improvements</u>	<u>Nonmajor Coal Road Improvement</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 9,958,690	\$ -	\$ -	\$ -	\$ 9,958,690
Other local taxes	2,437,083	-	-	7,416	2,444,499
Permits, privilege fees, and regulatory licenses	36,718	-	-	-	36,718
Fines and forfeitures	1,448	-	-	-	1,448
Revenue from the use of money and property	141,226	-	-	-	141,226
Charges for services	308,456	-	-	-	308,456
Miscellaneous	104,658	-	-	-	104,658
Recovered costs	306,936	-	-	-	306,936
Intergovernmental:					
Commonwealth	7,723,235	1,710	-	-	7,724,945
Federal	5,133,502	-	98,270	-	5,231,772
Total revenues	<u>\$ 26,151,952</u>	<u>\$ 1,710</u>	<u>\$ 98,270</u>	<u>7,416</u>	<u>\$ 26,259,348</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,490,011	\$ -	\$ -	\$ -	\$ 1,490,011
Judicial administration	1,128,396	-	-	-	1,128,396
Public safety	6,414,025	-	-	-	6,414,025
Public works	2,043,445	-	-	2,956	2,046,401
Health and welfare	10,063,400	-	-	-	10,063,400
Education	4,985,444	-	-	-	4,985,444
Parks, recreation, and cultural	311,380	-	-	-	311,380
Community development	401,214	-	98,270	-	499,484
Nondepartmental	68,994	-	-	-	68,994
Capital projects	20,812	-	-	-	20,812
Debt service:					
Principal retirement	805,419	-	-	-	805,419
Interest and other fiscal charges	212,406	-	-	-	212,406
Total expenditures	<u>\$ 27,944,946</u>	<u>\$ -</u>	<u>\$ 98,270</u>	<u>\$ 2,956</u>	<u>\$ 28,046,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,792,994)</u>	<u>\$ 1,710</u>	<u>\$ -</u>	<u>\$ 4,460</u>	<u>\$ (1,786,824)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of capital leases	<u>\$ 253,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,260</u>
Net change in fund balances	\$ (1,539,734)	\$ 1,710	\$ -	\$ 4,460	\$ (1,533,564)
Fund balances - beginning	11,364,606	588,868	195,480	6,184	12,155,138
Fund balances - ending	<u>\$ 9,824,872</u>	<u>\$ 590,578</u>	<u>\$ 195,480</u>	<u>\$ 10,644</u>	<u>\$ 10,621,574</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, 2019

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

Net change in fund balances - total governmental funds \$ (1,533,564)

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 exceeds capital outlay in the current period.

Capital outlays	\$ 857,688	
Depreciation expenses	(1,189,111)	(331,423)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (1,841)

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

Increase (decrease) in unavailable revenue - property taxes	\$ (188,126)	
Increase (decrease) in unavailable revenue - tipping fees	(11,591)	(199,717)

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.

Debt issued or incurred:		
Issuance of capital leases	\$ (253,260)	
Increase in landfill closure and postclosure liability	(1,801)	
Principal repayments:		
Bonds payable	279,184	
Capital leases	526,235	550,358

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.

Decrease (increase) in compensated absences	\$ 13,636	
Decrease (increase) in premiums	24,239	
Decrease (increase) in accrued interest payable	(18,476)	
Change in net pension liability and related items	614,033	
Change in net OPEB liabilities and related items	(56,455)	576,977

Change in net position of governmental activities \$ (939,210)

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, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 75,392
Total assets	\$ 75,392
LIABILITIES	
Amounts held for Social Services clients	\$ 75,392
Total liabilities	\$ 75,392

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

County of Lee, Virginia

Notes to Financial Statements June 30, 2019

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Lee 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 type and does not issue a separate financial statement.

The Lee County Public Service Authority 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 Industrial Development Authority (IDA) encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. 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. The Hospital obtained a note payable from the County of \$1,500,000 to purchase a hospital building. 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, 2019, 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, 2019, the County contributed \$126,090 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, 2019, the County paid \$2,356,312 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, 2019, the County contributed \$294,444 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 financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 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 (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare Fund is reported as an agency fund.

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.

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.

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

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 \$340,368 at June 30, 2019 and is comprised of \$333,527 in property taxes and \$6,841 in tipping fees.

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.

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.

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

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

7. Capital assets

Capital 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, 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

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 \$1,970,977 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 net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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. This separate financial statement element, deferred outflows of resources, represents a consumption of net position 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 the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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 2019, no department expenditures exceeded appropriations.

C. Deficit fund balance

At June 30, 2019, there were no funds with a deficit balance.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

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, 2019, 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, 2019, 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, 2019 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
SNAP	\$ 25,162

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 3-Deposits and Investments: (continued)

External Investment Pools:

The value of the positions in the external investment pools (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)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>1 Year</u>
SNAP	\$ 25,162	\$ 25,162

Note 4-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Sales tax	\$ -	\$ 443,770
Categorical aid-shared expenses	221,627	-
Noncategorical aid	177,424	-
Virginia public assistance funds	196,313	-
Other categorical aid	250,344	-
<u>Federal Government:</u>		
Categorical Aid	230,047	-
Prison funds	195,105	-
School grants	-	307,457
Totals	<u>\$ 1,270,860</u>	<u>\$ 751,227</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 5-Interfund/Component-Unit Obligations:

Component unit obligations at June 30, 2019 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	\$ 1,175,508	\$ -
Component Unit:		
School Board:		
School operating Fund	\$ -	\$ 1,175,508

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

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, 2019:

	<u>Balance July 1, 2018</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Issuances</u>	<u>Balance June 30, 2019</u>
Direct borrowings and direct placements:				
General obligation bonds	\$ 1,968,000	\$ -	\$ (162,843)	\$ 1,805,157
Premium on general obligation bond	127,386	-	(24,239)	103,147
Lease revenue bonds (1)	2,366,000	-	(116,341)	2,249,659
Net pension liability	3,094,222	2,420,177	(3,437,726)	2,076,673
Net OPEB liabilities	2,361,039	611,612	(373,142)	2,599,509
Capital leases	1,668,343	253,260	(526,235)	1,395,368
Landfill closure and postclosure liability	78,304	1,801	-	80,105
Compensated absences	547,366	396,889	(410,525)	533,730
Total	\$ 12,210,660	\$ 3,683,739	\$ (5,051,051)	\$ 10,843,348

- (1) The lease revenue bond issued in fiscal year 2016 was issued through the Lee County Industrial Development Authority and is shown as due from other governments and is offset as a long-term liability in the Lee County IDA audit report.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

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	
	Principal	Interest	Principal	Interest
2020	\$ 75,000	\$ 76,421	\$ -	\$ 76,916
2021	130,000	70,548	63,000	74,874
2022	137,000	64,341	62,000	72,765
2023	140,000	57,909	67,000	70,588
2024	148,157	51,250	66,000	68,344
2025-2029	525,000	176,007	667,000	281,357
2030-2034	650,000	59,162	791,000	158,541
2035-2039	-	-	533,659	27,439
Totals	<u>\$ 1,805,157</u>	<u>\$ 555,638</u>	<u>\$ 2,249,659</u>	<u>\$ 830,824</u>

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

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 and interest installments 3.05% to 5.05% through 2034.	\$ 1,590,000	\$ 75,000
\$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.	215,157	-
Subtotal	\$ 1,805,157	\$ 75,000
Plus: Premium on general obligation bond	103,147	21,707
Total General Obligation Bonds	<u>\$ 1,908,304</u>	<u>\$ 96,707</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>\$ 2,249,659</u>	<u>\$ -</u>
Total Direct Borrowings and Direct Placements	<u>\$ 4,157,963</u>	<u>\$ 96,707</u>
Other Obligations:		
Capital Leases (Note 15)	\$ 1,395,368	\$ 547,922
Landfill Closure and Postclosure Liability	80,105	-
Net Pension Liability	2,076,673	-
Net OPEB Liabilities	2,599,509	-
Compensated Absences	533,730	400,298
Total Other Obligations	<u>\$ 6,685,385</u>	<u>\$ 948,220</u>
Total Long-Term Obligations	<u><u>\$ 10,843,348</u></u>	<u><u>\$ 1,044,927</u></u>

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.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 6-Long-Term Obligations: (continued)

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, 2019.

	Balance July 1, 2018	Increases/ Issuances	Decreases/ Issuances	Balance June 30, 2019
Net pension liability	\$ 35,493,381	\$ 7,507,937	\$ (8,856,264)	\$ 34,145,054
Net OPEB liabilities	14,006,843	1,513,713	(1,198,987)	14,321,569
Early retirement incentive plan liability	1,344,946	-	(369,528)	975,418
Compensated absences	845,340	587,755	(634,005)	799,090
Total	\$ 51,690,510	\$ 9,609,405	\$ (11,058,784)	\$ 50,241,131

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Net pension liability	\$ 34,145,054	\$ -
Net OPEB liabilities	14,321,569	-
Early retirement incentive plan liability	975,418	-
Compensated absences	799,090	599,318
Total Long-Term Obligations	\$ 50,241,131	\$ 599,318

Note 7-Pension Plan:

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.

Note 7—Pension Plans: (continued)

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 hired 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 creditable service or age 50 with at least 30 years of creditable service. 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 creditable 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired 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 creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. 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 creditable service. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% 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 1.7% 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 creditable service 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 creditable service 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, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	120	173
Inactive members:		
Vested inactive members	17	10
Non-vested inactive members	22	32
Inactive members active elsewhere in VRS	41	33
Total inactive members	80	75
Active members	135	102
Total covered employees	335	350

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, 2019 was 8.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$431,906 and \$463,180 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 26.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$539,363 and \$559,501 for the years ended June 30, 2019 and June 30, 2018, 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, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

Note 7—Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 7—Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

Note 7—Pension Plans: (continued)

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 7—Pension Plans: (continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

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

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.

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Note 7—Pension Plans: (continued)

Long-term Expected Rate of Return (continued)

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)	Target Allocation	Arithmetic Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, 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, 2018 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.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 7—Pension Plans: (continued)

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, 2017	\$ 27,871,579	\$ 24,777,357	\$ 3,094,222
Changes for the year:			
Service cost	\$ 501,462	\$ -	\$ 501,462
Interest	1,901,147	-	1,901,147
Differences between expected and actual experience	(913,317)	-	(913,317)
Contributions - employer	-	463,180	(463,180)
Contributions - employee	-	243,322	(243,322)
Net investment income	-	1,817,907	(1,817,907)
Benefit payments, including refunds of employee contributions	(1,424,678)	(1,424,678)	-
Administrative expenses	-	(15,963)	15,963
Other changes	-	(1,605)	1,605
Net changes	\$ 64,614	\$ 1,082,163	\$ (1,017,549)
Balances at June 30, 2018	\$ 27,936,193	\$ 25,859,520	\$ 2,076,673

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

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, 2017	\$ 14,874,348	\$ 8,087,967	\$ 6,786,381
Changes for the year:			
Service cost	\$ 175,267	\$ -	\$ 175,267
Interest	1,004,915	-	1,004,915
Differences between expected and actual experience	(50,174)	-	(50,174)
Contributions - employer	-	559,501	(559,501)
Contributions - employee	-	93,652	(93,652)
Net investment income	-	583,937	(583,937)
Benefit payments, including refunds of employee contributions	(1,036,839)	(1,036,839)	-
Administrative expenses	-	(5,241)	5,241
Other changes	-	(514)	514
Net changes	\$ 93,169	\$ 194,496	\$ (101,327)
Balances at June 30, 2018	\$ 14,967,517	\$ 8,282,463	\$ 6,685,054

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
County			
Net Pension Liability (Asset)	\$ 5,456,614	\$ 2,076,673	\$ (747,651)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 8,215,786	\$ 6,685,054	\$ 5,380,248

