

COUNTY OF LEE, VIRGINIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

COUNTY OF LEE, VIRGINIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

COUNTY OF LEE, VIRGINIA

BOARD OF SUPERVISORS

Larry Mosley, Vice Chair
Sidney Kolb

D. D. Leonard, Chair

Robert Smith
Charles Slemph, Jr.

COUNTY SCHOOL BOARD

Mike Kidwell, Vice Chair
Nancy Garrett

Vera Ely, Chair

Garry Williams
Rob Hines

COUNTY WELFARE BOARD

Eleanor Chadwell
Michelle Warner

Wade Wilson, Chair

Linda Wampler
Crystal Willis

OTHER OFFICIALS

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

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lee, Virginia, as of and for the year ended June 30, 2021, 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 Economic Development Authority or the Lee County Hospital Authority, which, in aggregate, represents 79% 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 Economic Development Authority and the Lee County Hospital Authority, is based solely 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 29 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 29 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. 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 99 and 100-124, 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 reports 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 August 19, 2022, 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.

Robinson, James, Cox Associates

Blacksburg, Virginia
August 19, 2022

Basic Financial Statements

County of Lee, Virginia
Statement of Net Position
As of June 30, 2021

	Primary Government	Component Units			
	Governmental Activities	School Board	Public Service Authority	Economic Development Authority	Hospital Authority
ASSETS					
Cash and cash equivalents	\$ 13,201,154	\$ 819,442	\$ 575,485	\$ 68,156	\$ 3,840
Cash held at schools	-	764,850	-	-	-
Investments	26,632	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,556,391	-	-	-	-
Accounts receivable	423,723	1,628	448,058	-	530,440
Notes receivable	484,375	-	-	29,384	-
Due from primary government	-	631,828	-	2,128,659	-
Due from other governmental units	1,319,921	1,617,059	-	-	-
Restricted assets:					
Cash and cash equivalents	32,650	1,946,349	860,324	-	-
Net pension asset	-	-	147,028	-	-
Capital assets (net of accumulated depreciation):					
Land	859,692	528,889	76,843	669,851	-
Buildings and improvements	12,894,900	4,406,434	43,990,472	1,410,327	-
Machinery and equipment	1,235,645	1,568,360	1,117,805	288,986	-
Construction in progress	1,518,723	1,673,583	-	16,508	-
Total assets	\$ 44,553,806	\$ 13,958,422	\$ 47,216,015	\$ 4,611,871	\$ 534,280
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 1,543,187	\$ 9,304,355	\$ 83,253	\$ -	\$ -
OPEB related items	981,055	2,131,167	17,168	-	-
Total deferred outflows of resources	\$ 2,524,242	\$ 11,435,522	\$ 100,421	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 436,052	\$ 1,312,487	\$ 162,953	\$ 35,300	\$ -
Accrued liabilities	-	1,724,149	181	-	-
Customers' deposits	-	-	219,502	-	-
Accrued interest payable	71,281	-	28,613	-	-
Due to component unit	631,828	-	-	-	-
Unearned grant revenue	3,630,639	-	-	-	-
Long-term liabilities:					
Due within one year	1,048,963	1,046,818	693,134	513,875	50,000
Due in more than one year	11,169,934	57,568,806	16,213,726	2,796,946	-
Total liabilities	\$ 16,988,697	\$ 61,652,260	\$ 17,318,109	\$ 3,346,121	\$ 50,000
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 11,138,190	\$ -	\$ -	\$ -	\$ -
Deferred revenue - prepaid taxes	50,331	-	-	-	-
Pension related items	293,037	2,915,713	26,301	-	-
OPEB related items	533,684	384,632	1,730	-	-
Total deferred inflows of resources	\$ 12,015,242	\$ 3,300,345	\$ 28,031	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 12,083,381	\$ 8,177,266	\$ 28,473,741	\$ 1,203,510	\$ -
Restricted:					
Net pension asset	-	-	147,028	-	-
Imagination library	172	-	-	-	-
Community development	430,913	-	-	-	-
Cafeteria operations	-	756,666	-	-	-
Health Insurance	-	1,192,259	-	-	-
Retirement	-	25,603	-	-	-
Headstart program	-	23,977	-	-	-
Coal road expenses	67,782	-	-	-	-
Debt service	-	-	425,474	-	-
Hospital operations	-	-	-	-	500,000
Unrestricted (deficit)	5,491,861	(49,734,432)	924,053	62,240	(15,720)
Total net position (deficit)	\$ 18,074,109	\$ (39,558,661)	\$ 29,970,296	\$ 1,265,750	\$ 484,280

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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position														
	Expenses	Charges for Services	Operating		Primary Government		Component Units												
			Grants and Contributions	Grants and Contributions	Governmental Activities	School Board	Public Service Authority	Development Authority	Hospital Authority										
PRIMARY GOVERNMENT:																			
Governmental activities:																			
General government administration	\$ 1,731,772	\$ 893	\$ 327,861	\$ -	\$ (1,403,018)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Judicial administration	1,240,351	2,841	897,610	-	(339,900)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Public safety	7,826,978	108,593	4,000,746	-	(3,717,639)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Public works	2,450,930	177,076	9,488	414,204	(1,850,162)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Health and welfare	10,784,479	-	8,969,088	-	(1,815,391)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education	2,700,150	-	-	-	(2,700,150)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Parks, recreation, and cultural	478,115	-	-	-	(478,115)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community development	3,346,973	26,223	2,609,832	-	(710,918)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest on long-term debt	179,725	-	-	-	(179,725)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total governmental activities	\$ 30,739,473	\$ 315,626	\$ 16,814,625	\$ 414,204	\$ (13,195,018)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total primary government	\$ 30,739,473	\$ 315,626	\$ 16,814,625	\$ 414,204	\$ (13,195,018)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
COMPONENT UNITS:																			
School Board	\$ 41,703,359	\$ 111,363	\$ 38,328,845	\$ -	\$ -	\$ (3,263,151)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Public Service Authority	6,126,967	4,155,460	-	1,038,016	-	-	(933,491)	-	-	-	-	-	-	-	-	-	-	-	
Economic Development Authority (EDA)	122,214	-	-	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Hospital Authority	371,792	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(171,792)	
Total component units	\$ 48,324,332	\$ 4,266,823	\$ 38,328,845	\$ 1,238,016	\$ -	\$ (3,263,151)	\$ (933,491)	\$ (122,214)	\$ (122,214)	\$ -	\$ -	\$ (171,792)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
General revenues:																			
General property taxes					\$ 9,575,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other local taxes:																			
Local sales and use taxes					1,757,171	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer's utility taxes					434,921	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Meals taxes					147,393	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicle licenses					733,697	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes on recordation and wills					89,404	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other local taxes					41,019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted revenues from use of money and property					108,089	2,975	1,772	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366	1,366
Miscellaneous					147,747	445,220	100	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324
Contributions from Lee County					-	2,678,031	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs					1,548,909	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on disposal of capital assets					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total general revenues					\$ 14,584,162	\$ 3,126,226	\$ 1,872	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690	\$ 2,690
Change in net position					\$ 1,389,144	\$ (136,925)	\$ (931,619)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)	\$ (119,524)
Net position (deficit) - beginning, as restated					16,684,965	(39,421,736)	30,901,915	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274	1,385,274
Net position (deficit) - ending					\$ 18,074,109	\$ (39,558,661)	\$ 29,970,296	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750	\$ 1,265,750

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, 2021

	<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	\$ 12,873,689	\$ -	\$ 259,875	\$ 67,590	\$ 13,201,154
Investments	26,632	-	-	-	26,632
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,556,391	-	-	-	12,556,391
Accounts receivable	423,531	-	-	192	423,723
Due from other governmental units	1,319,921	-	-	-	1,319,921
Notes receivable	484,375	-	-	-	484,375
Restricted assets:					
Cash and cash equivalents	32,650	-	-	-	32,650
Total assets	\$ 27,717,189	\$ -	\$ 259,875	\$ 67,782	\$ 28,044,846
LIABILITIES					
Accounts payable	\$ 436,052	\$ -	\$ -	\$ -	\$ 436,052
Due to component unit	631,828	-	-	-	631,828
Unearned grant revenue	3,630,639	-	-	-	3,630,639
Total liabilities	\$ 4,698,519	\$ -	\$ -	\$ -	\$ 4,698,519
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 12,444,785	\$ -	\$ -	\$ -	\$ 12,444,785
Unavailable revenue - prepaid taxes	50,331	-	-	-	50,331
Unavailable revenue - tipping fees	5,576	-	-	-	5,576
Total deferred inflows of resources	\$ 12,500,692	\$ -	\$ -	\$ -	\$ 12,500,692
FUND BALANCES					
Nonspendable:					
Notes receivable	\$ 484,375	\$ -	\$ -	\$ -	\$ 484,375
Restricted:					
Coal road expenses	-	-	-	67,782	67,782
Community development	430,913	-	-	-	430,913
Emergency equipment projects	32,650	-	-	-	32,650
Imagination library	172	-	-	-	172
Assigned:					
School capital projects funds	26,632	-	259,875	-	286,507
Unassigned	9,543,236	-	-	-	9,543,236
Total fund balances	\$ 10,517,978	\$ -	\$ 259,875	\$ 67,782	\$ 10,845,635
Total liabilities, deferred inflows of resources, and fund balances	\$ 27,717,189	\$ -	\$ 259,875	\$ 67,782	\$ 28,044,846

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, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	10,845,635
--	----	------------

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

Land	\$	859,692	
Buildings and improvements		12,894,900	
Machinery and equipment		1,235,645	
Construction in progress		1,518,723	16,508,960

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

Unearned revenue - tipping fees	\$	5,576	
Unavailable revenue - property taxes		1,306,595	1,312,171

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

Pension related items	\$	1,543,187	
OPEB related items		981,055	2,524,242

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

Bonds payable	\$	(3,658,418)	
Notes payable		(457,407)	
Capital leases		(342,404)	
Accrued interest payable		(71,281)	
Net pension liability		(3,969,287)	
Landfill closure and postclosure liability		(83,585)	
Compensated absences		(550,608)	
Net OPEB liabilities		(3,157,188)	(12,290,178)

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

Pension related items	\$	(293,037)	
OPEB related items		(533,684)	(826,721)

Net position of governmental activities	\$	18,074,109
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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, 2021

	<u>General</u>	<u>Airport Project</u>	<u>Capital Improvements</u>	<u>Nonmajor Coal Road Improvement</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 9,728,479	\$ -	\$ -	\$ -	\$ 9,728,479
Other local taxes	3,202,506	-	-	1,099	3,203,605
Permits, privilege fees, and regulatory licenses	89,625	-	-	-	89,625
Fines and forfeitures	171	-	-	-	171
Revenue from the use of money and property	107,828	-	-	261	108,089
Charges for services	222,763	-	-	-	222,763
Miscellaneous	147,747	-	-	-	147,747
Recovered costs	901,741	-	-	-	901,741
Intergovernmental:					
Commonwealth	7,918,382	-	-	-	7,918,382
Federal	10,445,152	-	414,204	-	10,859,356
Total revenues	<u>\$ 32,764,394</u>	<u>\$ -</u>	<u>\$ 414,204</u>	<u>\$ 1,360</u>	<u>\$ 33,179,958</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,778,015	\$ -	\$ -	\$ -	\$ 1,778,015
Judicial administration	1,174,756	-	-	-	1,174,756
Public safety	8,301,616	-	-	-	8,301,616
Public works	1,858,562	-	-	483	1,859,045
Health and welfare	10,611,417	-	-	-	10,611,417
Education	2,651,388	-	-	-	2,651,388
Parks, recreation, and cultural	279,290	-	-	-	279,290
Community development	2,919,000	-	424,120	-	3,343,120
Nondepartmental	22,775	-	-	-	22,775
Capital projects	64,450	35,649	-	-	100,099
Debt service:					
Principal retirement	722,415	-	-	-	722,415
Interest and other fiscal charges	206,352	-	-	-	206,352
Total expenditures	<u>\$ 30,590,036</u>	<u>\$ 35,649</u>	<u>\$ 424,120</u>	<u>\$ 483</u>	<u>\$ 31,050,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,174,358</u>	<u>\$ (35,649)</u>	<u>\$ (9,916)</u>	<u>\$ 877</u>	<u>\$ 2,129,670</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 554,929	\$ 35,649	\$ 12,465	\$ -	\$ 603,043
Transfers out	(12,465)	(590,578)	-	-	(603,043)
Issuance of notes payable	400,052	-	-	-	400,052
Total other financing sources (uses)	<u>\$ 942,516</u>	<u>\$ (554,929)</u>	<u>\$ 12,465</u>	<u>\$ -</u>	<u>\$ 400,052</u>
Net change in fund balances	\$ 3,116,874	\$ (590,578)	\$ 2,549	\$ 877	\$ 2,529,722
Fund balances - beginning	7,401,104	590,578	257,326	66,905	8,315,913
Fund balances - ending	<u>\$ 10,517,978</u>	<u>\$ -</u>	<u>\$ 259,875</u>	<u>\$ 67,782</u>	<u>\$ 10,845,635</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, 2021

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

Net change in fund balances - total governmental funds	\$	2,529,722
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlays	\$	249,997
Depreciation expenses		<u>(1,248,554)</u>
		(998,557)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Increase (decrease) in unavailable revenue - property taxes	\$	(152,667)
Increase (decrease) in unavailable revenue - tipping fees		<u>3,067</u>
		(149,600)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
<p>Debt issued or incurred:</p>		
Issuance of notes payable	\$	(400,052)
Increase in landfill closure and postclosure liability		(2,118)
<p>Principal repayments:</p>		
Bonds payable		278,000
Notes payable		114,342
Capital leases		<u>330,073</u>
		320,245
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.</p>		
Decrease (increase) in compensated absences	\$	(26,164)
Decrease (increase) in premiums		18,838
Decrease (increase) in accrued interest payable		7,789
Change in net pension liability and related items		(218,769)
Change in net OPEB liabilities and related items		<u>(94,360)</u>
		(312,666)
Change in net position of governmental activities		<u><u>\$ 1,389,144</u></u>

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, 2021

	<u>Custodial Fund</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 96,701
Total assets	\$ 96,701
NET POSITION	
Restricted - amounts held for social services clients	\$ 96,701
Total net position	\$ 96,701

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

County of Lee, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Custodial Fund</u>
	<u>Special Welfare</u>
ADDITIONS	
Gifts, donations, and aid	\$ 59,890
Revenue from the use of money	171
Total additions	\$ 60,061
DEDUCTIONS	
Special welfare payments	\$ 48,905
Total deductions	\$ 48,905
Net increase (decrease) in fiduciary net position	\$ 11,156
Total net position, beginning of year, as restated	\$ 85,545
Total net position, end of year	\$ 96,701

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

County of Lee, Virginia

Notes to Financial Statements June 30, 2021

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

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

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

The Lee County Hospital Authority provides hospital services to the County. The Hospital Authority board members are appointed by the Board of Supervisors. The Hospital obtained a note payable from the County of \$1,500,000 to purchase a hospital building and repaid same in fiscal year 2021. 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, 2021, 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, 2021, the County contributed \$163,350 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, 2021, the County paid \$2,277,025 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, 2021, the County contributed \$263,664 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, Coronavirus Relief and Children's Services Act Funds.

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

The County reports the following nonmajor governmental fund:

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

1. Cash and cash equivalents

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

2. Receivables and payables

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

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

3. Property taxes

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

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$436,440 at June 30, 2021 and is comprised entirely of property taxes.

5. Use of estimates

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

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

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

6. Prepaid items

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

7. Capital assets

Capital assets, 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 value at the date of donation.

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

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

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

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

11. Net position

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

12. Net Position Flow Assumption

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

13. Pensions

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

14. Other Postemployment Benefits (OPEB)

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

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

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

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

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable and tipping fees receivable are reported in the governmental funds balance sheet. The unavailable property tax amount is comprised of uncollected property taxes due prior to June 30th, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. The unavailable tipping fees are comprised of uncollected tipping fees that are not available for funding of current expenditures. Under the accrual basis, 2nd half installments of taxes levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to 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 2021, the nondepartmental expenditures of the General fund exceeded appropriations. In addition, the Economic Development Fund and Airport Capital Project Fund exceeded appropriations.

C. Deficit fund balance

At June 30, 2021, there were no funds with a deficit balance.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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, 2021, 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, 2021, 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, 2021 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>
	<u>AAAm</u>
SNAP	\$ 26,632

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 3-Deposits and Investments: (continued)

External Investment Pool:

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

Interest Rate Risk:

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

Investment Maturities (in years)		
Investment Type	Fair Value	1 Year
SNAP	\$ 26,632	\$ 26,632

Note 4-Due from Other Governmental Units:

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Sales tax	\$ -	\$ 529,908
Categorical aid-shared expenses	218,003	-
Noncategorical aid	171,732	-
Virginia public assistance funds	187,373	-
Other categorical aid	483,011	-
<u>Federal Government:</u>		
Categorical Aid	13,577	-
Public assistance funds	246,225	-
School grants	-	1,087,151
Totals	<u>\$ 1,319,921</u>	<u>\$ 1,617,059</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 5-Interfund/Component-Unit Obligations:

Component unit obligations at June 30, 2021 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	\$ 631,828	\$ -
Component Unit:		
School Board:		
School operating Fund	\$ -	\$ 631,828

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

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 554,929	\$ 12,465
Airport Capital Projects Fund	35,649	590,578
Capital Improvements Fund	12,465	-
Total	<u>\$ 603,043</u>	<u>\$ 603,043</u>
School Activity Fund	\$ 217,880	\$ -
School Operating Fund	-	217,880
Total	<u>\$ 217,880</u>	<u>\$ 217,880</u>

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

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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, 2021:

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Issuances	Balance June 30, 2021
Direct borrowings and direct placements:				
General obligation bonds	\$ 1,682,157	\$ -	\$ (215,000)	\$ 1,467,157
Premium on general obligation bond	81,440	-	(18,838)	62,602
Lease revenue bonds (1)	2,191,659	-	(63,000)	2,128,659
Secured notes payable (2)	171,697	100,052	(84,315)	187,434
Unsecured notes payable	-	300,000	(30,027)	269,973
Net pension liability	2,980,022	2,514,956	(1,525,691)	3,969,287
Net OPEB liabilities	2,914,352	1,271,877	(1,029,041)	3,157,188
Capital leases	672,477	-	(330,073)	342,404
Landfill closure and postclosure liability	81,467	2,118	-	83,585
Compensated absences	524,444	419,497	(393,333)	550,608
Total	\$ 11,299,715	\$ 4,608,500	\$ (3,689,318)	\$ 12,218,897

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

(2) These notes payable are secured by the assets underlying the loans, sheriff vehicles, and a front loader.

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

Year Ending June 30,	Direct Borrowings and Direct Placements					
	General Obligation Bonds		Lease Revenue Bond		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 137,000	\$ 33,858	\$ 62,000	\$ 72,765	\$ 193,152	\$ 10,796
2023	145,000	57,909	67,000	70,588	108,234	5,311
2024	105,157	51,250	66,000	68,344	110,739	2,792
2025	100,000	45,439	126,000	65,104	45,282	339
2026	105,000	40,515	127,000	60,834	-	-
2027-2031	600,000	127,294	714,000	234,832	-	-
2032-2036	275,000	21,920	841,000	103,461	-	-
2037	-	-	125,659	3,105	-	-
Totals	\$ 1,467,157	\$ 378,185	\$ 2,128,659	\$ 679,033	\$ 457,407	\$ 19,238

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Direct Placements:		
<i>General Obligation Bonds:</i>		
\$1,920,000 VPSA general obligation bond issued May 2013 maturing annually in principal installments varying from \$60,000 to \$140,000. Interest is payable annually at rates varying from 3.05% to 5.05% through 2034.	\$ 1,350,000	\$ 85,000
\$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.	117,157	52,000
Subtotal	\$ 1,467,157	\$ 137,000
Plus: Premium on general obligation bond	62,602	16,009
Total General Obligation Bonds	<u>\$ 1,529,759</u>	<u>\$ 153,009</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.	\$ 2,128,659	\$ 62,000
<i>Secured Notes Payable</i>		
\$100,052 secured note payable issued August 2020 with annual principal installments varying from \$32,551 to \$34,153. Interest is payable annually at 2.425% through 2024.	\$ 100,053	\$ 32,551
\$84,118 secured note payable issued May 2019 with annual principal installments varying from \$27,133 to \$28,967. Interest is payable annually at 3.24% through 2022.	58,414	58,414
\$169,142 secured note payable issued January 2019 with annual principal installments varying from \$54,430 to \$58,414. Interest is payable annually at 3.5% through 2022.	28,967	28,967
Total Secured Notes Payable	<u>\$ 187,434</u>	<u>\$ 119,932</u>
<i>Unsecured Notes Payable</i>		
\$300,000 unsecured note payable issued January 2021 with annual principal installments varying from \$73,221 to \$45,282. Interest is payable annually at 2.249% through 2022.	\$ 269,973	\$ 73,220
Total Notes Payable	<u>\$ 457,407</u>	<u>\$ 193,152</u>
Total Direct Borrowings and Direct Placements	<u>\$ 4,115,825</u>	<u>\$ 408,161</u>
Other Obligations:		
Capital Leases (Note 15)	\$ 342,404	\$ 227,846
Landfill Closure and Postclosure Liability	83,585	-
Net Pension Liability	3,969,287	-
Net OPEB Liabilities	3,157,188	-
Compensated Absences	550,608	412,956
Total Other Obligations	<u>\$ 8,103,072</u>	<u>\$ 640,802</u>
Total Long-Term Obligations	<u>\$ 12,218,897</u>	<u>\$ 1,048,963</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

Default Provisions:

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

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

Discretely Presented Component Unit-School Board-Obligations:

The following is a summary of long-term obligation transactions of the Component Unit-School Board for the year ended June 30, 2021.

	Balance July 1, 2020	Increases/ Issuances	Decreases/ Issuances	Balance June 30, 2021
Net pension liability	\$ 36,358,860	\$ 14,252,846	\$ (9,794,781)	\$ 40,816,925
Net OPEB liabilities	15,971,301	1,818,629	(1,531,787)	16,258,143
Early retirement incentive plan liability	1,391,022	-	(1,013,744)	377,278
Compensated absences	903,526	937,397	(677,645)	1,163,278
Total	\$ 54,624,709	\$ 17,008,872	\$ (13,017,957)	\$ 58,615,624

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Other Obligations:		
Net pension liability	\$ 40,816,925	\$ -
Net OPEB liabilities	16,258,143	-
Early retirement incentive plan liability	377,278	174,359
Compensated absences	1,163,278	872,459
Total Long-Term Obligations	\$ 58,615,624	\$ 1,046,818

Note 7-Pension Plans:

Plan Description

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

Note 7—Pension Plans: (continued)

Plan Description (continued)

amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Benefit Structures

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

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

Note 7—Pension Plans: (continued)

Average Final Compensation and Service Retirement Multiplier

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 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	125	176
Inactive members:		
Vested	19	10
Non-Vested	26	38
Active Elsewhere in VRS	42	33
	<hr/>	<hr/>
Total inactive members	87	81
Active members	137	106
	<hr/>	<hr/>
Total covered employees	<u>349</u>	<u>363</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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, 2021 was 8.91% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$447,191 and \$443,128 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 27.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Lee County School Board's nonprofessional employees were \$551,057 and \$562,397 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020.

Note 7—Pension Plans: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

All Others (Non-10 Largest) - 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, 2021

Note 7—Pension Plans: (continued)

Actuarial Assumptions - General Employees (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 7—Pension Plans: (continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Note 7—Pension Plans: (continued)

Long-term Expected Rate of Return

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

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

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

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 7—Pension Plans: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, 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, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 29,737,435	\$ 26,757,413	\$ 2,980,022
Changes for the year:			
Service cost	\$ 549,602	\$ -	\$ 549,602
Interest	1,946,862	-	1,946,862
Differences between expected and actual experience	(317,455)	-	(317,455)
Contributions - employer	-	443,131	(443,131)
Contributions - employee	-	253,479	(253,479)
Net investment income	-	511,626	(511,626)
Benefit payments, including refunds of employee contributions	(1,790,061)	(1,790,061)	-
Administrative expenses	-	(17,902)	17,902
Other changes	-	(590)	590
Net changes	\$ 388,948	\$ (600,317)	\$ 989,265
Balances at June 30, 2020	\$ 30,126,383	\$ 26,157,096	\$ 3,969,287

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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, 2019	\$ 15,446,543	\$ 8,381,791	\$ 7,064,752
Changes for the year:			
Service cost	\$ 182,892	\$ -	\$ 182,892
Interest	1,004,954	-	1,004,954
Differences between expected and actual experience	236,904	-	236,904
Contributions - employer	-	563,187	(563,187)
Contributions - employee	-	98,475	(98,475)
Net investment income	-	157,383	(157,383)
Benefit payments, including refunds of employee contributions	(1,116,663)	(1,116,663)	-
Administrative expenses	-	(5,591)	5,591
Other changes	-	(182)	182
Net changes	\$ 308,087	\$ (303,391)	\$ 611,478
Balances at June 30, 2020	\$ 15,754,630	\$ 8,078,400	\$ 7,676,230

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 7—Pension Plans: (continued)

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

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

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
County			
Net Pension Liability (Asset)	\$ 7,692,675	\$ 3,969,287	\$ 863,813
Component Unit School Board (Nonprofessional)			
Net Pension Liability (Asset)	\$ 9,219,821	\$ 7,676,230	\$ 6,357,100

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

For the year ended June 30, 2021, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$665,961 and \$922,924, respectively. At June 30, 2021, 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	\$ 10,898	\$ 293,037	\$ 114,789	\$ 130
Change in assumptions	311,778	-	10,386	-
Net difference between projected and actual earnings on pension plan investments	773,320	-	245,175	-
Employer contributions subsequent to the measurement date	447,191	-	551,057	-
Total	<u>\$ 1,543,187</u>	<u>\$ 293,037</u>	<u>\$ 921,407</u>	<u>\$ 130</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 7—Pension Plans: (continued)