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$182,154) and \$502,342, respectively. At June 30, 2019, 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	\$ 89,410	\$ 710,345	\$ -	\$ 26,055
Change in assumptions	48,573	-	3,142	-
Net difference between projected and actual earnings on pension plan investments	-	209,280	-	49,715
Employer contributions subsequent to the measurement date	431,906	-	539,363	-
Total	<u>\$ 569,889</u>	<u>\$ 919,625</u>	<u>\$ 542,505</u>	<u>\$ 75,770</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 7—Pension Plans: (continued)

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

\$431,906 and \$539,363 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, 2020. 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>
2020	\$ (171,952)	\$ 15,332
2021	(254,535)	78
2022	(333,308)	(81,757)
2023	(21,847)	(6,281)
2024	-	-
Thereafter	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, 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 \$2,848,282 and \$3,110,689 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$27,460,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.2335% as compared to 0.2334% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,281,000. 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, 2019

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, 2019, 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	\$ -	\$ 2,348,000
Change in assumptions	328,000	-
Net difference between projected and actual earnings on pension plan investments	-	582,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	322,000	703,000
Employer contributions subsequent to the measurement date	<u>2,848,282</u>	<u>-</u>
Total	<u>\$ 3,498,282</u>	<u>\$ 3,633,000</u>

Note 7—Pension Plans: (continued)

Component Unit School Board (professional) (continued)

\$2,848,282 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, 2020. 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>
2020	\$ (561,000)
2021	(715,000)
2022	(1,273,000)
2023	(335,000)
2024	(99,000)
Thereafter	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 7—Pension Plans: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
		74.81%

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>		<u>Current Discount Rate (7.00%)</u>		<u>1% Increase (8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 41,947,000	\$	27,460,000	\$	15,470,000

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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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	\$ 569,889	\$ 919,625	\$ 2,076,673	\$ (182,154)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	542,505	75,770	6,685,054	502,342
School Board Professional	-	-	-	-	3,498,282	3,633,000	27,460,000	1,281,000
Totals	<u>\$ 569,889</u>	<u>\$ 919,625</u>	<u>\$ 2,076,673</u>	<u>\$ (182,154)</u>	<u>\$ 4,040,787</u>	<u>\$ 3,708,770</u>	<u>\$ 34,145,054</u>	<u>\$ 1,783,342</u>

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2019 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	939,120	293,190	-	1,232,310
Total capital assets not being depreciated	<u>\$ 1,798,812</u>	<u>\$ 293,190</u>	<u>\$ -</u>	<u>\$ 2,092,002</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,514,210	\$ -	\$ -	\$ 25,514,210
Machinery and equipment	4,852,057	564,498	(43,397)	5,373,158
Total capital assets being depreciated	<u>\$ 30,366,267</u>	<u>\$ 564,498</u>	<u>\$ (43,397)</u>	<u>\$ 30,887,368</u>
Accumulated depreciation:				
Buildings and improvements	\$ (10,575,299)	\$ (781,554)	\$ -	\$ (11,356,853)
Machinery and equipment	(3,215,570)	(407,557)	41,556	(3,581,571)
Total accumulated depreciation	<u>\$ (13,790,869)</u>	<u>\$ (1,189,111)</u>	<u>\$ 41,556</u>	<u>\$ (14,938,424)</u>
Total capital assets being depreciated, net	<u>\$ 16,575,398</u>	<u>\$ (624,613)</u>	<u>\$ (1,841)</u>	<u>\$ 15,948,944</u>
Governmental activities capital assets, net	<u>\$ 18,374,210</u>	<u>\$ (331,423)</u>	<u>\$ (1,841)</u>	<u>\$ 18,040,946</u>

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

Governmental activities:	
General government administration	\$ 47,097
Public safety	195,408
Public works	578,870
Health and welfare	157,434
Education	48,762
Parks, recreation, and cultural	161,540
Total depreciation expense-primary government	<u>\$ 1,189,111</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 8-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2019 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 528,889	\$ -	\$ -	\$ 528,889
Construction in progress	100,000	686,908	-	786,908
Total capital assets not being depreciated	<u>\$ 628,889</u>	<u>\$ 686,908</u>	<u>\$ -</u>	<u>\$ 1,315,797</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,671,303	\$ -	\$ -	\$ 20,671,303
Machinery and equipment	7,030,073	101,099	-	7,131,172
Total capital assets being depreciated	<u>\$ 27,701,376</u>	<u>\$ 101,099</u>	<u>\$ -</u>	<u>\$ 27,802,475</u>
Accumulated depreciation:				
Buildings and improvements	\$ (14,870,746)	\$ (474,745)	\$ -	\$ (15,345,491)
Machinery and equipment	(5,530,599)	(361,839)	-	(5,892,438)
Total accumulated depreciation	<u>\$ (20,401,345)</u>	<u>\$ (836,584)</u>	<u>\$ -</u>	<u>\$ (21,237,929)</u>
Total capital assets being depreciated, net	<u>\$ 7,300,031</u>	<u>\$ (735,485)</u>	<u>\$ -</u>	<u>\$ 6,564,546</u>
Governmental activities capital assets, net	<u>\$ 7,928,920</u>	<u>\$ (48,577)</u>	<u>\$ -</u>	<u>\$ 7,880,343</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, 2019

Note 10-Commitments and Contingencies:

Commitments

At June 30, 2019, the County and School Board had the following outstanding construction commitments:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
County Courthouse Renovations (Engineering)	\$ 38,058	\$ 17,246	\$ 8,350	\$ -
School Roof Replacements	694,483	7,575	-	34,345

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:

<u>Travelers Casualty and Surety Company of America</u>	
Rene Lamey, Clerk of the Circuit Court	\$ 500,000
Rita McCann, 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 Hospital Authority*>	\$ 1,500,000	0.00%	Building and equipment
Lee County IDA*	438,477	0.00%	None
Lee County PSA*	32,500	0.00%	None
Total	<u>\$ 1,970,977</u>		

*Notes receivable are due from discretely presented component units.

>The Lee County Hospital Authority is a discretely presented component unit and its audit opinion includes going concern disclosures. Lee County is to be repaid as rent is received when the Hospital is reopened. Although the component auditor has concerns about the viability of the Lee County Hospital Authority, the County has not recognized an allowance for collectability because it believes the rent for the current Hospital will be sufficient to repay its debt in the coming years.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

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 \$80,105 liability is the total estimated post closure care liability at June 30, 2019 and represents what it would cost to perform all postclosure care in 2019. 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.

	<u>Government-wide Statements</u>	<u>Balance Sheet</u>
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 957,533
2nd half assessments due in December 2019	10,985,743	10,985,743
Prepaid property taxes due in December 2019 but paid in advance by taxpayers.	50,393	50,393
Unavailable tipping fees representing uncollected billings that are not available for funding of current expenditures.	-	570
	<u>\$ 11,036,136</u>	<u>\$ 11,994,239</u>

Notes to Financial Statements (continued)
June 30, 2019

Note 15-Capital Leases:

Primary Government:

The County has entered into lease agreements to finance the acquisition of the following equipment: four 2018 Ford Explorers for the Sheriff’s department, five 2017 Ford Taurus for the Sheriff’s department, a 2016 Peterbilt 320 packer truck, emergency tower improvements, four 2019 Dodge Chargers for the Sheriff’s department, and a 2019 Peterbilt Frontloader. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

The School Board has issued a lease purchase agreement to pay for supplies and non-capitalized energy management equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception. Assets acquired through the School Board lease were not capitalized based on the School Board’s asset capitalization policy.

The capital assets acquired through capital leases are as follows:

	Governmental Activities
Capital Assets:	
Vehicles	\$ 649,280
Emergency Tower Improvements*	1,188,248
Less: Accumulated depreciation	(199,217)
Total net capital assets	\$ 1,638,311

*The 2018 lease for emergency tower improvements was deposited into an escrow account and while the project is in process, the County had \$363,125 in funds on hand at year end reported as restricted cash.

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Vehicle Leases	Emergency Tower Leases	Energy Savings Lease	Total
2020	\$ 181,365	\$ 241,722	\$ 178,676	\$ 601,763
2021	119,270	241,722	89,759	450,751
2022	90,336	241,722	-	332,058
2023	-	119,599	-	119,599
Total minimum lease payments	\$ 390,971	\$ 844,765	\$ 268,435	\$ 1,504,171
Less: amount representing interest	(21,220)	(71,844)	(15,739)	(108,803)
Present value of minimum lease payments	\$ 369,751	\$ 772,921	\$ 252,696	\$ 1,395,368

Note 16-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, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	88
Total retirees with coverage	<u>3</u>
Total	<u><u>91</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, 2019 was \$26,207.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 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, 2018 and June 30, 2019
Salary Increases	Graded rate increases
Discount Rate	3.87% as of June 30, 2018 3.50% as of June 30, 2019

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

Actuarial Assumptions (continued)

The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate was 3.87% for June 30, 2018 and 3.50% for June 30, 2019. 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, 2018	\$	514,850
Changes for the year:		
Service cost		31,655
Interest		20,648
Changes in assumptions		17,318
Benefit payments		(26,207)
Net changes	<hr/> \$	<hr/> 43,414
Balances at June 30, 2019	\$	<hr/> <hr/> 558,264

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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	Discount Rate		
	<hr/> 1% Decrease (2.50%) <hr/>	<hr/> Current (3.50%) <hr/>	<hr/> 1% Decrease (4.50%) <hr/>
\$	608,354	\$ 558,264	\$ 512,922

Note 16-Other Postemployment Benefits - County 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 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 (6.30% decreasing to an ultimate rate of 3.20%) or one percentage point higher (8.30% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (6.30% decreasing to 3.20%)	Current (7.30% decreasing to 4.20%)	1% Decrease (8.30% decreasing to 5.20%)
\$ 488,394	\$ 558,264	\$ 641,568

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

For the year ended June 30, 2019, the County recognized OPEB expense in the amount of \$53,055. At June 30, 2019, 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
Changes of assumptions	\$ 13,633	\$ 10,851
Total	\$ 13,633	\$ 10,851

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,	
2020	\$ 752
2021	752
2022	752
2023	526

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 - 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, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	46
Total retirees with coverage	<u>1</u>
Total	<u><u>47</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 DSS Board. The amount paid by the DSS for OPEB as the benefits came due during the year ended June 30, 2019 was \$10,935.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 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, 2018 and June 30, 2019
Salary Increases	Graded rate increases
Discount Rate	3.87% as of June 30, 2018
	3.50% as of June 30, 2019

Note 17-Other Postemployment Benefits - Department of Social Services (DSS) Health Insurance:
(continued)

Actuarial Assumptions (continued)

The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate was 3.87% for June 30, 2018 and 3.50% for June 30, 2019. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

	Primary Government - DSS Total OPEB Liability	
Balances at June 30, 2018	\$	218,189
Changes for the year:		
Service cost		12,092
Interest		8,702
Changes in assumptions		4,197
Benefit payments		(10,935)
Net changes	\$	14,056
Balances at June 30, 2019	\$	232,245

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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Decrease (4.50%)
\$	243,614	\$ 232,245	\$ 220,958

Note 17-Other Postemployment Benefits - Department of Social Services (DSS) 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 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 (6.20% decreasing to an ultimate rate of 3.20%) or one percentage point higher (8.20% decreasing to an ultimate rate of 5.20%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (6.20% decreasing to 3.20%)	Current (7.20% decreasing to 4.20%)	1% Decrease (8.20% decreasing to 5.20%)
\$ 210,026	\$ 232,245	\$ 257,778

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

For the year ended June 30, 2019, the DSS Board recognized OPEB expense in the amount of \$21,023. At June 30, 2019, the DSS 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
Changes of assumptions	\$ 3,093	\$ 2,451
Total	<u>\$ 3,093</u>	<u>\$ 2,451</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:

Year Ended June 30,	
2020	\$ 229
2021	229
2022	184
2023	-

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-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 or 65 with 5 years of service.