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

\$447,191 and \$551,057 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2022	\$ 94,310	\$ 128,170
2023	207,999	78,601
2024	249,255	84,880
2025	251,395	78,569
2026	-	-
Thereafter	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,023,744 and \$3,021,691 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$33,140,695 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was 0.2277% as compared to 0.2226% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$3,512,597. 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, 2021

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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Component Unit-School Board (professional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,942,555
Change in assumptions	2,262,268	-
Net difference between projected and actual earnings on pension plan investments	2,520,717	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	576,219	973,028
Employer contributions subsequent to the measurement date	<u>3,023,744</u>	<u>-</u>
Total	<u>\$ 8,382,948</u>	<u>\$ 2,915,583</u>

Note 7—Pension Plans: (continued)

Component Unit School Board (Professional) (continued)

\$3,023,744 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (professional)</u>
2022	\$ (162,478)
2023	756,809
2024	986,163
2025	873,860
2026	(10,733)
Thereafter	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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

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

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

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

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 44,624,843	\$ 33,140,695	\$ 20,333,347

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 1,543,187	\$ 293,037	\$ 3,969,287	\$ 665,962	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	921,407	130	7,676,230	921,407
School Board Professional	-	-	-	-	8,382,948	2,915,583	33,140,695	3,512,597
Totals	\$ 1,543,187	\$ 293,037	\$ 3,969,287	\$ 665,962	\$ 9,304,355	\$ 2,915,713	\$ 40,816,925	\$ 4,434,004

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County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 859,692	\$ -	\$ -	\$ 859,692
Construction in progress	1,518,723	-	-	1,518,723
Total capital assets not being depreciated	<u>\$ 2,378,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,378,415</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,828,760	\$ -	\$ -	\$ 25,828,760
Machinery and equipment	5,244,892	249,997	(27,585)	5,467,304
Total capital assets being depreciated	<u>\$ 31,073,652</u>	<u>\$ 249,997</u>	<u>\$ (27,585)</u>	<u>\$ 31,296,064</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,139,079)	\$ (794,781)	\$ -	\$ (12,933,860)
Machinery and equipment	(3,805,471)	(453,773)	27,585	(4,231,659)
Total accumulated depreciation	<u>\$ (15,944,550)</u>	<u>\$ (1,248,554)</u>	<u>\$ 27,585</u>	<u>\$ (17,165,519)</u>
Total capital assets being depreciated, net	<u>\$ 15,129,102</u>	<u>\$ (998,557)</u>	<u>\$ -</u>	<u>\$ 14,130,545</u>
Governmental activities capital assets, net	<u>\$ 17,507,517</u>	<u>\$ (998,557)</u>	<u>\$ -</u>	<u>\$ 16,508,960</u>

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

Governmental activities:

General government administration	\$ 48,708
Judicial Administration	15,727
Public safety	206,630
Public works	582,943
Health and welfare	182,608
Education	48,762
Parks, recreation, and cultural	163,176
Total depreciation expense-primary government	<u>\$ 1,248,554</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 8-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2021 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	955,678	717,905	-	1,673,583
Total capital assets not being depreciated	<u>\$ 1,484,567</u>	<u>\$ 717,905</u>	<u>\$ -</u>	<u>\$ 2,202,472</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,671,303	\$ 26,300	\$ -	\$ 20,697,603
Machinery and equipment	7,308,964	915,955	-	8,224,919
Total capital assets being depreciated	<u>\$ 27,980,267</u>	<u>\$ 942,255</u>	<u>\$ -</u>	<u>\$ 28,922,522</u>
Accumulated depreciation:				
Buildings and improvements	\$ (15,819,594)	\$ (471,575)	\$ -	\$ (16,291,169)
Machinery and equipment	(6,271,921)	(384,638)	-	(6,656,559)
Total accumulated depreciation	<u>\$ (22,091,515)</u>	<u>\$ (856,213)</u>	<u>\$ -</u>	<u>\$ (22,947,728)</u>
Total capital assets being depreciated, net	<u>\$ 5,888,752</u>	<u>\$ 86,042</u>	<u>\$ -</u>	<u>\$ 5,974,794</u>
Governmental activities capital assets, net	<u>\$ 7,373,319</u>	<u>\$ 803,947</u>	<u>\$ -</u>	<u>\$ 8,177,266</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, 2021

Note 10-Commitments and Contingencies:

Commitments

At June 30, 2021, the County and School Board had the following outstanding construction commitments:

Project	Amount of Contract	Amount Outstanding	Accounts Payable	Retainage Payable
Crack Seal, Seal Coat, and Remark Airfield Pavements	\$ 243,150	\$ 243,150	\$ -	\$ -

Contingencies

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

Note 11-Surety Bonds:

Primary Government:

Travelers Casualty and Surety Company of America

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

Note 12-Notes Receivable:

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

*Notes receivable are due from discretely presented component units.

On June 30, 2021, the Lee County Hospital Authority (discretely presented component unit) closed on the sale of the hospital to a private party. The County had previously loaned the Hospital Authority \$1,500,000. As part of the closing, the County received \$1,425,644 and the remainder was written off as a contribution to the Hospital Authority.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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 \$83,585 liability is the total estimated post closure care liability at June 30, 2021 and represents what it would cost to perform all postclosure care in 2021. This liability also includes the estimated closure costs for the transfer station. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County uses the Commonwealth of Virginia’s financial assurance mechanism to meet the Department of Environmental Quality’s assurance requirements for landfill postclosure costs.

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

Note 14-Unavailable/Deferred Revenue:

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

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,306,595
2nd half assessments due in December 2021	11,138,190	11,138,190
Prepaid property taxes due in December 2021 but paid in advance by taxpayers	50,331	50,331
Unavailable tipping fees representing uncollected billings that are not available for funding of current expenditures	-	5,576
Total	<u>\$ 11,188,521</u>	<u>\$ 12,500,692</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

Note 15-Capital Leases:

Primary Government:

The County has entered into a lease agreement to finance the acquisition of emergency tower improvements. 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.

The capital assets acquired through capital leases are as follows:

	Governmental Activities
Capital Assets:	<hr/>
Emergency Tower Improvements*	\$ 1,518,723
Less: Accumulated depreciation	<hr/> -
Total net capital assets	<hr/> \$ 1,518,723 <hr/>

*The 2018 lease for emergency tower improvements was deposited into an escrow account and while the project is in process, the County had \$32,650 in funds on hand at year end reported as restricted cash.

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

Fiscal Year Ended	Emergency Tower Leases
<hr/>	<hr/>
2022	\$ 241,722
2023	119,600
Total minimum lease payments	<hr/> \$ 361,322
Less: amount representing interest	(18,918)
Present value of minimum lease payments	<hr/> \$ 342,404 <hr/>

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, 2021 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	84
Total retirees with coverage	<u>6</u>
Total	<u>90</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, 2021 was \$45,156.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 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, 2020 2.50% per year as of June 30, 2021
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Discount Rate	2.21% as of June 30, 2020 2.16% as of June 30, 2021
Actuarial Cost Method	Entry Age Normal

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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

Actuarial Assumptions (continued)

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

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

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

Discount Rate

The discount rate was 2.21% for June 30, 2020 and 2.16% for June 30, 2021. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	
	<hr/>	
Balances at June 30, 2020	\$	657,426
Changes for the year:		
Service cost		36,268
Interest		14,835
Changes in assumptions		2,973
Benefit payments		(45,156)
Net changes	<hr/>	<hr/>
Balances at June 30, 2021	\$	666,346
		<hr/> <hr/>

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

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

The following amounts present the total OPEB liability of the County, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

Discount Rate		
1% Decrease (1.16%)	Current (2.16%)	1% Increase (3.16%)
\$ 729,091	\$ 666,346	\$ 609,795

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 (3.90% decreasing to an ultimate rate of 3.00%) or one percentage point higher (5.90% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (3.90% decreasing to 3.00%)	Current (4.90% decreasing to 4.00%)	1% Increase (5.90% decreasing to 5.00%)
\$ 581,669	\$ 666,346	\$ 767,145

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

For the year ended June 30, 2021, the County recognized OPEB expense in the amount of \$64,798. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,573	\$ -
Changes of assumptions	8,705	33,702
Total	<u>\$ 93,278</u>	<u>\$ 33,702</u>

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

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

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

<u>Year Ended June 30,</u>	<u>Primary Government</u>
2022	\$ 13,695
2023	13,469
2024	12,943
2025	12,943
2026	6,526
Therafter	-

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, 2021 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	41
Total retirees with coverage	<u>2</u>
Total	<u><u>43</u></u>

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

Contributions

The board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the DSS Board. The amount paid by the DSS for OPEB as the benefits came due during the year ended June 30, 2021 was \$21,557.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 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, 2020 2.50% per year as of June 30, 2021
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Discount Rate	2.21% as of June 30, 2020 2.16% as of June 30, 2021
Actuarial Cost Method	Entry Age Normal

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

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

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

Discount Rate

The discount rate was 2.21% for June 30, 2020 and 2.16% for June 30, 2021. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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

Changes in Total OPEB Liability

	Primary Government - DSS Total OPEB Liability	
	<hr/>	
Balances at June 30, 2020	\$	180,225
Changes for the year:		
Service cost		13,749
Interest		4,050
Changes in assumptions		243
Benefit payments		(21,557)
Net changes	<hr/>	<hr/> (3,515)
Balances at June 30, 2021	<hr/>	<hr/> <hr/> 176,710

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 (1.16%) or one percentage point higher (3.16%) than the current discount rate:

Discount Rate		
1% Decrease (1.16%)	Current (2.16%)	1% Increase (3.16%)
<hr/>		
\$ 181,128	\$ 176,710	\$ 171,583

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 (3.80% decreasing to an ultimate rate of 3.00%) or one percentage point higher (5.80% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (3.80% decreasing to 3.00%)	Current (4.80% decreasing to 4.00%)	1% Increase (5.80% decreasing to 5.00%)
<hr/>		
\$ 160,806	\$ 176,710	\$ 194,678

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

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

For the year ended June 30, 2021, the DSS Board recognized OPEB expense in the amount of \$6,660. At June 30, 2021, the DSS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 15,031
Changes of assumptions	1,067	19,958
Total	<u>\$ 1,067</u>	<u>\$ 34,989</u>

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

<u>Year Ended June 30,</u>	<u>Primary Government - DSS</u>
2022	\$ (11,184)
2023	(11,368)
2024	(11,370)
2025	-
2026	-
Therafter	-

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 of 65 with 5 years of service.

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

Plan Membership

At June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	544
Total retirees with coverage	50
Total spouse of retirees with coverage	<u>3</u>
Total	<u><u>597</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, 2021 was \$587,329.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 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, 2020 2.50% per year as of June 30, 2021
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Discount Rate	2.21% as of June 30, 2020 2.16% as of June 30, 2021
Actuarial Cost Method	Entry Age Normal

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

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

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

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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

Discount Rate

The discount rate was 2.21% for June 30, 2020 and 2.16% for June 30, 2021. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Changes in Total OPEB Liability

	Component Unit School Board Total OPEB Liability	
	<hr/>	
Balances at June 30, 2020	\$	11,135,092
Changes for the year:		
Service cost		447,891
Interest		249,529
Changes in assumptions		44,856
Benefit payments		(587,329)
Net changes	<hr/>	<hr/>
Balances at June 30, 2021	\$	11,290,039
		<hr/> <hr/>

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	Discount Rate		
	<hr/>	<hr/>	<hr/>
	1% Decrease (1.16%)	Current (2.16%)	1% Increase (3.16%)
	<hr/>	<hr/>	<hr/>
\$	12,216,268	\$ 11,290,039	\$ 10,420,811

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 (4.00% decreasing to an ultimate rate of 3.00%) or one percentage point higher (6.00% decreasing to an ultimate rate of 5.00%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate		
1% Decrease (4.00% decreasing to 3.00%)	Current (5.00% decreasing to 4.00%)	1% Increase (6.00% decreasing to 5.00%)
\$ 9,885,648	\$ 11,290,039	\$ 12,962,415

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

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$899,729. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 642,084	\$ -
Changes of assumptions	715,867	110,992
Total	<u>\$ 1,357,951</u>	<u>\$ 110,992</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,	Component Unit School Board
2022	\$ 202,309
2023	202,309
2024	201,539
2025	194,000
2026	194,000
Therafter	252,802

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) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the Group Life Insurance Plan from the County were \$28,623 and \$27,751 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Nonprofessional) were \$11,084 and \$11,160 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the Group Life Insurance Plan from the Component Unit School Board (Professional) were \$100,838 and \$102,577 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

Primary Government

At June 30, 2021, the entity reported a liability of \$432,729 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.02593% as compared to 0.02617% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$14,070. 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) Plan (OPEB Plan): (continued)

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

Component Unit School Board (Nonprofessional)

At June 30, 2021, the entity reported a liability of \$177,398 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.01063% as compared to 0.01038% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$8,084. 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, 2021, the entity reported a liability of \$1,601,916 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was 0.09599% as compared to 0.09488% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$54,569. 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, 2021

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

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

At June 30, 2021, 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	\$ 27,756	\$ 3,886	\$ 11,378	\$ 1,593	\$ 102,748	\$ 14,388
Net difference between projected and actual earnings on GLI OPEB plan investments	12,999	-	5,329	-	48,120	-
Change in assumptions	21,641	9,036	8,872	3,704	80,114	33,449
Changes in proportionate share	-	10,059	4,841	650	18,017	52,235
Employer contributions subsequent to the measurement date	28,623	-	11,084	-	100,838	-
Total	\$ 91,019	\$ 22,981	\$ 41,504	\$ 5,947	\$ 349,837	\$ 100,072

\$28,623, \$11,084, and \$100,838 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2022	\$ 4,086	\$ 3,991	\$ 17,610
2023	7,757	5,496	31,199
2024	11,972	6,500	42,737
2025	12,829	6,257	43,734
2026	2,662	1,989	12,113
Thereafter	109	240	1,534

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Actuarial Assumptions (continued)

Mortality Rates - Teachers (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered 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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Actuarial Assumptions (continued)

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

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

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

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate.