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	557
Total retirees with coverage	54
Total spouse of retirees with coverage	<u>5</u>
Total	<u><u>616</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, 2019 was \$614,457.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 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, 2018 and June 30, 2019
Salary Increases	Graded rate increases
Discount Rate	3.87% as of June 30, 2018 3.50% as of June 30, 2019

Note 18-Other Postemployment Benefits - School Board Health Insurance: (continued)

Actuarial Assumptions (continued)

The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

Discount Rate

The discount rate was 3.87% for June 30, 2018 and 3.50% for June 30, 2019. 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, 2018	\$	9,185,843
Changes for the year:		
Service cost		242,204
Interest		353,088
Changes in assumptions		311,429
Benefit payments		(614,457)
Net changes	<hr/> \$	<hr/> 292,264
Balances at June 30, 2019	<hr/> \$	<hr/> <hr/> 9,478,107

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 (2.50%) or one percentage point higher (4.50%) than the current discount rate:

	Discount Rate		
	<hr/> 1% Decrease (2.50%) <hr/>	<hr/> Current (3.50%) <hr/>	<hr/> 1% Decrease (4.50%) <hr/>
\$	10,371,812	\$ 9,478,107	\$ 8,660,765

Note 18-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 (6.50% decreasing to an ultimate rate of 3.30%) or one percentage point higher (8.50% decreasing to an ultimate rate of 5.30%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (6.50% decreasing to 3.30%)	Current (7.50% decreasing to 4.30%)	1% Decrease (8.50% decreasing to 5.30%)
\$ 8,288,360	\$ 9,478,107	\$ 10,902,126

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$603,601. At June 30, 2019, 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
Changes of assumptions	\$ 252,669	\$ 211,894
Total	<u>\$ 252,669</u>	<u>\$ 211,894</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:

Year Ended June 30,	
2020	\$ 8,309
2021	8,309
2022	8,309
2023	8,309
2024	7,539
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 19-Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program 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 Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. 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 Program 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 program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt 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 creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Contributions

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

Contributions to the Group Life Insurance Program from the County were \$26,689 and \$26,162 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$10,605 and \$10,325 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$96,523 and \$97,842 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

Primary Government

At June 30, 2019, the entity reported a liability of \$402,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.02646% as compared to 0.02660% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$1,000). 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 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

Component Unit School Board (nonprofessional)

At June 30, 2019, the entity reported a liability of \$159,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.01044% as compared to 0.01051% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$1,000. 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, 2019, the entity reported a liability of \$1,505,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was 0.09912% as compared to 0.09982% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$11,000. 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, 2019

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

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

At June 30, 2019, 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	\$ 20,000	\$ 7,000	\$ 8,000	\$ 3,000	\$ 74,000	\$ 27,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	13,000	-	5,000	-	49,000
Change in assumptions	-	17,000	-	7,000	-	63,000
Changes in proportion	-	7,000	3,000	-	7,000	10,000
Employer contributions subsequent to the measurement date	26,689	-	10,605	-	96,523	-
Total	\$ 46,689	\$ 44,000	\$ 21,605	\$ 15,000	\$ 177,523	\$ 149,000

\$26,689, \$10,605, and \$96,523 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, 2020. 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)
2020	\$ (8,000)	\$ (1,000)	\$ (22,000)
2021	(8,000)	(1,000)	(22,000)
2022	(8,000)	(1,000)	(22,000)
2023	(3,000)	(1,000)	(9,000)
2024	1,000	-	3,000
Thereafter	2,000	-	4,000

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Teachers (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Notes to Financial Statements (continued)
June 30, 2019

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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 19-Group Life Insurance (GLI) Program (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>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 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.

Note 19-Group Life Insurance (GLI) Program (OPEB Plan): (continued)

Discount Rate (continued)

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the GLI Program Net OPEB Liability	\$ 525,000	\$ 402,000	\$ 302,000
Component Unit School Board's (nonprofessional) proportionate share of the GLI Program Net OPEB Liability	208,000	159,000	120,000
Component Unit School Board's (professional) proportionate share of the GLI Program Net OPEB Liability	1,967,000	1,505,000	1,130,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program 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 Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program 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 Program 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 Program 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, 2019

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):
(continued)

Employees Covered by Benefit Terms

As of the June 30, 2017 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>48</u>
Inactive members:	
Vested inactive members	<u>1</u>
Active members	<u>102</u>
Total covered employees	<u><u>151</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, 2019 was 0.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 Program were \$18,921 and \$19,589 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net HIC OPEB Liability

The School Board's (nonprofessional) net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):
(continued)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.50%
Salary increases, including inflation: Locality - General employees	3.50%-5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

**Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):
(continued)**

Actuarial Assumptions: (continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

**Note 20—Health Insurance Credit (HIC) Program - 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):
(continued)**

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 7.00%. 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, 2018, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 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, 2017	\$ 286,954	\$ 73,881	\$ 213,073
Changes for the year:			
Service cost	\$ 3,777	\$ -	\$ 3,777
Interest	19,189	-	19,189
Differences between expected and actual experience	11,439	-	11,439
Contributions - employer	-	19,589	(19,589)
Net investment income	-	4,941	(4,941)
Benefit payments	(25,655)	(25,655)	-
Administrative expenses	-	(109)	109
Other changes	-	(405)	405
Net changes	\$ 8,750	\$ (1,639)	\$ 10,389
Balances at June 30, 2018	\$ 295,704	\$ 72,242	\$ 223,462

Note 20—Health Insurance Credit (HIC) Program - 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 Program net HIC OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Component Unit School Board's (nonprofessional) Net HIC OPEB Liability	\$ 249,815	\$ 223,244	\$ 200,587

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

For the year ended June 30, 2019, the School Board (nonprofessional) recognized HIC Program OPEB expense of \$19,398. At June 30, 2019, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board’s (nonprofessional) HIC Program from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,947	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	1	1,715
Change in assumptions	-	2,853
Employer contributions subsequent to the measurement date	18,921	-
Total	<u>\$ 27,869</u>	<u>\$ 4,568</u>

Note 20—Health Insurance Credit (HIC) Program - Component Unit School Board (nonprofessional):
(continued)

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

\$18,921 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, 2020. 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>
2020	\$ 860
2021	860
2022	1,188
2023	1,472
2024	-
Thereafter	-

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 21- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. 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 21- Teacher Employee Health Insurance Credit (HIC) Program (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 Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees 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 Program 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 with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. 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 Program 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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$222,296 and \$231,143 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 21- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

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

At June 30, 2019, the school division reported a liability of \$2,956,000 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, 2018 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 as of that date. 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 Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion of the VRS Teacher Employee HIC Program was 0.23281% as compared to 0.23236% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$242,000. 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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	2,000
Change in assumptions	-	26,000
Change in proportion	5,000	-
Employer contributions subsequent to the measurement date	<u>222,296</u>	<u>-</u>
Total	<u>\$ 227,296</u>	<u>\$ 42,000</u>

Note 21- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

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

\$222,296 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, 2020. 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>	
2020	\$ (7,000)
2021	(7,000)
2022	(7,000)
2023	(5,000)
2024	(6,000)
Thereafter	(5,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Note 21- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Actuarial Assumptions (continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	111,639
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%

Note 21- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Net Teacher Employee HIC OPEB Liability (continued)

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

Long-Term Expected Rate of Return

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

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
 Total	 <u>100.00%</u>		 <u>4.80%</u>
		Inflation	2.50%
		*Expected arithmetic nominal return	<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Note 21- Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. 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, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,301,000	\$ 2,956,000	\$ 2,662,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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 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. As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. 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 the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and 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 Line of Duty Act Program (LODA).

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. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, 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. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Note 22-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, 2019 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 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 \$61,754 and \$47,800 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, the entity reported a liability of \$1,407,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2018 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2018, the entity's proportion was 0.44877% as compared to 0.46688% at June 30, 2017.

For the year ended June 30, 2019, the entity recognized LODA OPEB expense \$107,000. 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, 2019

Note 22-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, 2019, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 202,000	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	4,000
Change in assumptions	-	162,000
Change in proportion	6,000	47,000
Employer contributions subsequent to the measurement date	<u>61,754</u>	<u>-</u>
Total	<u>\$ 269,754</u>	<u>\$ 213,000</u>

\$61,754 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, 2020. 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:

<u>Year Ended June 30</u>	
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	(2,000)
2024	-
Thereafter	-

Note 22-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, 2017, 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, 2018. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Year of ultimate trend rate	Fiscal year ended 2024
Investment rate of return	3.89%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.89%. However, since the difference was minimal, a more conservative 3.89% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.89% was used since it approximates the risk-free rate of return.

Note 22-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 22-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 22-OPEB Plan - Line of Duty Act (LODA) Program: (Continued)

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, 2018, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 315,395
Plan Fiduciary Net Position	1,889
Employers' Net OPEB Liability (Asset)	<u>\$ 313,506</u>
 Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	 0.60%

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 the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.89% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.89% 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, 2018.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.89%. 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, 2018, 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.

Note 22-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 Discount Rate

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 3.89%, 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 (2.89%) or one percentage point higher (4.89%) than the current rate:

	Discount Rate		
	1% Decrease (2.89%)	Current (3.89%)	1% Increase (4.89%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,612,000	\$ 1,407,000	\$ 1,242,000

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 7.75% decreasing to 5.00%, 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 (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,199,000	\$ 1,407,000	\$ 1,667,000

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2019

Note 23-OPEB Summary:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
Stand-Alone Plan								
County (Note 16)	\$ 13,633	\$ 10,851	\$ 558,264	\$ 53,055	\$ -	\$ -	\$ -	\$ -
Social Services (Note 17)	3,093	2,451	232,245	21,023	-	-	-	-
School Board (Note 18)	-	-	-	-	252,669	211,894	9,478,107	603,601
VRS OPEB Plans:								
GLI Program (Note 19)								
County	46,689	44,000	402,000	(1,000)	-	-	-	-
School Board Nonprofessional	-	-	-	-	21,605	15,000	159,000	1,000
School Board Professional	-	-	-	-	177,523	149,000	1,505,000	11,000
HIC Program (Note 20)								
School Board Nonprofessional	-	-	-	-	27,869	4,568	223,462	19,398
Teacher HIC Program (Note 21)	-	-	-	-	227,296	42,000	2,956,000	242,000
Line of Duty Act (LODA) (Note 22)	269,754	213,000	1,407,000	107,000	-	-	-	-
Totals	\$ 333,169	\$ 270,302	\$ 2,599,509	\$ 180,078	\$ 706,962	\$ 422,462	\$ 14,321,569	\$ 876,999

Note 24-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 2019, a total of \$4,715,481 was paid in benefits and administrative costs. Claims for the fiscal year totaled \$4,682,655. Incurred but not reported claims of \$242,991 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:

Fiscal Year	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2018-19	\$ 275,817	\$ 4,682,655	\$ (4,715,481)	\$ 242,991
2017-18	267,340	4,373,185	(4,364,708)	275,817
2016-17	406,908	4,021,896	(4,161,464)	267,340

As of June 30, 2019, the School Board held funds totaling \$2,805,665 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 25-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, 2019, the balance owed to retired employees was \$975,418 and same has been recorded as a liability in the government-wide financial statements of the School Board.

Note 26-Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 27-Litigation:

At June 30, 2019, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 28-Subsequent Events:

In March 2020, a global COVID-19 virus outbreak was deemed a pandemic. The global impact has been significant by closing schools and businesses. The County expects a significant negative impact from the virus but as of release of these financial statements the County is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Note 29-Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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.