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

Discount Rate (continued)

From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 568,856	\$ 432,729	\$ 322,182
Component Unit School Board's (nonprofessional) proportionate share of the GLI Plan Net OPEB Liability	233,203	177,398	132,079
Component Unit School Board's (professional) proportionate share of the GLI Plan Net OPEB Liability	2,105,842	1,601,916	1,192,682

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 20—Health Insurance Credit (HIC) Plan - Component Unit School Board (Nonprofessional):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

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

Employees Covered by Benefit Terms

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

	Component Unit School Board (nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	<u>49</u>
Active members	<u>106</u>
Total covered employees	<u><u>155</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, 2021 was 0.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board (nonprofessional) to the HIC Plan were \$20,286 and \$19,861 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The School Board's (Nonprofessional) net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

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

Actuarial Assumptions (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019 the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	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, 2019	\$ 289,186	\$ 61,560	\$ 227,626
Changes for the year:			
Service cost	\$ 3,951	\$ -	\$ 3,951
Interest	16,748	-	16,748
Benefit changes	13,898	-	13,898
Differences between expected and actual experience	10,481	-	10,481
Contributions - employer	-	19,897	(19,897)
Net investment income	-	734	(734)
Benefit payments	(82,127)	(82,127)	-
Administrative expenses	-	11	(11)
Other changes	-	(1)	1
Net changes	\$ (37,049)	\$ (61,486)	\$ 24,437
Balances at June 30, 2020	\$ 252,137	\$ 74	\$ 252,063

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Component Unit School Board's (Nonprofessional) Net HIC OPEB Liability	\$ 278,478	\$ 252,063	\$ 226,525

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

For the year ended June 30, 2021, the School Board (Nonprofessional) recognized HIC Plan OPEB expense of \$36,874. At June 30, 2021, the School Board (Nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to the School Board’s (nonprofessional) HIC Plan from the following sources:

	Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,115	\$ 1,340
Net difference between projected and actual earnings on HIC OPEB plan investments	1,282	571
Change in assumptions	3,465	733
Employer contributions subsequent to the measurement date	20,286	-
Total	<u>\$ 37,148</u>	<u>\$ 2,644</u>

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

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

\$20,286 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board (Nonprofessional)</u>
2022	\$ 4,670
2023	4,954
2024	3,164
2025	1,430
2026	-
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Plan Description (continued)

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$226,295 and \$236,484 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

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

At June 30, 2021, the school division reported a liability of \$2,936,727 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, 2020 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division’s proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division’s proportion of the VRS Teacher Employee HIC Program was 0.22512% as compared to 0.22120% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC OPEB expense of \$230,065. 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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 39,219
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	13,014	-
Change in assumptions	58,055	16,045
Change in proportionate share	47,363	109,713
Employer contributions subsequent to the measurement date	<u>226,295</u>	<u>-</u>
Total	<u>\$ 344,727</u>	<u>\$ 164,977</u>

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

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

\$226,295 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2022	\$	(10,434)
2023		(9,144)
2024		(9,576)
2025		(8,259)
2026		(7,979)
Thereafter		(1,153)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Note 21- Teacher Employee Health Insurance Credit (HIC) Plan (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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

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

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

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 3,287,360	\$ 2,936,727	\$ 2,638,715

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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 LODA OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities as well as hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the 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, 2021 was \$717.31 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the LODA from the entity were \$61,049 and \$61,049 for the years ended June 30, 2021 and June 30, 2020, 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, 2021, the entity reported a liability of \$1,881,403 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2020 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation June 30, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2020, the entity's proportion was 0.44922% as compared to 0.46012% at June 30, 2019.

For the year ended June 30, 2021, the entity recognized LODA OPEB expense \$165,173. 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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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, 2021, 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	\$ 199,714	\$ 256,498
Net difference between projected and actual earnings on LODA OPEB program investments	-	2,675
Change in assumptions	503,666	117,240
Change in proportionate share	31,262	65,599
Employer contributions subsequent to the measurement date	<u>61,049</u>	<u>-</u>
Total	<u>\$ 795,691</u>	<u>\$ 442,012</u>

\$61,049 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, 2022. 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>	
2022	\$ 37,011
2023	37,505
2024	38,032
2025	38,187
2026	38,353
Thereafter	103,542

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.00%-4.75%
Ages 65 and older	5.375%-4.75%
Year of ultimate trend rate:	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	2.21%, including inflation*

*Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 2.21% was used since it approximates the risk-free rate of return.

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.

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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 (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 60.00% to 45.00%

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, 2020, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 423,147
Plan Fiduciary Net Position	4,333
LODA Net OPEB Liability (Asset)	<u>\$ 418,814</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.02%

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program’s investments was set at 2.21% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments’ 6.75% assumption. Instead, the assumed annual rate of return of 2.21% 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, 2020.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 2.21%. 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, 2020, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

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

The following presents the covered employer’s proportionate share of the net LODA OPEB liability using the discount rate of 2.21%, as well as what the covered employer’s proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	Discount Rate		
	1% Decrease (1.21%)	Current (2.21%)	1% Increase (3.21%)
County's proportionate share of the LODA Net OPEB Liability	\$ 2,233,200	\$ 1,881,403	\$ 1,616,226

County of Lee, Virginia

Notes to Financial Statements (continued)
June 30, 2021

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 Health Care Trend Rate

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

	Health Care Trend Rates		
	1% Decrease (6.00% decreasing to 3.75%)	Current (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
County's proportionate share of the LODA Net OPEB Liability	\$ 1,555,041	\$ 1,881,403	\$ 2,308,280

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2020 Annual Comprehensive Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 23-OPEB Summary:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
Stand-Alone Plan								
County (Note 16)	\$ 93,278	\$ 33,702	\$ 666,346	\$ 64,798	\$ -	\$ -	\$ -	\$ -
Social Services (Note 17)	1,067	34,989	176,710	6,660	-	-	-	-
School Board (Note 18)	-	-	-	-	1,357,951	110,992	11,290,039	899,729
VRS OPEB Plans:								
GLI Plan (Note 19)								
County	91,019	22,981	432,729	14,070	-	-	-	-
School Board Nonprofessional	-	-	-	-	41,504	5,947	177,398	8,084
School Board Professional	-	-	-	-	349,837	100,072	1,601,916	54,569
HIC Plan (Note 20)								
School Board Nonprofessional	-	-	-	-	37,148	2,644	252,063	36,874
Teacher HIC Plan (Note 21)	-	-	-	-	344,727	164,977	2,936,727	230,065
Line of Duty Act (LODA) (Note 22)	795,691	442,012	1,881,403	165,173	-	-	-	-
Totals	\$ 981,055	\$ 533,684	\$ 3,157,188	\$ 250,701	\$ 2,131,167	\$ 384,632	\$ 16,258,143	\$ 1,229,321

Notes to Financial Statements (continued)
June 30, 2021

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 2021, a total of \$4,655,346 was paid in benefits and administrative costs. Claims for the fiscal year totaled \$5,198,637. Incurred but not reported claims of \$754,090 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Changes in the claims liability for the current and two prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2020-21	\$ 210,799	\$ 5,198,637	\$ (4,655,346)	\$ 754,090
2019-20	242,991	4,933,163	(4,965,355)	210,799
2018-19	275,817	4,682,655	(4,715,481)	242,991

As of June 30, 2021, the School Board held funds totaling \$1,946,349 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, 2021, the balance owed to retired employees was \$377,278, which has been recorded as a liability in the government-wide financial statements of the School Board.

Note 26-Litigation:

At June 30, 2021, the only significant matter outstanding is a claim of breach of contract against the Lee County School Board in the amount of \$500,000. The School Board believes the case would be partially covered by insurance, if necessary, but intends to contest the matter vigorously.

Note 27-Operating Leases:

In August 2019, the School Board entered into lease agreements for multiple modular buildings to increase instructional space. Both leases below contain an option to purchase at the end of lease calculated at the fair market value at the end of the lease period.

- The first lease agreement consisted of a down payment of \$66,837 for delivery and installation and a continuing monthly payment of \$2,850 (plus 5% administrative fee and taxes) for 36 months.
- The second lease agreement consisted of a down payment of \$89,525 for delivery and installation and a continuing monthly payment of \$3,870 (plus 5% administrative fee and taxes) for 36 months.

Note 28-COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$4,087,132. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$512,523. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 were to be returned to the federal government. Unspent CRF funds in the amount of \$1,159,871 are reported as unearned revenue as of June 30, all of which was spent as of December 31, 2021.

ARPA Funding

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

On June 10, 2021, the County received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$2,274,821 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

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

Note 28-COVID-19 Pandemic Funding and Subsequent Events: (Continued)

Subsequent to year-end the County entered into the following significant transactions:

- Obligated \$757,469 in ARPA funding for the purchase of air packs for all volunteer fire departments.
- Obligated \$141,268 in ARPA funding to cover a shortfall in funding for the Lee Public Service Authority’s Giles Hollow Water Project.
- Agreed to purchase of a new garbage truck in the amount of \$291,446.
- Agreed to contract for parking lot construction in the amount of \$272,290.
- Agreed to contract for a reassessment in the amount of \$320,650.

Note 29-Restatement of Beginning Balances:

The County and School Board implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement 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 implementation of this Statement resulted in the following restatement of fund balance and net position by the inclusion of school activity funds and change in reporting of special welfare funds. Special welfare funds were determined to be a custodial fund and \$85,545 previously reported as liability in the fiduciary funds is now restated to be reported as net position in this fund. The school activity fund impact is below:

Fund balance, as previously reported 6/30/2020	\$	-
Inclusion of School Activity Fund (per GASB 84)		779,902
Fund balance, as restated 6/30/2020	\$	<u>779,902</u>
School Board Net position, as previously reported 6/30/2020	\$	(40,201,638)
Inclusion of School Activity Fund (per GASB 84)		779,902
School Board Net position, as restated 6/30/2020	\$	<u>(39,421,736)</u>

Note 30-Upcoming Pronouncements:

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. 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.

Note 30-Upcoming Pronouncements: (Continued)

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

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

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

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Note 30-Upcoming Pronouncements: (Continued)

Statement No. 99, *Omnibus 2022*, addresses (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to for fiscal years beginning after June 15, 2023.

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

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

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,525,484	\$ 9,525,484	\$ 9,728,479	\$ 202,995
Other local taxes	3,069,064	3,069,064	3,202,506	133,442
Permits, privilege fees, and regulatory licenses	58,850	58,850	89,625	30,775
Fines and forfeitures	800	800	171	(629)
Revenue from the use of money and property	113,500	113,500	107,828	(5,672)
Charges for services	224,400	224,400	222,763	(1,637)
Miscellaneous	58,850	84,900	147,747	62,847
Recovered costs	660,387	690,989	901,741	210,752
Intergovernmental:				
Commonwealth	10,410,908	10,455,004	7,918,382	(2,536,622)
Federal	3,702,588	8,233,207	10,445,152	2,211,945
Total revenues	\$ 27,824,831	\$ 32,456,198	\$ 32,764,394	\$ 308,196
EXPENDITURES				
Current:				
General government administration	\$ 1,779,077	\$ 1,789,596	\$ 1,778,015	\$ 11,581
Judicial administration	1,264,217	1,371,591	1,174,756	196,835
Public safety	6,324,631	8,300,304	8,301,616	(1,312)
Public works	1,964,467	1,985,125	1,858,562	126,563
Health and welfare	11,421,631	11,421,631	10,611,417	810,214
Education	4,234,266	4,234,266	2,651,388	1,582,878
Parks, recreation, and cultural	309,664	309,664	279,290	30,374
Community development	424,935	3,034,767	2,919,000	115,767
Nondepartmental	25,000	25,000	22,775	2,225
Capital projects	160,000	160,000	64,450	95,550
Debt service:				
Principal retirement	763,229	763,229	722,415	40,814
Interest and other fiscal charges	111,647	111,647	206,352	(94,705)
Total expenditures	\$ 28,782,764	\$ 33,506,820	\$ 30,590,036	\$ 2,916,784
Excess (deficiency) of revenues over (under) expenditures	\$ (957,933)	\$ (1,050,622)	\$ 2,174,358	\$ 3,224,980
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 554,929	\$ 554,929
Transfers out	-	-	(12,465)	(12,465)
Issuance of notes payable	-	-	400,052	400,052
Total other financing sources (uses)	\$ -	\$ -	\$ 942,516	\$ 942,516
Net change in fund balances	\$ (957,933)	\$ (1,050,622)	\$ 3,116,874	\$ 4,167,496
Fund balances - beginning	957,933	1,050,622	7,401,104	6,350,482
Fund balances - ending	\$ -	\$ -	\$ 10,517,978	\$ 10,517,978

County of Lee, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

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

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

County of Lee, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Component Unit School Board (nonprofessional)
 Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2020

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

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

County of Lee, Virginia
 Schedule of Employer's Share of Net Pension Liability (Asset)
 VRS Teacher Retirement Plan
 Pension Plans
 For the Measurement Dates of June 30, 2014 through June 30, 2020

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

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

County of Lee, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

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					
2021	\$ 447,191	\$ 447,191	-	\$ 5,290,495	8.45%
2020	443,128	443,128	-	5,334,614	8.31%
2019	431,906	431,906	-	5,129,624	8.42%
2018	463,180	463,180	-	5,023,489	9.22%
2017	455,072	455,072	-	4,902,120	9.28%
2016	593,517	593,517	-	4,896,347	12.12%
2015	583,877	583,877	-	4,792,290	12.18%
2014	577,169	577,169	-	4,782,254	12.07%
2013	550,634	550,634	-	4,584,800	12.01%
2012	371,629	371,629	-	4,461,330	8.33%
Component Unit School Board (nonprofessional)					
2021	\$ 551,057	\$ 551,057	-	\$ 2,051,562	26.86%
2020	562,397	562,397	-	2,146,154	26.20%
2019	539,363	539,363	-	2,034,505	26.51%
2018	559,501	559,501	-	1,978,801	28.27%
2017	539,130	539,130	-	1,929,643	27.94%
2016	520,334	520,334	-	1,833,085	28.39%
2015	498,642	498,642	-	1,753,809	28.43%
2014	412,585	412,585	-	1,661,330	24.83%
2013	404,244	404,244	-	1,628,048	24.83%
2012	427,876	427,876	-	1,645,044	26.01%
Component Unit School Board (professional)					
2021	\$ 3,023,744	\$ 3,023,744	-	\$ 18,676,707	16.19%
2020	3,021,691	3,021,691	-	19,736,030	15.31%
2019	2,848,282	2,848,282	-	18,598,431	15.31%
2018	3,110,689	3,110,689	-	18,792,032	16.55%
2017	2,661,501	2,661,501	-	18,154,850	14.66%
2016	2,479,379	2,479,379	-	17,634,275	14.06%
2015	2,490,616	2,490,616	-	17,714,196	14.06%
2014	1,984,637	1,984,637	-	17,188,687	11.55%
2013	2,103,701	2,103,701	-	18,042,034	11.66%
2012	1,213,014	1,213,014	-	19,162,934	6.33%

County of Lee, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lee, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government - County
 For the Measurement Dates of June 30, 2018 through June 30, 2021

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

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

County of Lee, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Primary Government - DSS
 For the Measurement Dates of June 30, 2018 through June 30, 2021

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

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

County of Lee, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2018 through June 30, 2021

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

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

County of Lee, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2021

County, DSS, and School Board

Valuation Date: 7/1/2019

Measurement Date: 6/30/2021

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

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.21% as of June 30, 2020; 2.16% as of June 30, 2021
Inflation	2.50% per year as of June 30, 2020 and June 30, 2021
Healthcare Trend Rate - County	The healthcare trend rate assumption starts at 4.90% for July 1, 2020 decreasing to an ultimate rate of 4.00% by July 1, 2073
Healthcare Trend Rate - DSS	The healthcare trend rate assumption starts at 4.80% for July 1, 2020 decreasing to an ultimate rate of 4.00% by July 1, 2073
Healthcare Trend Rate - School Board	The healthcare trend rate assumption starts at 5.00% for July 1, 2020 decreasing to an ultimate rate of 4.00% by July 1, 2073
Salary Increase Rates	Graded rate increases that consist of an inflation rate of 2.50%, a productivity component of 1.00%, and a variable merit component dependent on years of service
Participation Percentage - County and DSS	30% of future retirees are assumed to elect medical coverage upon retirement and 30% of future retirees are assumed to include their spouse in coverage.
Participation Percentage - School Board	60% of future retirees are assumed to elect medical coverage upon retirement if they are enrolled in the School Board Early Retirement Incentive Program (ERIP). 30% of future retirees are assumed to elect medical coverage upon retirement if they are not. 20% of future retirees are assumed to include their spouse in coverage.
Retirement Age	For VRS Plan 1 employees the average age is 65. For Plan 2 and Hybrid employees the average age of retirement is estimated based on probability of retirement. The participation percentage is 35% when the retiree's age and years of service total 90.
Mortality Rates - Active Employees	Calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected to 2020 using Scale BB with males set back one year, 85% of rates and females set back one year (males 90% of rates and females set forward one year for public safety employees).
Mortality Rates - Healthy Retirees	Calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected to 2020 using Scale BB with males set forward one year and females set back one year with 1.5% increase compounded from ages 70 to 85 (males set forward one year with 1.0% increase compounded from ages 70 to 90 and females set forward 3 years for public safety employees).
Mortality Rates - Disabled Retirees	Calculated using the RP-2014 Disabled Mortality Rates projected to 2020 using Scale BB with males 115% of rates and females 130% of rates (males set forward 2 years and unisex using 100% male for public safety employees)

County of Lee, Virginia
 Schedule of County's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.0259% \$	432,729 \$	5,334,614	8.11%	52.64%
2019	0.0262%	425,855	5,129,624	8.30%	52.00%
2018	0.0265%	402,000	5,023,489	8.00%	51.22%
2017	0.0266%	401,000	4,902,120	8.18%	48.86%

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

County of Lee, Virginia
 Schedule of Employer Contributions - County
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 28,623	\$ 28,623	-	\$ 5,300,578	0.54%
2020	27,751	27,751	-	5,334,614	0.52%
2019	26,689	26,689	-	5,129,624	0.52%
2018	26,162	26,162	-	5,023,489	0.52%
2017	25,516	25,516	-	4,907,011	0.52%
2016	23,502	23,502	-	4,896,347	0.48%
2015	23,026	23,026	-	4,797,165	0.48%
2014	22,988	22,988	-	4,789,096	0.48%
2013	22,007	22,007	-	4,584,800	0.48%
2012	12,542	12,542	-	4,479,255	0.28%

County of Lee, Virginia
 Schedule of School Board Nonprofessional's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.0106% \$	177,398 \$	2,146,154	8.27%	52.64%
2019	0.0104%	168,910	2,034,505	8.30%	52.00%
2018	0.0104%	159,000	1,978,801	8.04%	51.22%
2017	0.0105%	158,000	1,938,562	8.15%	48.86%

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

County of Lee, Virginia
 Schedule of Employer Contributions - School Board Nonprofessional
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 11,084	\$ 11,084	\$ -	\$ 2,052,998	0.54%
2020	11,160	11,160	-	2,146,154	0.52%
2019	10,605	10,605	-	2,034,505	0.52%
2018	10,325	10,325	-	1,978,801	0.52%
2017	10,081	10,081	-	1,938,562	0.52%
2016	8,799	8,799	-	1,833,085	0.48%
2015	8,418	8,418	-	1,753,809	0.48%
2014	7,996	7,996	-	1,665,820	0.48%
2013	7,869	7,869	-	1,639,274	0.48%
2012	4,624	4,624	-	1,651,454	0.28%

County of Lee, Virginia
 Schedule of School Board Professional's Share of Net OPEB Liability
 Group Life Insurance (GLI) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.0960%	\$ 1,601,916	\$ 19,736,030	8.12%	52.64%
2019	0.0949%	1,543,950	18,598,431	8.30%	52.00%
2018	0.0991%	1,505,000	18,847,785	7.99%	51.22%
2017	0.0998%	1,502,000	18,412,748	8.16%	48.86%

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

County of Lee, Virginia
 Schedule of Employer Contributions - School Board Professional
 Group Life Insurance (GLI) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 100,838	\$ 100,838	\$ -	\$ 18,689,886	0.54%
2020	102,577	102,577	-	19,736,030	0.52%
2019	96,523	96,523	-	18,598,431	0.52%
2018	97,842	97,842	-	18,847,785	0.52%
2017	95,746	95,746	-	18,412,748	0.52%
2016	85,537	85,537	-	17,820,171	0.48%
2015	86,241	86,241	-	17,966,977	0.48%
2014	82,592	82,592	-	17,206,573	0.48%
2013	86,392	86,392	-	17,998,370	0.48%
2012	53,576	53,576	-	19,134,130	0.28%

County of Lee, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lee, Virginia
 Schedule of Changes in the School Board Nonprofessional's Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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

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

County of Lee, Virginia
 Schedule of Employer Contributions - School Board Nonprofessional
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 20,286	\$ 20,286	-	\$ 2,051,562	0.99%
2020	19,861	19,861	-	2,146,154	0.93%
2019	18,921	18,921	-	2,029,302	0.93%
2018	19,589	19,589	-	1,978,801	0.99%
2017	19,157	19,157	-	1,929,643	0.99%
2016	17,048	17,048	-	1,833,085	0.93%
2015	16,310	16,310	-	1,753,809	0.93%
2014	17,278	17,278	-	1,661,330	1.04%
2013	16,829	16,829	-	1,618,132	1.04%
2012	18,594	18,594	-	1,660,184	1.12%

County of Lee, Virginia
 Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Lee, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.2251%	\$ 2,936,727	\$ 19,736,030	14.88%	9.95%
2019	0.2212%	2,895,723	18,598,431	15.57%	8.97%
2018	0.2328%	2,956,000	18,828,086	15.70%	8.08%
2017	0.2324%	2,948,000	18,337,536	16.08%	7.04%

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

County of Lee, Virginia
 Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 226,295	\$ 226,295	-	\$ 18,681,364	1.21%
2020	236,484	236,484	-	19,736,030	1.20%
2019	222,296	222,296	-	18,598,431	1.20%
2018	231,143	231,143	-	18,828,086	1.23%
2017	203,547	203,547	-	18,337,536	1.11%
2016	188,003	188,003	-	17,736,164	1.06%
2015	189,655	189,655	-	17,891,981	1.06%
2014	190,094	190,094	-	17,125,567	1.11%
2013	217,080	217,080	-	19,556,732	1.11%
2012	114,978	114,978	-	19,162,934	0.60%

County of Lee, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

County of Lee, Virginia
 Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act (LODA) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.4492% \$	1,881,403	N/A	N/A	1.02%
2019	0.4601%	1,650,846	N/A	N/A	0.79%
2018	0.4488%	1,407,000	N/A	N/A	0.60%
2017	0.4669%	1,227,000	N/A	N/A	1.30%

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

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

County of Lee, Virginia
 Schedule of Employer Contributions
 Line of Duty Act (LODA) Program
 For the Years Ended June 30, 2017 through June 30, 2021

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)
2021	\$ 61,049	\$ 61,049	-	N/A	N/A
2020	61,049	61,049	-	N/A	N/A
2019	61,754	61,754	-	N/A	N/A
2018	47,800	47,800	-	N/A	N/A
2017	50,354	50,354	-	N/A	N/A

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

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

County of Lee, Virginia
Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 60.00% to 45.00%

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, 2021

	Airport Project Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 35,649	\$ (35,649)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (35,649)	\$ (35,649)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 35,649	\$ 35,649
Transfers out	-	-	(590,578)	\$ (590,578)
Total other financing sources (uses)	\$ -	\$ -	\$ (554,929)	\$ (554,929)
Net change in fund balances	\$ -	\$ -	\$ (590,578)	\$ (590,578)
Fund balances - beginning	-	-	590,578	590,578
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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, 2021

	Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal	\$ 1,082,907	\$ 1,082,907	\$ 414,204	\$ (668,703)
Total revenues	\$ 1,082,907	\$ 1,082,907	\$ 414,204	\$ (668,703)
EXPENDITURES				
Current:				
Community development	\$ 1,082,907	\$ 1,082,907	\$ 424,120	\$ 658,787
Total expenditures	\$ 1,082,907	\$ 1,082,907	\$ 424,120	\$ 658,787
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (9,916)	\$ (9,916)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 12,465	\$ 12,465
Total other financing sources and uses	\$ -	\$ -	\$ 12,465	\$ 12,465
Net change in fund balances	\$ -	\$ -	\$ 2,549	\$ 2,549
Fund balances - beginning	-	-	257,326	257,326
Fund balances - ending	\$ -	\$ -	\$ 259,875	\$ 259,875

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, 2021

	Coal Road Improvement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Other local taxes	\$ -	\$ -	\$ 1,099	\$ 1,099
Revenue from the use of money and property	-	-	261	261
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360</u>	<u>\$ 1,360</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ -	\$ 483	\$ (483)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ (483)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877</u>	<u>\$ 877</u>
Net change in fund balances	\$ -	\$ -	\$ 877	\$ 877
Fund balances - beginning	-	-	66,905	66,905
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,782</u>	<u>\$ 67,782</u>