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,394,800	\$ 9,394,800	\$ 9,958,690	\$ 563,890
Other local taxes	2,405,050	2,405,050	2,437,083	32,033
Permits, privilege fees, and regulatory licenses	57,400	58,261	36,718	(21,543)
Fines and forfeitures	1,500	1,500	1,448	(52)
Revenue from the use of money and property	100,855	100,855	141,226	40,371
Charges for services	283,300	288,983	308,456	19,473
Miscellaneous	35,750	221,360	104,658	(116,702)
Recovered costs	98,792	173,693	306,936	133,243
Intergovernmental:				
Commonwealth	9,024,537	9,442,612	7,723,235	(1,719,377)
Federal	3,680,234	3,680,234	5,133,502	1,453,268
Total revenues	\$ 25,082,218	\$ 25,767,348	\$ 26,151,952	\$ 384,604
EXPENDITURES				
Current:				
General government administration	\$ 1,449,709	\$ 1,590,105	\$ 1,490,011	\$ 100,094
Judicial administration	1,097,949	1,150,118	1,128,396	21,722
Public safety	6,199,177	6,355,542	6,414,025	(58,483)
Public works	1,786,724	1,948,157	2,043,445	(95,288)
Health and welfare	10,214,489	10,516,801	10,063,400	453,401
Education	4,053,898	4,053,898	4,985,444	(931,546)
Parks, recreation, and cultural	312,426	326,364	311,380	14,984
Community development	274,474	459,152	401,214	57,938
Nondepartmental	50,000	101,045	68,994	32,051
Capital projects	105,000	105,000	20,812	84,188
Debt service:				
Principal retirement	805,419	805,419	805,419	-
Interest and other fiscal charges	325,700	435,054	212,406	222,648
Total expenditures	\$ 26,674,965	\$ 27,846,655	\$ 27,944,946	\$ (98,291)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,592,747)	\$ (2,079,307)	\$ (1,792,994)	\$ 286,313
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ -	\$ 253,260	\$ 253,260
Net change in fund balances	\$ (1,592,747)	\$ (2,079,307)	\$ (1,539,734)	\$ 539,573
Fund balances - beginning	1,592,747	2,079,307	11,364,606	9,285,299
Fund balances - ending	\$ -	\$ -	\$ 9,824,872	\$ 9,824,872

County of Lee, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 501,462	\$ 553,015	\$ 523,986	\$ 519,855	\$ 497,545
Interest	1,901,147	1,814,713	1,779,690	1,755,642	1,696,544
Differences between expected and actual experience	(913,317)	212,734	(366,190)	(556,334)	-
Changes in assumptions	-	115,569	-	-	-
Benefit payments, including refunds of employee contributions	(1,424,678)	(1,497,842)	(1,376,489)	(1,374,746)	(1,324,920)
Net change in total pension liability	\$ 64,614	\$ 1,198,189	\$ 560,997	\$ 344,417	\$ 869,169
Total pension liability - beginning	27,871,579	26,673,390	26,112,393	25,767,976	24,898,807
Total pension liability - ending (a)	\$ 27,936,193	\$ 27,871,579	\$ 26,673,390	\$ 26,112,393	\$ 25,767,976
Plan fiduciary net position					
Contributions - employer	\$ 463,180	\$ 455,072	\$ 593,517	\$ 583,877	\$ 577,169
Contributions - employee	243,322	260,932	250,978	240,822	239,677
Net investment income	1,817,907	2,750,162	390,544	1,024,065	3,117,027
Benefit payments, including refunds of employee contributions	(1,424,678)	(1,497,842)	(1,376,489)	(1,374,746)	(1,324,920)
Administrative expense	(15,963)	(16,354)	(14,461)	(14,367)	(17,085)
Other	(1,605)	(2,421)	(168)	(215)	164
Net change in plan fiduciary net position	\$ 1,082,163	\$ 1,949,549	\$ (156,079)	\$ 459,436	\$ 2,592,032
Plan fiduciary net position - beginning	24,777,357	22,827,808	22,983,887	22,524,451	19,932,419
Plan fiduciary net position - ending (b)	\$ 25,859,520	\$ 24,777,357	\$ 22,827,808	\$ 22,983,887	\$ 22,524,451
County's net pension liability - ending (a) - (b)	\$ 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	92.57%	88.90%	85.58%	88.02%	87.41%
Covered payroll	\$ 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	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)
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 175,267	\$ 179,744	\$ 173,589	\$ 182,298	\$ 176,934
Interest	1,004,915	990,523	948,050	944,384	932,718
Differences between expected and actual experience	(50,174)	(28,640)	484,389	(92,679)	-
Changes in assumptions	-	92,928	-	-	-
Benefit payments, including refunds of employee contributions	(1,036,839)	(1,021,060)	(977,492)	(985,772)	(900,230)
Net change in total pension liability	\$ 93,169	\$ 213,495	\$ 628,536	\$ 48,231	\$ 209,422
Total pension liability - beginning	14,874,348	14,660,853	14,032,317	13,984,086	13,774,664
Total pension liability - ending (a)	\$ 14,967,517	\$ 14,874,348	\$ 14,660,853	\$ 14,032,317	\$ 13,984,086
Plan fiduciary net position					
Contributions - employer	\$ 559,501	\$ 539,130	\$ 520,334	\$ 498,642	\$ 412,585
Contributions - employee	93,652	91,102	89,193	86,145	83,036
Net investment income	583,937	894,797	126,337	347,642	1,098,282
Benefit payments, including refunds of employee contributions	(1,036,839)	(1,021,060)	(977,492)	(985,772)	(900,230)
Administrative expense	(5,241)	(5,414)	(4,950)	(5,081)	(6,222)
Other	(514)	(790)	(56)	(77)	58
Net change in plan fiduciary net position	\$ 194,496	\$ 497,765	\$ (246,634)	\$ (58,501)	\$ 687,509
Plan fiduciary net position - beginning	8,087,967	7,590,202	7,836,836	7,895,337	7,207,828
Plan fiduciary net position - ending (b)	\$ 8,282,463	\$ 8,087,967	\$ 7,590,202	\$ 7,836,836	\$ 7,895,337
School Division's net pension liability - ending (a) - (b)	\$ 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	55.34%	54.38%	51.77%	55.85%	56.46%
Covered payroll	\$ 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	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 VRS Teacher Retirement Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.2335%	0.2334%	0.2326%	0.2407%	0.0234%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 27,460,000	\$ 28,707,000	\$ 32,600,000	\$ 30,289,000	\$ 28,300,000
Employer's Covered Payroll	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	146.13%	158.12%	184.87%	170.99%	164.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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
 For the Years Ended June 30, 2010 through June 30, 2019

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					
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%
2012	371,629	371,629	-	4,461,330	8.33%
2011	376,910	376,910	-	4,524,728	8.33%
2010	361,103	361,103	-	4,430,717	8.15%
Component Unit School Board (nonprofessional)					
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%
2012	427,876	427,876	-	1,645,044	26.01%
2011	461,780	461,780	-	1,775,394	26.01%
2010	471,425	471,425	-	1,886,453	24.99%
Component Unit School Board (professional)					
2019	\$ 2,848,282	\$ 2,848,282	-	\$ 18,524,767	15.38%
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%
2012	1,213,014	1,213,014	-	19,162,934	6.33%
2011	791,571	791,571	-	20,116,158	3.94%
2010	1,834,986	1,834,986	-	20,828,449	8.81%

County of Lee, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

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, 2019 and June 30, 2018

	2019	2018
Total OPEB liability		
Service cost	\$ 31,655	\$ 32,443
Interest	20,648	18,273
Changes in assumptions	17,318	(16,717)
Benefit payments	(26,207)	(17,415)
Net change in total OPEB liability	\$ 43,414	\$ 16,584
Total OPEB liability - beginning	514,850	498,266
Total OPEB liability - ending	\$ 558,264	\$ 514,850
Covered payroll	\$ 3,155,900	\$ 3,155,900
County's total OPEB liability (asset) as a percentage of covered payroll	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, 2019 and June 30, 2018

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 12,092	\$ 12,319
Interest	8,702	7,633
Changes in assumptions	4,197	(4,201)
Benefit payments	(10,935)	(6,596)
Net change in total OPEB liability	<u>\$ 14,056</u>	<u>\$ 9,155</u>
Total OPEB liability - beginning	<u>218,189</u>	<u>209,034</u>
Total OPEB liability - ending	<u><u>\$ 232,245</u></u>	<u><u>\$ 218,189</u></u>
Covered payroll	\$ 1,466,200	\$ 1,466,200
DSS's total OPEB liability (asset) as a percentage of covered payroll	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, 2019 and June 30, 2018

	2019	2018
Total OPEB liability		
Service cost	\$ 242,204	\$ 254,040
Interest	353,088	331,443
Changes in assumptions	311,429	(312,796)
Benefit payments	(614,457)	(600,038)
Net change in total OPEB liability	\$ 292,264	\$ (327,351)
Total OPEB liability - beginning	9,185,843	9,513,194
Total OPEB liability - ending	\$ 9,478,107	\$ 9,185,843
Covered payroll	\$ 19,788,600	\$ 19,788,600
School Board's total OPEB liability (asset) as a percentage of covered payroll	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, 2019

County, DSS, and School Board

Valuation Date: 6/30/2017
 Measurement Date: 6/30/2019

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	3.87% as of June 30, 2018; 3.50% as of June 30, 2019
Inflation	2.50% per year as of June 30, 2018 and June 30, 2019
Healthcare Trend Rate - County	The healthcare trend rate assumption starts at 7.30% for 2018 decreasing to an ultimate rate of 4.20% over 73 years
Healthcare Trend Rate - DSS	The healthcare trend rate assumption starts at 7.20% for 2018 decreasing to an ultimate rate of 4.20% over 75 years
Healthcare Trend Rate - School Board	The healthcare trend rate assumption starts at 7.50% for 2018 decreasing to an ultimate rate of 4.30% over 69 years
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	The mortality rates for active employees was calculated using the RP-2000 Employee Mortality Tables projected to 2020 using Scale AA with males set forward 2 years (5 years for public safety employees) and females set back 3 years. The mortality rates for healthy retirees was calculated using the RP-2000 Combined Healthy Mortality tables projected to 2020 using Scale AA with females set back one year. The mortality rates for disabled retirees was calculated using the RP-2000 Disabled Life mortality tables with males set back 3 years and no provision for future mortality improvement.

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

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)
2018	0.0265%	\$ 402,000	\$ 5,023,489	8.00%	51.22%
2017	0.0266%	401,000	4,907,011	8.17%	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 Program
 For the Years Ended June 30, 2010 through June 30, 2019

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)
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%
2012	12,542	12,542	-	4,479,255	0.28%
2011	12,688	12,688	-	4,531,515	0.28%
2010	8,996	8,996	-	3,331,860	0.27%

County of Lee, Virginia
 Schedule of School Board Nonprofessional's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

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)
2019	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 Program
 For the Years Ended June 30, 2010 through June 30, 2019

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)
2019	\$ 10,605	\$ 10,605	-	\$ 2,029,302	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%
2012	4,624	4,624	-	1,651,454	0.28%
2011	4,998	4,998	-	1,785,009	0.28%
2010	3,759	3,759	-	1,392,265	0.27%

County of Lee, Virginia
 Schedule of School Board Professional's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

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)
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 Program
 For the Years Ended June 30, 2010 through June 30, 2019

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)
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%
2012	53,576	53,576	-	19,134,130	0.28%
2011	56,407	56,407	-	20,145,204	0.28%
2010	40,208	40,208	-	14,891,980	0.27%

County of Lee, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Lee, Virginia
 Schedule of Changes in the School Board Nonprofessional's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Total HIC OPEB Liability		
Service cost	\$ 3,777	\$ 4,000
Interest	19,189	20,000
Differences between expected and actual experience	11,439	-
Changes in assumptions	-	(5,000)
Benefit payments	(25,655)	(23,000)
Net change in total HIC OPEB liability	\$ 8,750	\$ (4,000)
Total HIC OPEB Liability - beginning	286,954	291,000
Total HIC OPEB Liability - ending (a)	\$ 295,704	\$ 287,000
Plan fiduciary net position		
Contributions - employer	\$ 19,589	\$ 19,000
Net investment income	4,941	8,000
Benefit payments	(25,655)	(23,000)
Administrative expense	(109)	-
Other	(405)	-
Net change in plan fiduciary net position	\$ (1,639)	\$ 4,000
Plan fiduciary net position - beginning	73,881	70,000
Plan fiduciary net position - ending (b)	\$ 72,242	\$ 74,000
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 223,462	\$ 213,000
Plan fiduciary net position as a percentage of the total HIC OPEB liability	24.43%	25.78%
Covered payroll	\$ 1,978,801	\$ 1,929,643
School Board's net HIC OPEB liability as a percentage of covered payroll	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) Program
 For the Years Ended June 30, 2010 through June 30, 2019