County of Lee, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2021

	School Operating Fund	School Head Start Fund	Nonmajor School Activity Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 795,465	\$ 23,977	\$ -	\$ 819,442
Cash held at individual schools	-	-	764,850	764,850
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	1,628	1,628
Due from primary government	631,828	-	-	631,828
Due from other governmental units	1,617,059	-	-	1,617,059
Total assets	<u>\$ 3,044,352</u>	<u>\$ 23,977</u>	<u>\$ 766,478</u>	<u>\$ 3,834,807</u>
LIABILITIES				
Accounts payable	\$ 541,373	\$ -	\$ 17,024	\$ 558,397
Accrued liabilities	1,724,149	-	-	1,724,149
Total liabilities	<u>\$ 2,265,522</u>	<u>\$ -</u>	<u>\$ 17,024</u>	<u>\$ 2,282,546</u>
FUND BALANCES				
Restricted:				
Head Start program	\$ -	\$ 23,977	\$ -	\$ 23,977
Cafeteria operations	755,217	-	1,449	756,666
Retirement	25,603	-	-	25,603
Committed				
School activities	-	-	748,005	748,005
Unassigned	(1,990)	-	-	(1,990)
Total fund balances	<u>\$ 778,830</u>	<u>\$ 23,977</u>	<u>\$ 749,454</u>	<u>\$ 1,552,261</u>
Total liabilities and fund balances	<u>\$ 3,044,352</u>	<u>\$ 23,977</u>	<u>\$ 766,478</u>	<u>\$ 3,834,807</u>

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

Total fund balances per above	\$ 1,552,261
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 528,889
Construction in progress	1,673,583
Buildings and improvements	4,406,434
Machinery and equipment	<u>1,568,360</u>
	8,177,266
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	1,192,259
Deferred outflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the funds.	
Pension related items	\$ 9,304,355
OPEB related items	<u>2,131,167</u>
	11,435,522
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (1,163,278)
Early retirement incentive plan liability	(377,278)
Net pension liability	(40,816,925)
Net OPEB liabilities	<u>(16,258,143)</u>
	(58,615,624)
Deferred inflows of resources are not due and payable in the current period, and, therefore, are not reported in the funds.	
Pension related items	\$ (2,915,713)
OPEB related items	<u>(384,632)</u>
	(3,300,345)
Net position of governmental activities	<u><u>\$ (39,558,661)</u></u>

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, 2021

	School Operating Fund	School Head Start Fund	Nonmajor School Activity Fund*	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 951	\$ -	\$ -	\$ 951
Charges for services	111,363	-	-	111,363
Miscellaneous	33,734	31,100	380,386	445,220
Recovered costs	613,623	1,085	-	614,708
Intergovernmental:				
Local government	2,629,269	-	-	2,629,269
Commonwealth	28,377,995	-	-	28,377,995
Federal	8,334,413	1,616,437	-	9,950,850
Total revenues	<u>\$ 40,101,348</u>	<u>\$ 1,648,622</u>	<u>\$ 380,386</u>	<u>\$ 42,130,356</u>
EXPENDITURES				
Current:				
Education	\$ 39,497,849	\$ 1,627,935	\$ 628,714	\$ 41,754,498
Total expenditures	<u>\$ 39,497,849</u>	<u>\$ 1,627,935</u>	<u>\$ 628,714</u>	<u>\$ 41,754,498</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 603,499</u>	<u>\$ 20,687</u>	<u>\$ (248,328)</u>	<u>\$ 375,858</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 217,880	\$ 217,880
Transfers out	(217,880)	-	-	(217,880)
Total other financing sources and uses	<u>\$ (217,880)</u>	<u>\$ -</u>	<u>\$ 217,880</u>	<u>\$ -</u>
Net change in fund balances	\$ 385,619	\$ 20,687	\$ (30,448)	\$ 375,858
Fund balances - beginning, as restated	393,211	3,290	779,902	1,176,403
Fund balances - ending	<u>\$ 778,830</u>	<u>\$ 23,977</u>	<u>\$ 749,454</u>	<u>\$ 1,552,261</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 \$ 375,858

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

Capital outlays	\$ 1,660,160	
Depreciation expenses	<u>(856,213)</u>	803,947

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	\$ (259,752)	
(Increase) decrease in early retirement incentive plan liability	1,013,744	
Change in net pension liabilities and related items	(857,887)	
Change in net OPEB liabilities and related items	<u>(282,481)</u>	(386,376)

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.

(930,354)

Change in net position of governmental activities

\$ (136,925)

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

County of Lee, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2021

	School Operating Fund			School Head Start Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	
	Original	Final		Original	Final		
REVENUES							
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 951	\$ (2,049)	\$ -	\$ -	\$ -
Charges for services	105,000	105,000	111,363	6,363	-	-	-
Miscellaneous	10,000	10,000	33,734	23,734	-	31,100	31,100
Recovered costs	1,117,272	1,117,272	613,623	(503,649)	-	1,085	1,085
Intergovernmental:							
Local government	4,209,204	4,209,204	2,629,269	(1,579,935)	-	-	-
Commonwealth	27,945,392	27,945,392	28,377,995	432,603	-	-	-
Federal	7,410,054	7,410,054	8,334,413	924,359	1,857,622	1,616,437	(241,185)
Total revenues	\$ 40,799,922	\$ 40,799,922	\$ 40,101,348	\$ (698,574)	\$ 1,857,622	\$ 1,648,622	\$ (209,000)
EXPENDITURES							
Current:							
Education	\$ 41,157,922	\$ 41,157,922	\$ 39,497,849	\$ 1,660,073	\$ 1,857,622	\$ 1,627,935	\$ 229,687
Total expenditures	\$ 41,157,922	\$ 41,157,922	\$ 39,497,849	\$ 1,660,073	\$ 1,857,622	\$ 1,627,935	\$ 229,687
Excess (deficiency) of revenues over (under) expenditures	\$ (358,000)	\$ (358,000)	\$ 603,499	\$ 961,499	\$ -	\$ 20,687	\$ 20,687
OTHER FINANCING SOURCES (USES)							
Transfers out	\$ -	\$ -	\$ (217,880)	\$ (217,880)	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ (217,880)	\$ (217,880)	\$ -	\$ -	\$ -
Net change in fund balances	\$ (358,000)	\$ (358,000)	\$ 385,619	\$ 743,619	\$ -	\$ 20,687	\$ 20,687
Fund balances - beginning	358,000	358,000	393,211	35,211	-	3,290	3,290
Fund balances - ending	\$ -	\$ -	\$ 778,830	\$ 778,830	\$ -	\$ 23,977	\$ 23,977

County of Lee, Virginia
 Statement of Net Position
 Discretely Presented Component Unit - School Board
 Internal Service Fund
 As of June 30, 2021

	Self- Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,946,349
Total assets	\$ 1,946,349
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 754,090
Total liabilities	\$ 754,090
 NET POSITION	
Restricted	\$ 1,192,259
Total net position	\$ 1,192,259

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, 2021

	<u>Self- Insurance Fund</u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 4,266,259
Total operating revenues	<u>\$ 4,266,259</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 5,198,637
Total operating expenses	<u>\$ 5,198,637</u>
Operating income (loss)	<u>\$ (932,378)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>\$ 2,024</u>
Change in net position	\$ (930,354)
Total net position - beginning	<u>2,122,613</u>
Total net position - ending	<u><u>\$ 1,192,259</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, 2021

	Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 4,266,259
Payments for claims and expenses	(4,655,346)
Net cash provided by (used for) operating activities	<u>\$ (389,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 2,024
Net cash provided by (used for) investing activities	<u>\$ 2,024</u>
Net increase (decrease) in cash and cash equivalents	\$ (387,063)
Cash and cash equivalents - beginning	<u>2,333,412</u>
Cash and cash equivalents - ending	<u><u>\$ 1,946,349</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (932,378)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	\$ 543,291
Total adjustments	<u>\$ 543,291</u>
Net cash provided by (used for) operating activities	<u><u>\$ (389,087)</u></u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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	\$ 5,939,584	\$ 5,939,584	\$ 6,026,939	\$ 87,355
Real and personal public service corporation taxes	560,000	560,000	557,082	(2,918)
Personal property taxes	1,965,700	1,965,700	2,017,237	51,537
Mobile home taxes	92,100	92,100	92,782	682
Machinery and tools taxes	371,000	371,000	405,598	34,598
Merchant's capital	85,100	85,100	85,255	155
Business personal property	222,000	222,000	224,966	2,966
Penalties	145,000	145,000	156,348	11,348
Interest	145,000	145,000	162,272	17,272
Total general property taxes	<u>\$ 9,525,484</u>	<u>\$ 9,525,484</u>	<u>\$ 9,728,479</u>	<u>\$ 202,995</u>
Other local taxes:				
Local sales and use taxes	\$ 1,608,414	\$ 1,608,414	\$ 1,757,171	\$ 148,757
Meals Tax	168,000	168,000	147,393	(20,607)
Consumers' utility and consumption taxes	436,500	436,500	434,921	(1,579)
Oil and gas severance taxes	1,625	1,625	1,864	239
Motor vehicle licenses	723,500	723,500	733,697	10,197
Bank stock taxes	70,000	70,000	36,110	(33,890)
Taxes on recordation and wills	59,300	59,300	89,404	30,104
Hotel and motel room taxes	1,600	1,600	1,827	227
Amusement tax	125	125	119	(6)
Total other local taxes	<u>\$ 3,069,064</u>	<u>\$ 3,069,064</u>	<u>\$ 3,202,506</u>	<u>\$ 133,442</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 750	\$ 750	\$ 1,267	\$ 517
Zoning and subdivision permits	3,300	3,300	4,590	1,290
Transfer fees	800	800	966	166
Gun permits	4,000	4,000	7,524	3,524
Contractor's licenses	8,000	8,000	12,978	4,978
Building permits	42,000	42,000	62,300	20,300
Total permits, privilege fees, and regulatory licenses	<u>\$ 58,850</u>	<u>\$ 58,850</u>	<u>\$ 89,625</u>	<u>\$ 30,775</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 800	\$ 800	\$ 171	\$ (629)
Revenue from use of money and property:				
Revenue from use of money	\$ 46,000	\$ 46,000	\$ 42,122	\$ (3,878)
Revenue from use of property	67,500	67,500	65,706	(1,794)
Total revenue from use of money and property	<u>\$ 113,500</u>	<u>\$ 113,500</u>	<u>\$ 107,828</u>	<u>\$ (5,672)</u>
Charges for services:				
Charges for excess clerk fees	\$ 1,000	\$ 1,000	\$ 766	\$ (234)
Charges for courthouse maintenance	3,400	3,400	2,903	(497)
Charges for courthouse security	28,000	28,000	17,907	(10,093)
Charges for Commonwealth's Attorney	2,000	2,000	1,904	(96)
Charges for inmates	1,200	1,200	1,061	(139)
Charges for aviation fuel	24,000	24,000	26,223	2,223
Charges for sanitation, waste removal and recycling	150,000	150,000	160,553	10,553
Charges for parks and recreation	3,800	3,800	-	(3,800)
Charges for garage services	10,000	10,000	10,553	553
Other charges for services	1,000	1,000	893	(107)
Total charges for services	<u>\$ 224,400</u>	<u>\$ 224,400</u>	<u>\$ 222,763</u>	<u>\$ (1,637)</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 58,850	\$ 58,851	\$ 130,952	\$ 72,101
Contributions	-	26,049	15,802	(10,247)
Economic development	-	-	993	993
Total miscellaneous	<u>\$ 58,850</u>	<u>\$ 84,900</u>	<u>\$ 147,747</u>	<u>\$ 62,847</u>
Recovered costs:				
Health department	\$ -	\$ -	\$ 30,224	\$ 30,224
Insurance recovery	30,000	30,000	66,521	36,521
Welfare refunds and recoveries	-	-	44,034	44,034
Juror and witness recoveries	-	-	4,020	4,020
Regional jail	555,887	555,887	654,650	98,763
Delinquent tax collection fees	11,500	11,500	32,695	21,195
Other recovered costs	63,000	93,602	69,597	(24,005)
Total recovered costs	<u>\$ 660,387</u>	<u>\$ 690,989</u>	<u>\$ 901,741</u>	<u>\$ 210,752</u>
Total revenue from local sources	<u>\$ 13,711,335</u>	<u>\$ 13,767,987</u>	<u>\$ 14,400,860</u>	<u>\$ 632,873</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Games of skill tax	\$ -	\$ -	\$ 8,352	\$ 8,352
Rolling stock tax	99,000	99,000	96,895	(2,105)
Mobile home titling tax	63,000	63,000	72,409	9,409
Motor vehicle rental tax	5,700	5,700	6,109	409
Telecommunications taxes	330,000	330,000	309,927	(20,073)
Grantor's tax	17,500	17,500	28,304	10,804
Personal property tax relief funds	798,646	798,646	798,646	-
Total noncategorical aid	<u>\$ 1,313,846</u>	<u>\$ 1,313,846</u>	<u>\$ 1,320,642</u>	<u>\$ 6,796</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 510,386	\$ 510,386	\$ 419,735	\$ (90,651)
Sheriff	1,629,658	1,629,658	1,510,914	(118,744)
Commissioner of revenue	137,908	137,908	130,369	(7,539)
Treasurer	101,276	101,276	93,200	(8,076)
Registrar/electoral board	56,714	56,714	43,202	(13,512)
Clerk of the Circuit Court	344,680	344,680	329,517	(15,163)
Total shared expenses	<u>\$ 2,780,622</u>	<u>\$ 2,780,622</u>	<u>\$ 2,526,937</u>	<u>\$ (253,685)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 4,287,114	\$ 4,287,114	\$ 2,395,623	\$ (1,891,491)
Children's services act	1,635,958	1,635,958	1,131,287	(504,671)
Law enforcement grants	-	-	20,371	20,371
Litter control grant	9,488	9,488	9,488	-
School resource officer	152,312	152,312	142,597	(9,715)
Fire programs	82,500	82,500	168,770	86,270
Records preservation grant	-	16,606	11,598	(5,008)
Commissioner of revenue grant	-	4,019	3,469	(550)
Victim-witness grant	26,568	26,568	25,155	(1,413)
Four-for-life payments	20,500	20,500	-	(20,500)