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)
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%
2012	18,594	18,594	-	1,660,184	1.12%
2011	19,835	19,835	-	1,770,966	1.12%
2010	37,379	37,379	-	1,887,836	1.98%

County of Lee, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

County of Lee, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

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)
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) Program
 For the Years Ended June 30, 2010 through June 30, 2019

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)
2019	\$ 222,296	\$ 222,296	-	\$ 18,553,712	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%
2012	114,978	114,978	-	19,162,934	0.60%
2011	120,697	120,697	-	20,116,158	0.60%
2010	154,240	154,240	-	14,830,739	1.04%

County of Lee, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

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, 2018 and 2017

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)
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. Since 2018 is the first year for this presentation, only two years of data is 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, 2016 through June 30, 2019

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)
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
2016	45,269	45,269	-	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, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Employees in the Largest Ten Locality Employers with Public Safety Employees

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

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

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

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, 2019

	Airport Project Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 1,710	\$ 1,710
Total revenues	\$ -	\$ -	\$ 1,710	\$ 1,710
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,710	\$ 1,710
Net change in fund balances	\$ -	\$ -	\$ 1,710	\$ 1,710
Fund balances - beginning	-	-	588,868	588,868
Fund balances - ending	\$ -	\$ -	\$ 590,578	\$ 590,578

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, 2019

	Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal	\$ 1,580,000	\$ 1,585,851	\$ 98,270	\$ (1,487,581)
Total revenues	<u>\$ 1,580,000</u>	<u>\$ 1,585,851</u>	<u>\$ 98,270</u>	<u>\$ (1,487,581)</u>
EXPENDITURES				
Current:				
Community development	\$ 1,580,000	\$ 1,585,851	\$ 98,270	\$ 1,487,581
Total expenditures	<u>\$ 1,580,000</u>	<u>\$ 1,585,851</u>	<u>\$ 98,270</u>	<u>\$ 1,487,581</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	195,480	195,480
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,480</u>	<u>\$ 195,480</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, 2019

	Coal Road Improvement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ 2,957	\$ 7,416	\$ 4,459
Total revenues	\$ -	\$ 2,957	\$ 7,416	\$ 4,459
EXPENDITURES				
Current:				
Public works	\$ -	\$ 2,957	\$ 2,956	\$ 1
Total expenditures	\$ -	\$ 2,957	\$ 2,956	\$ 1
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 4,460	\$ 4,460
Net change in fund balances	\$ -	\$ -	\$ 4,460	\$ 4,460
Fund balances - beginning	-	-	6,184	6,184
Fund balances - ending	\$ -	\$ -	\$ 10,644	\$ 10,644

County of Lee, Virginia
 Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2019

	Agency Funds			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2019</u>
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	\$ 65,729	\$ 55,859	\$ (46,196)	\$ 75,392
Total assets	\$ 65,729	\$ 55,859	\$ (46,196)	\$ 75,392
LIABILITIES				
Amounts held for others:				
Social Services clients	\$ 65,729	\$ 55,859	\$ (46,196)	\$ 75,392
Total liabilities	\$ 65,729	\$ 55,859	\$ (46,196)	\$ 75,392

County of Lee, Virginia
 Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 As of June 30, 2019

	<u>School Operating Fund</u>	<u>School Head Start Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 729,279	\$ 12,699	\$ 741,978
Cash held at school cafeterias	18,655	-	18,655
Due from primary government	1,175,508	-	1,175,508
Due from other governmental units	751,227	-	751,227
Total assets	\$ 2,674,669	\$ 12,699	\$ 2,687,368
LIABILITIES			
Accounts payable	\$ 284,081	\$ -	\$ 284,081
Accrued liabilities	1,668,268	-	1,668,268
Total liabilities	\$ 1,952,349	\$ -	\$ 1,952,349
FUND BALANCES			
Restricted:			
Head Start program	\$ -	\$ 12,699	\$ 12,699
Cafeteria operations	697,177	-	697,177
Retirement	25,143	-	25,143
Total fund balances	\$ 722,320	\$ 12,699	\$ 735,019
Total liabilities and fund balances	\$ 2,674,669	\$ 12,699	\$ 2,687,368

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

Total fund balances per above		\$ 735,019
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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	786,908	
Buildings and improvements	5,325,812	
Machinery and equipment	1,238,734	7,880,343

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.

2,562,674

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

Pension related items	\$ 4,040,787	
OPEB related items	706,962	4,747,749

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	\$ (799,090)	
Early retirement incentive plan liability	(975,418)	
Net pension liability	(34,145,054)	
Net OPEB liabilities	(14,321,569)	(50,241,131)

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

Pension related items	\$ (3,708,770)	
OPEB related items	(422,462)	(4,131,232)

Net position of governmental activities		\$ (38,446,578)
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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, 2019

	<u>School Operating Fund</u>	<u>School Head Start Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 6,507	\$ -	\$ 6,507
Charges for services	178,862	-	178,862
Miscellaneous	30,672	10,031	40,703
Recovered costs	813,306	254	813,560
Intergovernmental:			
Local government	4,963,936	-	4,963,936
Commonwealth	27,112,792	-	27,112,792
Federal	4,816,029	1,547,047	6,363,076
Total revenues	<u>\$ 37,922,104</u>	<u>\$ 1,557,332</u>	<u>\$ 39,479,436</u>
EXPENDITURES			
Current:			
Education	\$ 38,078,342	\$ 1,561,180	\$ 39,639,522
Total expenditures	<u>\$ 38,078,342</u>	<u>\$ 1,561,180</u>	<u>\$ 39,639,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (156,238)</u>	<u>\$ (3,848)</u>	<u>\$ (160,086)</u>
Net change in fund balances	\$ (156,238)	\$ (3,848)	\$ (160,086)
Fund balances - beginning	878,558	16,547	895,105
Fund balances - ending	<u>\$ 722,320</u>	<u>\$ 12,699</u>	<u>\$ 735,019</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			\$ (160,086)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
Capital outlays		\$ 788,007	
Depreciation expenses		<u>(836,584)</u>	(48,577)
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		\$ 46,250	
(Increase) Decrease in early retirement incentive plan liability		369,528	
Change in net pension liabilities and related items		1,512,397	
Change in net OPEB liabilities and related items		<u>87,435</u>	2,015,610
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.			
			(99,587)
Change in net position of governmental activities			<u>\$ 1,707,360</u>

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, 2019

	School Operating Fund				School Head Start Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ 1,600	\$ 1,600	\$ 6,507	\$ 4,907	\$ -	\$ -	\$ -	\$ -
Charges for services	316,207	316,207	178,862	(137,345)	-	-	-	-
Miscellaneous	21,600	21,600	30,672	9,072	-	-	10,031	10,031
Recovered costs	662,380	662,380	813,306	150,926	-	-	254	254
Intergovernmental:								
Local government	4,351,078	4,351,078	4,963,936	612,858	-	-	-	-
Commonwealth	26,764,275	26,764,275	27,112,792	348,517	-	-	-	-
Federal	4,621,470	4,621,470	4,816,029	194,559	1,408,547	1,561,180	1,547,047	(14,133)
Total revenues	\$ 36,738,610	\$ 36,738,610	\$ 37,922,104	\$ 1,183,494	\$ 1,408,547	\$ 1,561,180	\$ 1,557,332	\$ (3,848)
EXPENDITURES								
Current:								
Education	\$ 37,136,710	\$ 37,136,710	\$ 38,078,342	\$ (941,632)	\$ 1,408,547	\$ 1,561,180	\$ 1,561,180	\$ -
Total expenditures	\$ 37,136,710	\$ 37,136,710	\$ 38,078,342	\$ (941,632)	\$ 1,408,547	\$ 1,561,180	\$ 1,561,180	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ (398,100)	\$ (398,100)	\$ (156,238)	\$ 241,862	\$ -	\$ -	\$ (3,848)	\$ (3,848)
Net change in fund balances	\$ (398,100)	\$ (398,100)	\$ (156,238)	\$ 241,862	\$ -	\$ -	\$ (3,848)	\$ (3,848)
Fund balances - beginning	398,100	398,100	878,558	480,458	-	-	16,547	16,547
Fund balances - ending	\$ -	\$ -	\$ 722,320	\$ 722,320	\$ -	\$ -	\$ 12,699	\$ 12,699

County of Lee, Virginia
Statement of Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
As of June 30, 2019

	Self- Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,805,665
Total assets	\$ 2,805,665
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 242,991
Total liabilities	\$ 242,991
 NET POSITION	
Restricted	\$ 2,562,674
Total net position	\$ 2,562,674

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, 2019

	<u>Self- Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 4,588,669
Total operating revenues	<u>\$ 4,588,669</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 4,715,481
Total operating expenses	<u>\$ 4,715,481</u>
Operating income (loss)	<u>\$ (126,812)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>\$ 27,225</u>
Change in net position	\$ (99,587)
Total net position - beginning	<u>2,662,261</u>
Total net position - ending	<u><u>\$ 2,562,674</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, 2019

	Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 4,588,669
Payments for premiums	(4,748,307)
Net cash provided by (used for) operating activities	<u>\$ (159,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 27,225
Net cash provided by (used for) investing activities	<u>\$ 27,225</u>
Net increase (decrease) in cash and cash equivalents	\$ (132,413)
Cash and cash equivalents - beginning	<u>2,938,078</u>
Cash and cash equivalents - ending	<u><u>\$ 2,805,665</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (126,812)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	\$ (32,826)
Total adjustments	<u>\$ (32,826)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (159,638)</u></u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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	\$ 5,950,000	\$ 5,950,000	\$ 6,033,639	\$ 83,639
Real and personal public service corporation taxes	586,000	586,000	530,213	(55,787)
Personal property taxes	1,849,000	1,849,000	1,903,840	54,840
Mobile home taxes	88,500	88,500	92,979	4,479
Machinery and tools taxes	350,000	350,000	761,996	411,996
Merchant's capital	67,800	67,800	68,727	927
Business personal property	203,500	203,500	215,065	11,565
Penalties	145,000	145,000	190,121	45,121
Interest	155,000	155,000	162,110	7,110
Total general property taxes	<u>\$ 9,394,800</u>	<u>\$ 9,394,800</u>	<u>\$ 9,958,690</u>	<u>\$ 563,890</u>
Other local taxes:				
Local sales and use taxes	\$ 1,280,000	\$ 1,280,000	\$ 1,315,804	\$ 35,804
Consumers' utility and consumption taxes	435,000	435,000	432,418	(2,582)
Coal severance taxes	-	-	19,163	19,163
Oil and gas severance taxes	5,000	5,000	3,013	(1,987)
Motor vehicle licenses	568,000	568,000	580,901	12,901
Bank stock taxes	60,000	60,000	31,380	(28,620)
Taxes on recordation and wills	55,300	55,300	52,737	(2,563)
Hotel and motel room taxes	1,600	1,600	1,530	(70)
Amusement tax	150	150	137	(13)
Total other local taxes	<u>\$ 2,405,050</u>	<u>\$ 2,405,050</u>	<u>\$ 2,437,083</u>	<u>\$ 32,033</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,800	\$ 1,800	\$ 2,246	\$ 446
Zoning and subdivision permits	4,000	4,000	2,423	(1,577)
Transfer fees	800	800	849	49
Gun permits	2,800	2,800	2,718	(82)
Contractor's licenses	8,000	8,000	3,947	(4,053)
Building permits	40,000	40,861	24,535	(16,326)
Total permits, privilege fees, and regulatory licenses	<u>\$ 57,400</u>	<u>\$ 58,261</u>	<u>\$ 36,718</u>	<u>\$ (21,543)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,500	\$ 1,500	\$ 1,448	\$ (52)
Revenue from use of money and property:				
Revenue from use of money	\$ 37,000	\$ 37,000	\$ 77,753	\$ 40,753
Revenue from use of property	63,855	63,855	63,473	(382)
Total revenue from use of money and property	<u>\$ 100,855</u>	<u>\$ 100,855</u>	<u>\$ 141,226</u>	<u>\$ 40,371</u>
Charges for services:				
Charges for excess clerk fees	\$ 1,500	\$ 1,500	\$ 1,219	\$ (281)
Charges for courthouse maintenance	5,000	5,000	4,495	(505)
Charges for courthouse security	30,000	30,000	26,289	(3,711)
Charges for Commonwealth's Attorney	3,000	3,000	3,009	9
Charges for inmates	1,500	1,500	1,107	(393)
Charges for aviation fuel	12,000	12,000	21,719	9,719
Charges for sanitation, waste removal and recycling	152,000	152,000	169,202	17,202
Charges for parks and recreation	6,000	6,000	6,512	512
Charges for administration fee of prison water billings	60,000	60,000	58,367	(1,633)
Charges for garage services	11,000	16,683	15,506	(1,177)
Other charges for services	1,300	1,300	1,031	(269)
Total charges for services	<u>\$ 283,300</u>	<u>\$ 288,983</u>	<u>\$ 308,456</u>	<u>\$ 19,473</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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	\$ 35,750	\$ 41,028	\$ 30,434	\$ (10,594)
Contributions	-	19,548	17,035	(2,513)
Economic development	-	160,784	57,189	(103,595)
Total miscellaneous	<u>\$ 35,750</u>	<u>\$ 221,360</u>	<u>\$ 104,658</u>	<u>\$ (116,702)</u>
Recovered costs:				
Insurance recovery	\$ 29,792	\$ 50,347	\$ 28,694	\$ (21,653)
Welfare refunds and recoveries	-	-	100,722	100,722
Juror and witness recoveries	-	-	36,249	36,249
Delinquent tax collection fees	12,000	13,176	30,099	16,923
Other recovered costs	57,000	110,170	111,172	1,002
Total recovered costs	<u>\$ 98,792</u>	<u>\$ 173,693</u>	<u>\$ 306,936</u>	<u>\$ 133,243</u>
Total revenue from local sources	<u>\$ 12,377,447</u>	<u>\$ 12,644,502</u>	<u>\$ 13,295,215</u>	<u>\$ 650,713</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 97,200	\$ 97,200	\$ 99,635	\$ 2,435
Mobile home titling tax	65,000	65,000	57,758	(7,242)
Motor vehicle rental tax	6,500	6,500	6,000	(500)
Telecommunications taxes	395,000	395,000	363,657	(31,343)
Grantor's tax	13,000	13,000	18,876	5,876
State recordation tax	23,000	23,000	17,274	(5,726)
Personal property tax relief funds	798,646	798,646	798,646	-
Total noncategorical aid	<u>\$ 1,398,346</u>	<u>\$ 1,398,346</u>	<u>\$ 1,361,846</u>	<u>\$ (36,500)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 385,814	\$ 385,814	\$ 408,489	\$ 22,675
Sheriff	1,586,539	1,586,539	1,467,611	(118,928)
Commissioner of revenue	125,785	125,785	126,374	589
Treasurer	91,939	91,939	90,333	(1,606)
Registrar/electoral board	42,786	42,786	40,687	(2,099)
Clerk of the Circuit Court	301,022	304,159	324,218	20,059
Total shared expenses	<u>\$ 2,533,885</u>	<u>\$ 2,537,022</u>	<u>\$ 2,457,712</u>	<u>\$ (79,310)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 3,235,092	\$ 3,527,814	\$ 2,472,668	\$ (1,055,146)
Children's services act	1,592,350	1,592,350	1,036,824	(555,526)
Law enforcement grants	17,763	25,057	22,530	(2,527)
Litter control grant	10,318	10,318	10,319	1
School resource officer	36,000	93,390	36,521	(56,869)
Fire programs	75,702	75,702	-	(75,702)
Records preservation grant	-	10,666	10,656	(10)
VDOT revenue sharing grant	-	-	108,793	108,793
Commissioner of revenue grant	-	5,542	2,850	(2,692)
Victim-witness grant	29,981	29,981	24,022	(5,959)
Four-for-life payments	19,700	21,470	25,476	4,006
VDOT litter grant	30,000	30,000	22,080	(7,920)
E-911 wireless grant	43,400	43,400	64,040	20,640

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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)				
Asset forfeitures	\$ -	\$ 32,496	\$ 62,340	\$ 29,844
Emergency management grant	2,000	2,000	-	(2,000)
Triad grant	-	2,058	2,058	-
Other state aid	-	5,000	2,500	(2,500)
Total other categorical aid	<u>\$ 5,092,306</u>	<u>\$ 5,507,244</u>	<u>\$ 3,903,677</u>	<u>\$ (1,603,567)</u>
Total categorical aid	<u>\$ 7,626,191</u>	<u>\$ 8,044,266</u>	<u>\$ 6,361,389</u>	<u>\$ (1,682,877)</u>
Total revenue from the Commonwealth	<u>\$ 9,024,537</u>	<u>\$ 9,442,612</u>	<u>\$ 7,723,235</u>	<u>\$ (1,719,377)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 188,300</u>	<u>\$ 188,300</u>	<u>\$ 213,188</u>	<u>\$ 24,888</u>
Categorical aid:				
Public assistance and welfare administration	\$ 3,250,062	\$ 3,250,062	\$ 3,250,062	\$ -
Children's services act	113,750	113,750	113,750	-
Victim witness grant	72,066	72,066	72,066	-
Workforce grants	-	-	1,397,135	1,397,135
Federal asset forfeitures	-	-	20,632	20,632
State and community highway safety	20,000	20,000	13,141	(6,859)
Domestic violence grant	36,056	36,056	53,528	17,472
Total categorical aid	<u>\$ 3,491,934</u>	<u>\$ 3,491,934</u>	<u>\$ 4,920,314</u>	<u>\$ 1,428,380</u>
Total revenue from the federal government	<u>\$ 3,680,234</u>	<u>\$ 3,680,234</u>	<u>\$ 5,133,502</u>	<u>\$ 1,453,268</u>
Total General Fund	<u>\$ 25,082,218</u>	<u>\$ 25,767,348</u>	<u>\$ 26,151,952</u>	<u>\$ 384,604</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road severance taxes	\$ -	\$ 2,957	\$ 7,416	\$ 4,459
Total revenue from local sources	<u>\$ -</u>	<u>\$ 2,957</u>	<u>\$ 7,416</u>	<u>\$ 4,459</u>
Total Coal Road Improvement Fund	<u>\$ -</u>	<u>\$ 2,957</u>	<u>\$ 7,416</u>	<u>\$ 4,459</u>
Capital Projects Funds:				
Airport Project Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State aviation grant	\$ -	\$ -	\$ 1,710	\$ 1,710
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,710</u>	<u>\$ 1,710</u>
Total Airport Project Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,710</u>	<u>\$ 1,710</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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:				
Capital Improvements Fund:				
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 1,080,000	\$ 1,085,851	\$ 98,270	\$ (987,581)
ARC grants	500,000	500,000	-	(500,000)
Total categorical aid	<u>\$ 1,580,000</u>	<u>\$ 1,585,851</u>	<u>\$ 98,270</u>	<u>\$ (1,487,581)</u>
Total revenue from the federal government	<u>\$ 1,580,000</u>	<u>\$ 1,585,851</u>	<u>\$ 98,270</u>	<u>\$ (1,487,581)</u>
Total Capital Improvements Fund	<u>\$ 1,580,000</u>	<u>\$ 1,585,851</u>	<u>\$ 98,270</u>	<u>\$ (1,487,581)</u>
Total Primary Government	<u>\$ 26,662,218</u>	<u>\$ 27,356,156</u>	<u>\$ 26,259,348</u>	<u>\$ (1,096,808)</u>
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	<u>\$ 1,600</u>	<u>\$ 1,600</u>	<u>\$ 6,507</u>	<u>\$ 4,907</u>
Charges for services:				
Cafeteria sales	\$ 271,207	\$ 271,207	\$ 116,556	\$ (154,651)
Payments from other localities	35,000	35,000	41,717	6,717
Transportation of pupils	10,000	10,000	20,589	10,589
Total charges for services	<u>\$ 316,207</u>	<u>\$ 316,207</u>	<u>\$ 178,862</u>	<u>\$ (137,345)</u>
Miscellaneous:				
Other miscellaneous	<u>\$ 21,600</u>	<u>\$ 21,600</u>	<u>\$ 30,672</u>	<u>\$ 9,072</u>
Recovered costs:				
JROTC revenues	\$ 105,000	\$ 105,000	\$ 84,112	\$ (20,888)
Medicaid reimbursements	250,000	250,000	317,219	67,219
Insurance reimbursements	-	-	500	500
E-rate reimbursements	267,118	267,118	238,688	(28,430)
Other recovered costs	40,262	40,262	172,787	132,525
Total recovered costs	<u>\$ 662,380</u>	<u>\$ 662,380</u>	<u>\$ 813,306</u>	<u>\$ 150,926</u>
Total revenue from local sources	<u>\$ 1,001,787</u>	<u>\$ 1,001,787</u>	<u>\$ 1,029,347</u>	<u>\$ 27,560</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lee, Virginia	<u>\$ 4,351,078</u>	<u>\$ 4,351,078</u>	<u>\$ 4,963,936</u>	<u>\$ 612,858</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,645,773	\$ 3,645,773	\$ 3,690,728	\$ 44,955
Basic school aid	12,529,160	12,529,160	12,492,319	(36,841)
VPSA school security grant	70,000	70,000	100,000	30,000
Gifted and talented	123,690	123,690	123,580	(110)
Remedial education	635,767	635,767	635,767	-
Special education	2,377,322	2,377,322	2,393,250	15,928
Textbook payment	249,087	249,087	248,865	(222)
Vocational standards of quality payments	-	-	6,770	6,770
Vocational adult education	-	-	23,374	23,374
Social security-instructional	868,304	868,304	867,531	(773)
Retirement-instructional	1,917,195	1,917,195	1,915,489	(1,706)
Group life	59,371	59,371	59,318	(53)
State lottery payments	849,408	849,408	900,033	50,625
Special education foster children	59,306	59,306	37,493	(21,813)
Special education homebound	57,856	57,856	88,207	30,351
Early reading intervention	124,034	124,034	115,765	(8,269)
Career and technology	46,151	46,151	50,756	4,605
School food programs	26,576	26,576	57,276	30,700
Vocational education	818,828	818,828	818,099	(729)
GED prep program	15,717	15,717	16,710	993
At risk payments	850,066	850,066	944,790	94,724
Alternative education	196,415	196,415	196,415	-
Primary class size	834,219	834,219	798,176	(36,043)
VPSA technology	310,000	310,000	310,000	-
Mentor teacher program	4,550	4,550	1,032	(3,518)
Standards of Learning algebra readiness	75,591	75,591	72,672	(2,919)
English as a second language	5,548	5,548	6,657	1,109
Other state funds	7,341	7,341	141,720	134,379
Breakfast after the bell	7,000	7,000	-	(7,000)
Total categorical aid	<u>\$ 26,764,275</u>	<u>\$ 26,764,275</u>	<u>\$ 27,112,792</u>	<u>\$ 348,517</u>
Total revenue from the Commonwealth	<u>\$ 26,764,275</u>	<u>\$ 26,764,275</u>	<u>\$ 27,112,792</u>	<u>\$ 348,517</u>
Revenue from the federal government:				
Categorical aid:				
Rural and low income schools	\$ 39,046	\$ 39,046	\$ 69,103	\$ 30,057
Title I	1,432,105	1,432,105	1,716,443	284,338
Title VI-B, special education flow-through	833,625	833,625	860,413	26,788
Vocational education	67,622	67,622	68,794	1,172
Student support	-	-	147,346	147,346
Title VI-B, special education pre-school	27,176	27,176	24,790	(2,386)
School food programs	2,130,616	2,130,616	1,645,940	(484,676)
Forest reserve funds	1,586	1,586	19,311	17,725
Improving teacher quality	89,694	89,694	263,889	174,195
Total categorical aid	<u>\$ 4,621,470</u>	<u>\$ 4,621,470</u>	<u>\$ 4,816,029</u>	<u>\$ 194,559</u>
Total revenue from the federal government	<u>\$ 4,621,470</u>	<u>\$ 4,621,470</u>	<u>\$ 4,816,029</u>	<u>\$ 194,559</u>
Total School Operating Fund	<u>\$ 36,738,610</u>	<u>\$ 36,738,610</u>	<u>\$ 37,922,104</u>	<u>\$ 1,183,494</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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)				
Special Revenue Fund:				
School Head Start Fund:				
Revenue from local sources:				
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 10,031	\$ 10,031
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 254	\$ 254
Total revenue from local sources	\$ -	\$ -	\$ 10,285	\$ 10,285
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Head Start	\$ 1,408,547	\$ 1,561,180	\$ 1,405,972	\$ (155,208)
USDA	-	-	141,075	141,075
Total categorical aid	\$ 1,408,547	\$ 1,561,180	\$ 1,547,047	\$ (14,133)
Total revenue from the federal government	\$ 1,408,547	\$ 1,561,180	\$ 1,547,047	\$ (14,133)
Total School Head Start Fund	\$ 1,408,547	\$ 1,561,180	\$ 1,557,332	\$ (3,848)
Total Discretely Presented Component Unit - School Board	\$ 38,147,157	\$ 38,299,790	\$ 39,479,436	\$ 1,179,646