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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)				
E-911 wireless grant	\$ 67,500	\$ 67,500	\$ 81,378	\$ 13,878
Asset forfeitures	32,000	55,471	33,267	(22,204)
Emergency management grant	-	-	44,800	44,800
Other state aid	2,500	2,500	3,000	500
Total other categorical aid	<u>\$ 6,316,440</u>	<u>\$ 6,360,536</u>	<u>\$ 4,070,803</u>	<u>\$ (2,289,733)</u>
Total categorical aid	<u>\$ 9,097,062</u>	<u>\$ 9,141,158</u>	<u>\$ 6,597,740</u>	<u>\$ (2,543,418)</u>
Total revenue from the Commonwealth	<u>\$ 10,410,908</u>	<u>\$ 10,455,004</u>	<u>\$ 7,918,382</u>	<u>\$ (2,536,622)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 213,000</u>	<u>\$ 213,000</u>	<u>\$ 228,267</u>	<u>\$ 15,267</u>
Categorical aid:				
Public assistance and welfare administration	\$ 3,269,905	\$ 3,269,905	\$ 3,269,905	\$ -
Children's services act	82,162	82,162	82,162	-
Justice assistance grant	-	-	36,140	36,140
Victim witness grant	75,465	75,465	75,465	-
Workforce grants	-	-	2,090,111	2,090,111
Law enforcement grants	26,000	26,000	14,760	(11,240)
Domestic violence grant	36,056	36,056	33,497	(2,559)
Election grant	-	-	54,621	54,621
COVID-19 Coronavirus Relief Funds	-	4,530,619	4,560,224	29,605
Total categorical aid	<u>\$ 3,489,588</u>	<u>\$ 8,020,207</u>	<u>\$ 10,216,885</u>	<u>\$ 2,196,678</u>
Total revenue from the federal government	<u>\$ 3,702,588</u>	<u>\$ 8,233,207</u>	<u>\$ 10,445,152</u>	<u>\$ 2,211,945</u>
Total General Fund	<u>\$ 27,824,831</u>	<u>\$ 32,456,198</u>	<u>\$ 32,764,394</u>	<u>\$ 308,196</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road severance taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,099</u>	<u>\$ 1,099</u>
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 261</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360</u>	<u>\$ 1,360</u>
Total Coal Road Improvement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360</u>	<u>\$ 1,360</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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	\$ 585,407	\$ 585,407	\$ 208,164	\$ (377,243)
ARC grants	497,500	497,500	206,040	(291,460)
Total categorical aid	<u>\$ 1,082,907</u>	<u>\$ 1,082,907</u>	<u>\$ 414,204</u>	<u>\$ (668,703)</u>
Total revenue from the federal government	<u>\$ 1,082,907</u>	<u>\$ 1,082,907</u>	<u>\$ 414,204</u>	<u>\$ (668,703)</u>
Total Capital Improvements Fund	<u>\$ 1,082,907</u>	<u>\$ 1,082,907</u>	<u>\$ 414,204</u>	<u>\$ (668,703)</u>
Total Primary Government	<u>\$ 28,907,738</u>	<u>\$ 33,539,105</u>	<u>\$ 33,179,958</u>	<u>\$ (359,147)</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>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 951</u>	<u>\$ (2,049)</u>
Charges for services:				
Cafeteria sales	\$ 55,000	\$ 55,000	\$ 77,509	\$ 22,509
Payments from other localities	35,000	35,000	33,854	(1,146)
Transportation of pupils	15,000	15,000	-	(15,000)
Total charges for services	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 111,363</u>	<u>\$ 6,363</u>
Miscellaneous:				
Other miscellaneous	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 33,734</u>	<u>\$ 23,734</u>
Recovered costs:				
JROTC revenues	\$ 56,685	\$ 56,685	\$ 74,405	\$ 17,720
Medicaid reimbursements	250,000	250,000	422,169	172,169
E-rate reimbursements	230,712	230,712	-	(230,712)
Other recovered costs	579,875	579,875	117,049	(462,826)
Total recovered costs	<u>\$ 1,117,272</u>	<u>\$ 1,117,272</u>	<u>\$ 613,623</u>	<u>\$ (503,649)</u>
Total revenue from local sources	<u>\$ 1,235,272</u>	<u>\$ 1,235,272</u>	<u>\$ 759,671</u>	<u>\$ (475,601)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lee, Virginia	<u>\$ 4,209,204</u>	<u>\$ 4,209,204</u>	<u>\$ 2,629,269</u>	<u>\$ (1,579,935)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,885,180	\$ 3,885,180	\$ 4,157,343	\$ 272,163
Basic school aid	12,940,441	12,940,441	12,897,227	(43,214)
Gifted and talented	129,015	129,015	128,182	(833)
Remedial education	625,601	625,601	621,563	(4,038)
Special education	2,059,370	2,059,370	2,121,394	62,024
Textbook payment	261,608	261,608	259,920	(1,688)
Vocational adult education	-	-	7,368	7,368
Social security-instructional	859,288	859,288	853,742	(5,546)
Retirement-instructional	2,003,383	2,003,383	1,990,453	(12,930)

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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: (Continued)				
Categorical aid: (Continued)				
Group life	\$ 60,856	\$ 60,856	\$ 60,463	\$ (393)
State lottery payments	902,667	902,667	1,008,572	105,905
Special education foster children	85,162	85,162	51,426	(33,736)
Special education homebound	105,988	105,988	69,264	(36,724)
Early reading intervention	129,954	129,954	127,000	(2,954)
Career and technology	66,516	66,516	85,548	19,032
School food programs	22,570	22,570	18,313	(4,257)
Vocational education	647,509	647,509	643,330	(4,179)
GED prep program	16,772	16,772	16,773	1
At risk payments	1,322,590	1,322,590	1,313,847	(8,743)
Learning Loss PPA	-	-	213,028	213,028
Alternative education	217,631	217,631	221,159	3,528
Primary class size	817,613	817,613	799,639	(17,974)
VPSA technology	310,000	310,000	310,000	-
Mentor teacher program	1,896	1,896	1,576	(320)
Standards of Learning algebra readiness	77,569	77,569	77,570	1
English as a second language	4,173	4,173	3,576	(597)
Other state funds	385,040	385,040	319,719	(65,321)
Breakfast after the bell	7,000	7,000	-	(7,000)
Total categorical aid	<u>\$ 27,945,392</u>	<u>\$ 27,945,392</u>	<u>\$ 28,377,995</u>	<u>\$ 432,603</u>
Total revenue from the Commonwealth	<u>\$ 27,945,392</u>	<u>\$ 27,945,392</u>	<u>\$ 28,377,995</u>	<u>\$ 432,603</u>
Revenue from the federal government:				
Categorical aid:				
Rural and low income schools	\$ 60,992	\$ 60,992	\$ 28,952	\$ (32,040)
Title I	4,382,733	4,382,733	1,675,052	(2,707,681)
Coronavirus Relief Fund	512,523	512,523	512,523	-
COVID-19 ESSERF LEA	-	-	2,433,998	2,433,998
Title VI-B, special education flow-through	859,288	859,288	701,060	(158,228)
Vocational education	94,258	94,258	119,399	25,141
Student support	125,672	125,672	135,252	9,580
Title VI-B, special education pre-school	28,325	28,325	25,880	(2,445)
School food programs	1,159,690	1,159,690	2,477,426	1,317,736
Forest reserve funds	10,000	10,000	17,337	7,337
Improving teacher quality	176,573	176,573	207,534	30,961
Total categorical aid	<u>\$ 7,410,054</u>	<u>\$ 7,410,054</u>	<u>\$ 8,334,413</u>	<u>\$ 924,359</u>
Total revenue from the federal government	<u>\$ 7,410,054</u>	<u>\$ 7,410,054</u>	<u>\$ 8,334,413</u>	<u>\$ 924,359</u>
Total School Operating Fund	<u>\$ 40,799,922</u>	<u>\$ 40,799,922</u>	<u>\$ 40,101,348</u>	<u>\$ (698,574)</u>

County of Lee, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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>
Special Revenue Fund:				
School Head Start Fund:				
Revenue from local sources:				
Miscellaneous:				
Contributions	\$ -	\$ -	\$ 31,100	\$ 31,100
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 1,085	\$ 1,085
Total revenue from local sources	\$ -	\$ -	\$ 32,185	\$ 32,185
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Head Start	\$ 1,553,635	\$ 1,553,635	\$ 1,457,172	\$ (96,463)
Coronavirus Relief Fund	303,987	303,987	90,054	(213,933)
USDA	-	-	69,211	69,211
Total categorical aid	\$ 1,857,622	\$ 1,857,622	\$ 1,616,437	\$ (241,185)
Total revenue from the federal government	\$ 1,857,622	\$ 1,857,622	\$ 1,616,437	\$ (241,185)
Total School Head Start Fund	\$ 1,857,622	\$ 1,857,622	\$ 1,648,622	\$ (209,000)
Nonmajor Special Revenue Fund:				
School Activity Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 380,386	\$ 380,386
Total miscellaneous revenue	\$ -	\$ -	\$ 380,386	\$ 380,386
Total School Activity Fund	\$ -	\$ -	\$ 380,386	\$ 380,386
Total Discretely Presented Component Unit - School Board	\$ 42,657,544	\$ 42,657,544	\$ 42,130,356	\$ (527,188)

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 137,124	\$ 137,124	\$ 154,519	\$ (17,395)
Housing authority	3,000	3,000	2,250	750
RADA	1,942	1,942	1,054	888
Total legislative	\$ 142,066	\$ 142,066	\$ 157,823	\$ (15,757)
General and financial administration:				
County administrator	\$ 158,609	\$ 158,609	\$ 146,533	\$ 12,076
Audit services	79,000	79,000	30,000	49,000
Legal services	23,285	23,285	21,765	1,520
Commissioner of revenue	355,800	359,819	338,878	20,941
Central purchasing	45,424	45,424	35,630	9,794
Treasurer	298,604	298,604	294,298	4,306
Delinquent tax collections	42,000	42,000	54,429	(12,429)
Central accounting	67,272	67,272	56,645	10,627
Central garage	145,791	145,791	168,873	(23,082)
Data processing	60,463	60,463	48,091	12,372
COVID-19 technology	-	6,500	6,500	-
Reassessment	104,561	104,561	189,118	(84,557)
Total general and financial administration	\$ 1,380,809	\$ 1,391,328	\$ 1,390,760	\$ 568
Board of elections:				
Electoral board and officials	\$ 82,746	\$ 82,746	\$ 106,182	\$ (23,436)
Registrar	173,456	173,456	123,250	50,206
Total board of elections	\$ 256,202	\$ 256,202	\$ 229,432	\$ 26,770
Total general government administration	\$ 1,779,077	\$ 1,789,596	\$ 1,778,015	\$ 11,581
Judicial administration:				
Courts:				
Circuit court	\$ 61,465	\$ 77,124	\$ 57,575	\$ 19,549
General district court	2,550	2,550	3,758	(1,208)
Clerk of the circuit court	490,045	522,792	462,203	60,589
Juvenile and domestic relations court	3,615	3,615	2,446	1,169
Victim and witness assistance	102,033	102,033	100,563	1,470
Special magistrates	1,601	1,601	755	846
Total courts	\$ 661,309	\$ 709,715	\$ 627,300	\$ 82,415
Commonwealth's attorney:				
Commonwealth's attorney	\$ 602,908	\$ 661,876	\$ 547,456	\$ 114,420
Total judicial administration	\$ 1,264,217	\$ 1,371,591	\$ 1,174,756	\$ 196,835
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,630,815	\$ 2,668,720	\$ 2,436,399	\$ 232,321
Domestic violence	48,282	48,356	43,093	5,263
Courtroom security	67,589	67,589	46,193	21,396
E-911	548,607	548,607	482,873	65,734
School resource officer	140,000	140,000	87,684	52,316
Total law enforcement and traffic control	\$ 3,435,293	\$ 3,473,272	\$ 3,096,242	\$ 377,030