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 103,290	\$ 197,833	\$ 162,433	\$ 35,400
Housing authority	3,000	3,000	2,450	550
RADA	1,941	1,941	1,214	727
Total legislative	<u>\$ 108,231</u>	<u>\$ 202,774</u>	<u>\$ 166,097</u>	<u>\$ 36,677</u>
General and financial administration:				
County administrator	\$ 144,326	\$ 144,326	\$ 143,320	\$ 1,006
Audit services	68,200	71,362	67,562	3,800
Legal services	23,017	23,017	20,137	2,880
Commissioner of revenue	313,971	319,513	316,331	3,182
Central purchasing	32,970	32,970	32,800	170
Treasurer	280,281	280,281	273,213	7,068
Delinquent tax collections	47,500	58,411	58,411	-
Central accounting	56,065	56,065	55,433	632
Central garage	138,703	164,941	160,076	4,865
Data processing	48,857	48,857	39,264	9,593
Reassessment	158	158	129	29
Total general and financial administration	<u>\$ 1,154,048</u>	<u>\$ 1,199,901</u>	<u>\$ 1,166,676</u>	<u>\$ 33,225</u>
Board of elections:				
Electoral board and officials	\$ 61,258	\$ 61,258	\$ 35,244	\$ 26,014
Registrar	126,172	126,172	121,994	4,178
Total board of elections	<u>\$ 187,430</u>	<u>\$ 187,430</u>	<u>\$ 157,238</u>	<u>\$ 30,192</u>
Total general government administration	<u>\$ 1,449,709</u>	<u>\$ 1,590,105</u>	<u>\$ 1,490,011</u>	<u>\$ 100,094</u>
Judicial administration:				
Courts:				
Circuit court	\$ 61,652	\$ 67,830	\$ 49,211	\$ 18,619
General district court	4,650	4,650	14,987	(10,337)
Clerk of the circuit court	428,925	446,263	441,749	4,514
Juvenile and domestic relations court	1,860	1,860	1,864	(4)
Victim and witness assistance	102,248	102,248	96,087	6,161
Special magistrates	1,020	1,020	652	368
Total courts	<u>\$ 600,355</u>	<u>\$ 623,871</u>	<u>\$ 604,550</u>	<u>\$ 19,321</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 497,594	\$ 526,247	\$ 523,846	\$ 2,401
Total judicial administration	<u>\$ 1,097,949</u>	<u>\$ 1,150,118</u>	<u>\$ 1,128,396</u>	<u>\$ 21,722</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,305,199	\$ 2,382,191	\$ 2,346,584	\$ 35,607
Domestic violence	43,898	33,134	39,564	(6,430)
Courtroom security	27,313	24,213	22,334	1,879
E-911	440,404	450,143	394,986	55,157
School resource officer	95,541	152,931	117,643	35,288
Total law enforcement and traffic control	<u>\$ 2,912,355</u>	<u>\$ 3,042,612</u>	<u>\$ 2,921,111</u>	<u>\$ 121,501</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 252,504	\$ 252,504	\$ 257,622	\$ (5,118)
Emergency medical services	92,975	94,745	94,745	-
Emergency services	42,798	42,798	288,259	(245,461)
Total fire and rescue services	<u>\$ 388,277</u>	<u>\$ 390,047</u>	<u>\$ 640,626</u>	<u>\$ (250,579)</u>
Correction and detention:				
Jail operations	\$ 2,393,865	\$ 2,418,203	\$ 2,356,312	\$ 61,891
Juvenile probation and detention	294,444	294,444	294,444	-
Total correction and detention	<u>\$ 2,688,309</u>	<u>\$ 2,712,647</u>	<u>\$ 2,650,756</u>	<u>\$ 61,891</u>
Inspections:				
Building	\$ 87,214	\$ 87,214	\$ 82,518	\$ 4,696
Other protection:				
Animal control	\$ 122,522	\$ 122,522	\$ 118,714	\$ 3,808
Medical examiner	500	500	300	200
Total other protection	<u>\$ 123,022</u>	<u>\$ 123,022</u>	<u>\$ 119,014</u>	<u>\$ 4,008</u>
Total public safety	<u>\$ 6,199,177</u>	<u>\$ 6,355,542</u>	<u>\$ 6,414,025</u>	<u>\$ (58,483)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Sanitation and waste removal:				
Waste collection	\$ 860,376	\$ 944,676	\$ 1,061,666	\$ (116,990)
Waste disposal	500,200	530,183	541,553	(11,370)
Landfill	50,000	50,000	41,580	8,420
Litter control	100,321	145,271	129,276	15,995
Total sanitation and waste removal	<u>\$ 1,510,897</u>	<u>\$ 1,670,130</u>	<u>\$ 1,774,075</u>	<u>\$ (103,945)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 275,327	\$ 277,527	\$ 269,370	\$ 8,157
Total public works	<u>\$ 1,786,724</u>	<u>\$ 1,948,157</u>	<u>\$ 2,043,445</u>	<u>\$ (95,288)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 247,178	\$ 247,178	\$ 242,686	\$ 4,492
Mental health and mental retardation:				
Community services board	\$ 116,500	\$ 126,090	\$ 126,090	\$ -
Welfare:				
Public assistance and welfare administration	\$ 9,549,911	\$ 9,842,633	\$ 7,995,640	\$ 1,846,993
Tax relief for the elderly	250,000	250,000	250,949	(949)
Workforce grants	-	-	1,397,135	(1,397,135)
Other welfare services and contributions	50,900	50,900	50,900	-
Total welfare	<u>\$ 9,850,811</u>	<u>\$ 10,143,533</u>	<u>\$ 9,694,624</u>	<u>\$ 448,909</u>
Total health and welfare	<u>\$ 10,214,489</u>	<u>\$ 10,516,801</u>	<u>\$ 10,063,400</u>	<u>\$ 453,401</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 21,999	\$ 21,999	\$ 21,508	\$ 491
Contribution to County School Board	4,031,899	4,031,899	4,963,936	(932,037)
Total education	<u>\$ 4,053,898</u>	<u>\$ 4,053,898</u>	<u>\$ 4,985,444</u>	<u>\$ (931,546)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 37,500	\$ 42,500	\$ 42,500	\$ -
Tourism	17,934	17,934	2,520	15,414
Thomas Walker pool	34,910	43,848	44,278	(430)
Total parks and recreation	<u>\$ 90,344</u>	<u>\$ 104,282</u>	<u>\$ 89,298</u>	<u>\$ 14,984</u>
Library:				
Lonesome Pine Regional Library	\$ 222,082	\$ 222,082	\$ 222,082	\$ -
Total parks, recreation, and cultural	<u>\$ 312,426</u>	<u>\$ 326,364</u>	<u>\$ 311,380</u>	<u>\$ 14,984</u>
Community development:				
Planning and community development:				
Lenowisco	\$ 41,878	\$ 41,878	\$ 41,878	\$ -
IDA	6,788	167,572	134,436	33,136
Board of zoning appeals	3,762	3,762	1,385	2,377
Planning commission	3,734	3,734	2,511	1,223
Community development	77,666	77,666	75,742	1,924
Lee County Airport	51,666	75,560	68,346	7,214
Public Service Authority	3,234	3,234	2,588	646
Total planning and community development	<u>\$ 188,728</u>	<u>\$ 373,406</u>	<u>\$ 326,886</u>	<u>\$ 46,520</u>
Environmental management:				
Contribution to soil and water district	\$ 31,000	\$ 31,000	\$ 31,000	\$ -
Cooperative extension program:				
Extension office	\$ 54,746	\$ 54,746	\$ 43,328	\$ 11,418
Total community development	<u>\$ 274,474</u>	<u>\$ 459,152</u>	<u>\$ 401,214</u>	<u>\$ 57,938</u>
Nondepartmental:				
General expenses	\$ -	\$ 62,282	\$ 62,282	\$ -
Refunds	-	863	863	-
Miscellaneous	50,000	37,900	5,849	32,051
Total nondepartmental	<u>\$ 50,000</u>	<u>\$ 101,045</u>	<u>\$ 68,994</u>	<u>\$ 32,051</u>
Capital projects:				
Courthouse renovations	\$ 105,000	\$ 105,000	\$ 20,812	\$ 84,188
Total capital projects	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 20,812</u>	<u>\$ 84,188</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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)				
Debt service:				
Principal retirement	\$ 805,419	\$ 805,419	\$ 805,419	\$ -
Interest and other fiscal charges	325,700	435,054	212,406	222,648
Total debt service	<u>\$ 1,131,119</u>	<u>\$ 1,240,473</u>	<u>\$ 1,017,825</u>	<u>\$ 222,648</u>
Total General Fund	<u>\$ 26,674,965</u>	<u>\$ 27,846,655</u>	<u>\$ 27,944,946</u>	<u>\$ (98,291)</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ 2,957	\$ 2,956	\$ 1
Total Coal Road Improvement Fund	<u>\$ -</u>	<u>\$ 2,957</u>	<u>\$ 2,956</u>	<u>\$ 1</u>
Capital Improvements Fund:				
Community development:				
Planning and community development:				
Water and sewer contributions	\$ 1,580,000	\$ 1,585,851	\$ 98,270	\$ 1,487,581
Total Capital Improvements Fund	<u>\$ 1,580,000</u>	<u>\$ 1,585,851</u>	<u>\$ 98,270</u>	<u>\$ 1,487,581</u>
Total Primary Government	<u>\$ 28,254,965</u>	<u>\$ 29,435,463</u>	<u>\$ 28,046,172</u>	<u>\$ 1,389,291</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health	\$ 2,052,646	\$ 2,052,646	\$ 2,778,747	\$ (726,101)
Instruction costs:				
Instruction	\$ 26,011,762	\$ 26,011,762	\$ 25,163,895	\$ 847,867
Operating costs:				
Pupil transportation	\$ 2,056,344	\$ 2,056,344	\$ 2,166,701	\$ (110,357)
Operation and maintenance of school plant	3,519,246	3,519,246	4,600,027	(1,080,781)
Food services and non-instructional operations	1,989,700	1,989,700	2,165,616	(175,916)
Facilities	251,200	251,200	102,030	149,170
Technology	1,255,812	1,255,812	1,101,326	154,486
Total operating costs	<u>\$ 9,072,302</u>	<u>\$ 9,072,302</u>	<u>\$ 10,135,700</u>	<u>\$ (1,063,398)</u>
Total education	<u>\$ 37,136,710</u>	<u>\$ 37,136,710</u>	<u>\$ 38,078,342</u>	<u>\$ (941,632)</u>
Total School Operating Fund	<u>\$ 37,136,710</u>	<u>\$ 37,136,710</u>	<u>\$ 38,078,342</u>	<u>\$ (941,632)</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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)				
Special Revenue Fund:				
School Head Start Fund:				
Education:				
Operating costs:				
Operation of Head Start program	\$ 1,408,547	\$ 1,561,180	\$ 1,561,180	\$ -
Total School Head Start Fund	<u>\$ 1,408,547</u>	<u>\$ 1,561,180</u>	<u>\$ 1,561,180</u>	<u>\$ -</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 38,545,257</u>	<u>\$ 38,697,890</u>	<u>\$ 39,639,522</u>	<u>\$ (941,632)</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
2009-10	\$ 1,207,079	\$ 1,152,898	\$ 3,728,917	\$ 2,498,973	\$ 7,309,349	\$ 8,994,488	\$ 295,114	\$ 1,454,559	\$ 321,221	\$ 26,962,598
2010-11	1,100,035	1,181,231	3,761,689	2,179,475	6,434,758	4,266,223	402,555	327,909	261,726	19,915,601
2011-12	1,050,608	1,082,249	3,704,950	2,277,945	6,348,443	3,993,991	422,822	1,196,362	244,797	20,322,167
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

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			
2009-10	\$ 335,615	\$ 8,369,233	\$ 1,218,655	\$ 8,731,893	\$ 2,446,316	\$ 100,507	\$ 409,219	\$ 1,737,741	\$ 23,349,179			
2010-11	345,714	8,678,963	807,259	9,247,438	2,596,805	70,945	177,251	1,679,537	23,603,912			
2011-12	398,845	7,631,406	1,002,907	9,141,747	3,067,356	89,498	57,975	1,686,729	23,076,463			
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			

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 (3)	Capital Projects	Debt Service	Total
2009-10	\$ 1,260,470	\$ 1,155,756	\$ 4,653,431	\$ 2,004,130	\$ 7,452,220	\$ 41,728,782	\$ 249,240	\$ 232,726	\$ -	\$ 1,734,350	\$ 2,126,951	\$ 62,598,056
2010-11	1,196,698	1,191,147	4,404,622	1,735,871	6,628,546	38,993,294	280,748	248,688	25,575	927,691	597,032	56,229,912
2011-12	1,222,492	1,099,211	4,273,367	1,791,908	6,440,926	37,624,941	294,434	394,103	18,282	656,386	709,698	54,525,748
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

(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.

(3) Transfer of grant proceeds.

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
2009-10	\$ 8,794,311	\$ 2,446,316	\$ 34,963	\$ 12,773	\$ 101,760	\$ 892,241	\$ 501,443	\$ 1,572,932	\$ 47,404,594	\$ 61,761,333
2010-11	8,872,816	2,596,805	29,075	10,365	89,504	812,361	217,799	2,585,373	43,791,720	59,005,818
2011-12	8,943,118	3,067,356	29,189	2,679	90,715	858,542	131,316	1,722,766	41,153,310	55,998,991
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

(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 Delinquent Taxes to Tax Levy
2009-10	\$ 8,630,941	\$ 8,126,279	94.15%	\$ 409,561	\$ 8,535,840	98.90%	\$ 1,315,201	15.24%
2010-11	8,656,848	7,982,430	92.21%	603,009	8,585,439	99.18%	1,304,876	15.07%
2011-12	8,806,899	8,232,502	93.48%	433,804	8,666,306	98.40%	1,369,817	15.55%
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	8,922,324	8,168,989	91.56%	640,322	8,809,311	98.73%	1,533,230	17.18%
2018-19	9,243,197	8,643,408	93.51%	712,102	9,355,510	101.22%	1,276,714	13.81%

(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
2009-10	\$ 743,692,758	\$ 156,055,503	\$ 44,210,965	\$ 4,909,268	\$ 54,291,139	\$ 1,003,159,633
2010-11	869,405,405	152,842,581	31,162,330	4,828,599	68,718,093	1,126,957,008
2011-12	870,493,305	162,370,950	38,771,386	5,311,700	65,596,616	1,142,543,957
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

(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
2009-10	\$ 0.75	\$ 2.00	\$ 2.00	\$ 1.41
2010-11	0.65	2.00	2.00	1.41
2011-12	0.65	2.00	2.00	1.41
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

(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
2009-10	\$ 23,589	\$ 1,003,160	\$ 1,968,610	\$ 1,968,610	0.20%	\$ 83
2010-11	25,587	1,126,957	1,815,576	1,815,576	0.16%	71
2011-12	25,587	1,142,544	1,690,000	1,690,000	0.15%	66
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

(1) Bureau of the Census.

(2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, 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
2009-10	\$ 1,808,388	\$ 318,563	\$ 2,126,951	\$ 62,598,056	3.40%
2010-11	341,966	255,066	597,032	56,229,912	1.06%
2011-12	591,884	247,753	839,637	54,525,748	1.54%
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%

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

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 unit-School Board, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of and for the year ended June 30, 2019, 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 March 24, 2020. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit - Lee County Public Service Authority, the discretely presented component unit - Lee County Industrial 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.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County of Lee, Virginia's Response to Findings

County of Lee, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Lee, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, James, Cox Associates

Blacksburg, Virginia
March 24, 2020



**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

We have audited the County of Lee, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Lee, Virginia's major federal programs for the year ended June 30, 2019. 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 Industrial Development Authority, and Lee County Hospital Authority, which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, described below, did not include the operations of the Lee County Public Service Authority, Lee County Industrial 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Lee, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Lee, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal programs. However, our audit does not provide a legal determination of the County of Lee, Virginia's compliance.

Basis for Qualified Opinion on Workforce Innovation and Opportunity Act Cluster

As described 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 as described in finding number 2019-003 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.

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 CFDA 17.258/17.259/17.278 Workforce Innovation and Opportunity Act Cluster for the year ended June 30, 2019.

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, 2019.

Other Matters

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

Report on Internal Control over Compliance

Management of County of Lee, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Lee, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Lee, Virginia's internal control over compliance.

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

Report on Internal Control Over Compliance (continued)

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

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

Robinson, Famer, Cox Associates

Blacksburg, Virginia

March 24, 2020

County of Lee, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Health and Human Services:				
Direct Payments:				
Head Start	93.600	Not applicable	\$ 1,405,972	
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950117, 0950118	24,523	
TANF Cluster:				
Temporary Assistance for Needy Families	93.558	0400118, 0400119	463,855	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118, 0500119	296	
Low-Income Home Energy Assistance	93.568	0600418, 0600419	68,336	
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118, 0900119	501	
Social Services Block Grant	93.667	1000118, 1000119	469,535	
Chafee Foster Care Independence Program	93.674	9150118, 9150119	7,747	
Children's Health Insurance Program	93.767	0540118, 0540119	11,806	
Medicaid Cluster:				
Medical Assistance Program	93.778	1200118, 1200119	548,337	
Foster Care - Title IV-E	93.658	1100118, 1100119	524,235	
Adoption Assistance	93.659	1100118, 1100119	685,643	
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760118, 0760119	<u>75,273</u>	
Total Department of Health and Human Services			<u>\$ 4,286,059</u>	
Department of Agriculture:				
Direct Payments:				
Child and Adult Care Food Program	10.558	Not applicable	\$ 141,075	
Pass Through Payments:				
Child Nutrition Cluster:				
Department of Agriculture:				
Food Distribution (Note C)	10.555	Not available	\$ 112,328	
Department of Education:				
National School Lunch Program	10.555	APE40254	<u>1,138,914</u>	\$ 1,251,242
School Breakfast Program	10.553	APE40253	<u>389,596</u>	1,640,838
Healthy, Hunger-Free Kids Act	10.592	APE40622		5,102
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	APE43841		19,311
Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010118, 0010119 0040118, 0040119		<u>483,725</u>
Total Department of Agriculture			<u>\$ 2,290,051</u>	
Department of Justice:				
Direct payments:				
Equitable Sharing Program - Asset Forfeitures	16.922	Not applicable	<u>\$ 20,632</u>	
Pass Through Payments:				
Department of Criminal Justice Service:				
Crime Victim Assistance	16.575	16VAGX0039	\$ 72,066	
Violence Against Women Formula Grants	16.588	17WFAX0013	<u>53,528</u>	
Total Department of Criminal Justice Service			<u>\$ 125,594</u>	
Total Department of Justice			<u>\$ 146,226</u>	
Department of Transportation:				
Pass Through Payments:				
Highway Safety Cluster:				
National Priority Safety Programs	20.616	M6OT-2019-59104-9104	<u>\$ 13,141</u>	
Department of Housing and Urban Development:				
Pass Through Payments:				
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	<u>\$ 98,270</u>	<u>\$ 98,270</u>

County of Lee, Virginia
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of the Labor				
Pass Through Payments:				
Virginia Community College System:				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	534027	\$ 386,279	\$ 386,279
WIOA Dislocated Worker Formula Grants	17.278	534027	597,529	597,529
WIOA Youth Activities	17.259	534027	413,327	413,327
Total Workforce Innovation and Opportunity Act Cluster			<u>\$ 1,397,135</u>	<u>\$ 1,397,135</u>
Department of Education:				
Pass Through Payments:				
Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	APE61095	\$ 68,794	
Student Support and Academic Achievement	84.424	APE60281	147,346	
Rural Education	84.358	APE43481	69,103	
Supporting Effective Instruction State Grant	84.367	APE61480	263,889	
Title I: Grants to Local Educational Agencies	84.010	APE42901	1,716,443	
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States	84.027	APE43071	\$ 860,413	
Special Education - Preschool Grants	84.173	APE62521	24,790	885,203
Total Department of Education			<u>\$ 3,150,778</u>	
Total Expenditures of Federal Awards			<u>\$ 11,381,660</u>	<u>\$ 1,495,405</u>
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, 2019. 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 identifying numbers are presented where available.				
(3) The County did not elect the 10% de minimus 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, 2019, the Lee County School Board had food commodities totaling \$0 in inventory.				
Note D -- Outstanding Balance of Federal Loans				
The County did not have any loans or loan guarantees which are subject to reporting requirements for the current year.				
Note E -- 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			\$ 5,133,502	
Payments in Lieu of Taxes			(213,188)	
Capital Improvements Fund			98,270	
Total primary government			<u>\$ 5,018,584</u>	
Component Unit School Board:				
School Operating Fund			\$ 4,816,029	
School Head Start Fund			1,547,047	
Total Component Unit School Board			<u>\$ 6,363,076</u>	
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards			<u>\$ 11,381,660</u>	

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

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?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes

Identification of major programs:

CFDA #	Name of Federal Program or Cluster	
10.553/10.555	Child Nutrition Cluster	Unmodified
17.258/17.259/17.278	Workforce Innovation and Opportunity Act Cluster	Qualified
84.010	Title I: Grants to Local Educational Agencies	Unmodified
84.027/84.173	Special Education Cluster	Unmodified

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, 2019

Section II - Financial Statement Findings**2019-001**

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 of Condition:	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 of Condition:	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.
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.

County of Lee, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II - Financial Statement Findings (Continued)

2019-002

Criteria:	Reimbursement requests should be submitted in a timely fashion in order to match revenues with the expenditures according to accounting principles.
Condition:	The School Board's reimbursement requests for Title I funding were not made in a timely manner.
Cause of Condition:	The School Board does not have controls in place to ensure reimbursable grants are requested and received in a timely fashion after expenditures are incurred.
Effect of Condition:	Reimbursements of local funds expended for grant funded programs are not being received in a timely manner.
Recommendation:	Management should establish a policy requiring reimbursement requests to be submitted at a minimum of quarterly.
Management's Response:	Management of the School Board concurs reimbursements should be submitted timely and will work to improve the reimbursement process.

County of Lee, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section III - Federal Award Findings and Questioned Costs

2019-003 - 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 - 2018; 534027 - 2019
Program & CFDA Numbers:	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 documentation and approving same.
Cause of Condition:	The County misunderstood the necessary requirements and funds are received directly by the subrecipient without documentation review and approval of same.
Effect of Condition:	The County is not properly monitoring subrecipients of the grants to ensure proper use of funds.
Recommendation:	We recommend the County receive the reimbursement requests and approve same prior to submission. Further, we recommend the County obtain and review periodic financial statements 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.

Section IV - Status of Prior Audit Findings

Prior year finding 2018-002 was corrected and 2018-001 reoccured as 2019-001.