County of Lee, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 270,281	\$ 270,281	\$ 237,709	\$ 32,572
COVID-19 fire and rescue	-	1,785,216	1,785,216	-
Emergency medical services	84,950	84,950	79,679	5,271
Emergency services	60,398	60,398	138,137	(77,739)
Total fire and rescue services	<u>\$ 415,629</u>	<u>\$ 2,200,845</u>	<u>\$ 2,240,741</u>	<u>\$ (39,896)</u>
Correction and detention:				
Jail operations	\$ 1,807,855	\$ 1,807,855	\$ 2,277,025	\$ (469,170)
Lee County Works Program	108,257	108,257	44,375	63,882
Juvenile probation and detention	244,932	244,932	263,664	(18,732)
Total correction and detention	<u>\$ 2,161,044</u>	<u>\$ 2,161,044</u>	<u>\$ 2,585,064</u>	<u>\$ (424,020)</u>
Inspections:				
Building	\$ 165,535	\$ 165,535	\$ 94,165	\$ 71,370
Other protection:				
Animal control	\$ 146,630	\$ 146,630	\$ 132,406	\$ 14,224
COVID-19 Other protection	-	152,478	152,478	-
Medical examiner	500	500	520	(20)
Total other protection	<u>\$ 147,130</u>	<u>\$ 299,608</u>	<u>\$ 285,404</u>	<u>\$ 14,204</u>
Total public safety	<u>\$ 6,324,631</u>	<u>\$ 8,300,304</u>	<u>\$ 8,301,616</u>	<u>\$ (1,312)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Sanitation and waste removal:				
Waste collection	\$ 869,163	\$ 883,623	\$ 781,245	\$ 102,378
Waste disposal	717,394	717,394	712,339	5,055
Landfill	50,000	50,000	57,707	(7,707)
Litter control	55,991	55,991	41,495	14,496
Total sanitation and waste removal	<u>\$ 1,692,548</u>	<u>\$ 1,707,008</u>	<u>\$ 1,592,786</u>	<u>\$ 114,222</u>
Maintenance of general buildings and grounds:				
General properties	\$ 271,419	\$ 271,419	\$ 259,578	\$ 11,841
COVID-19 General properties	-	6,198	6,198	-
Total maintenance of general buildings and grounds	<u>\$ 271,419</u>	<u>\$ 277,617</u>	<u>\$ 265,776</u>	<u>\$ 11,841</u>
Total public works	<u>\$ 1,964,467</u>	<u>\$ 1,985,125</u>	<u>\$ 1,858,562</u>	<u>\$ 126,563</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 255,324	\$ 255,324	\$ 251,635	\$ 3,689
Mental health and mental retardation:				
Community services board	\$ 180,148	\$ 180,148	\$ 163,350	\$ 16,798

County of Lee, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 10,701,175	\$ 10,701,175	\$ 7,829,337	\$ 2,871,838
Tax relief for the elderly	227,084	227,084	227,084	-
Workforce grants	-	-	2,090,111	(2,090,111)
Other welfare services and contributions	57,900	57,900	49,900	8,000
Total welfare	<u>\$ 10,986,159</u>	<u>\$ 10,986,159</u>	<u>\$ 10,196,432</u>	<u>\$ 789,727</u>
Total health and welfare	<u>\$ 11,421,631</u>	<u>\$ 11,421,631</u>	<u>\$ 10,611,417</u>	<u>\$ 810,214</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 25,062	\$ 25,062	\$ 22,119	\$ 2,943
Contribution to County School Board	4,209,204	4,209,204	2,629,269	1,579,935
Total education	<u>\$ 4,234,266</u>	<u>\$ 4,234,266</u>	<u>\$ 2,651,388</u>	<u>\$ 1,582,878</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 50,000	\$ 50,000	\$ 47,500	\$ 2,500
Tourism	9,240	9,240	7,000	2,240
Thomas Walker pool	28,342	28,342	2,708	25,634
Total parks and recreation	<u>\$ 87,582</u>	<u>\$ 87,582</u>	<u>\$ 57,208</u>	<u>\$ 30,374</u>
Library:				
Lonesome Pine Regional Library	\$ 222,082	\$ 222,082	\$ 222,082	\$ -
Total parks, recreation, and cultural	<u>\$ 309,664</u>	<u>\$ 309,664</u>	<u>\$ 279,290</u>	<u>\$ 30,374</u>
Community development:				
Planning and community development:				
Lenowisco	\$ 41,878	\$ 41,878	\$ 41,878	\$ -
Economic Development Authority Board stipends	6,802	6,802	4,540	2,262
Board of zoning appeals	2,321	2,321	2,030	291
Planning commission	3,738	3,738	2,007	1,731
Community development	99,170	99,170	48,458	50,712
Contribution to Lee Hospital Authority	-	-	74,356	(74,356)
Lee County Airport	157,888	157,888	64,332	93,556
COVID-19 Economic development	-	2,609,832	2,609,832	-
Public Service Authority Board stipends	3,236	3,236	1,998	1,238
Total planning and community development	<u>\$ 315,033</u>	<u>\$ 2,924,865</u>	<u>\$ 2,849,431</u>	<u>\$ 75,434</u>
Environmental management:				
Contribution to soil and water district	\$ 45,976	\$ 45,976	\$ 31,000	\$ 14,976
Cooperative extension program:				
Extension office	\$ 63,926	\$ 63,926	\$ 38,569	\$ 25,357
Total community development	<u>\$ 424,935</u>	<u>\$ 3,034,767</u>	<u>\$ 2,919,000</u>	<u>\$ 115,767</u>

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Nondepartmental:				
General expenses	\$ -	\$ -	\$ 14,721	\$ (14,721)
Refunds	-	-	1,254	(1,254)
Miscellaneous	25,000	25,000	6,800	18,200
Total nondepartmental	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 22,775</u>	<u>\$ 2,225</u>
Capital projects:				
Courthouse renovations	\$ 160,000	\$ 160,000	\$ 24,450	\$ 135,550
E911 Towers	-	-	40,000	(40,000)
Total capital projects	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 64,450</u>	<u>\$ 95,550</u>
Debt service:				
Principal retirement	\$ 763,229	\$ 763,229	\$ 722,415	\$ 40,814
Interest and other fiscal charges	111,647	111,647	206,352	(94,705)
Total debt service	<u>\$ 874,876</u>	<u>\$ 874,876</u>	<u>\$ 928,767</u>	<u>\$ (53,891)</u>
Total General Fund	<u>\$ 28,782,764</u>	<u>\$ 33,506,820</u>	<u>\$ 30,590,036</u>	<u>\$ 2,916,784</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ -	\$ 483	\$ (483)
Total Coal Road Improvement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ (483)</u>
Airport Project Fund:				
Capital projects:				
Capital projects expenditures:				
Airport improvements	\$ -	\$ -	\$ 35,649	\$ (35,649)
Total Airport Project Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,649</u>	<u>\$ (35,649)</u>
Capital Projects Fund:				
Capital Improvements Fund:				
Community development:				
Planning and community development:				
Water and sewer contributions	\$ 1,082,907	\$ 1,082,907	\$ 424,120	\$ 658,787
Total Capital Improvements Fund	<u>\$ 1,082,907</u>	<u>\$ 1,082,907</u>	<u>\$ 424,120</u>	<u>\$ 658,787</u>
Total Primary Government	<u>\$ 29,865,671</u>	<u>\$ 34,589,727</u>	<u>\$ 31,050,288</u>	<u>\$ 3,539,439</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health	\$ 2,257,290	\$ 2,257,290	\$ 2,968,949	\$ (711,659)
Instruction costs:				
Instruction	\$ 26,800,479	\$ 26,800,479	\$ 24,558,840	\$ 2,241,639

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Pupil transportation	\$ 2,098,310	\$ 2,098,310	\$ 2,623,387	\$ (525,077)
Operation and maintenance of school plant	6,394,572	6,394,572	4,276,609	2,117,963
Food services and non-instructional operations	2,060,350	2,060,350	2,238,983	(178,633)
Facilities	474,875	474,875	769,809	(294,934)
Technology	1,072,046	1,072,046	2,061,272	(989,226)
Total operating costs	<u>\$ 12,100,153</u>	<u>\$ 12,100,153</u>	<u>\$ 11,970,060</u>	<u>\$ 130,093</u>
Total education	<u>\$ 41,157,922</u>	<u>\$ 41,157,922</u>	<u>\$ 39,497,849</u>	<u>\$ 1,660,073</u>
Total School Operating Fund	<u>\$ 41,157,922</u>	<u>\$ 41,157,922</u>	<u>\$ 39,497,849</u>	<u>\$ 1,660,073</u>
Special Revenue Fund:				
School Head Start Fund:				
Education:				
Operating costs:				
Operation of Head Start program	\$ 1,857,622	\$ 1,857,622	\$ 1,627,935	\$ 229,687
Total School Head Start Fund	<u>\$ 1,857,622</u>	<u>\$ 1,857,622</u>	<u>\$ 1,627,935</u>	<u>\$ 229,687</u>
Nonmajor Special Revenue Fund:				
School Activity Fund:				
Education:				
Instructional services:				
Other instructional services	\$ -	\$ -	\$ 628,714	\$ (628,714)
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 628,714</u>	<u>\$ (628,714)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 43,015,544</u>	<u>\$ 43,015,544</u>	<u>\$ 41,754,498</u>	<u>\$ 1,261,046</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
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
2019-20	1,430,047	1,229,444	6,711,656	2,480,316	10,872,896	4,663,216	455,952	1,138,263	172,043	29,153,833
2020-21	1,731,772	1,240,351	7,826,978	2,450,930	10,784,479	2,700,150	478,115	3,346,973	179,725	30,739,473

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			
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			
2019-20	303,211	12,089,002	872,209	9,811,066	2,799,484	109,196	49,224	1,569,530	27,602,922			
2020-21	315,626	16,814,625	414,204	9,575,812	3,203,605	108,089	147,747	1,548,909	32,128,617			

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
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
2019-20	1,514,931	1,178,860	6,782,113	1,866,801	10,847,452	40,792,348	292,328	1,139,243	48,491	321,367	933,722	65,717,656
2020-21	1,778,015	1,174,756	8,301,616	1,859,045	10,611,417	41,776,617	279,290	2,919,000	22,775	64,450	928,767	69,715,748

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
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
2019-20	9,309,337	2,799,484	50,847	823	112,694	362,743	64,458	1,174,897	49,365,876	63,241,159
2020-21	9,728,479	3,203,605	89,625	171	109,040	334,126	592,967	1,516,449	56,692,379	72,266,841

(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
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	9,124,280	8,967,635	98.28%	640,322	9,607,957	105.30%	1,533,230	16.80%
2018-19	9,451,899	9,441,957	99.89%	712,102	10,154,059	107.43%	1,276,714	13.51%
2019-20	9,556,971	9,150,241	95.74%	475,678	9,625,919	100.72%	1,793,015	18.76%
2020-21	9,938,406	9,461,230	95.20%	520,191	9,981,421	100.43%	1,707,379	17.18%

(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
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
2019-20	966,243,274	171,273,811	31,255,386	5,144,914	87,233,857	1,261,151,242
2020-21	959,532,274	172,949,046	28,230,631	6,058,350	88,613,760	1,255,384,061

(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
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
2019-20	0.62	2.00	2.00	1.41
2020-21	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
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
2019-20	25,587	1,261,151	1,763,597	1,763,597	0.14%	69
2020-21	25,587	1,255,384	1,529,760	1,529,760	0.12%	60

(1) Bureau of the Census.

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2019-20	732,194	201,528	933,722	65,717,656	1.42%
2020-21	722,415	206,352	928,767	69,715,748	1.33%

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

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

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component 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, 2021, 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 August 19, 2022. 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 Economic Development Authority, and the discretely presented component unit - Lee County Hospital Authority, as described in our report on the County of Lee, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Lee, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Lee, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Lee, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2021-003.

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
August 19, 2022



**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, 2021. The County of Lee, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Lee, Virginia's basic financial statements include the operations of the Lee County Public Service Authority, Lee County Economic Development Authority, and Lee County Hospital Authority, which are not included in the County's schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of the Lee County Public Service Authority, Lee County Economic Development Authority, or Lee County Hospital Authority because the component units engaged other auditors to perform their audit in accordance with the *Uniform Guidance*, if applicable.

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 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 finding number 2021-004, in the accompanying schedule of findings and questioned costs, the County of Lee, Virginia did not comply with requirements regarding ALN 17.258/17.259/17.278 Workforce Innovation and Opportunity Act Cluster for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County of Lee, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on Workforce Innovation and Opportunity Act Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County of Lee, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistance Listing Number 17.258/17.259/17.278 Workforce Innovation and Opportunity Act Cluster for the year ended June 30, 2021.

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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006. Our opinion on each major federal program is not modified with respect to these 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.

Report on Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006 to be material weaknesses.

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.

County of Lee, Virginia's response to the internal control over compliance 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.

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, James, Cox Associates

Blacksburg, Virginia
August 19, 2022

County of Lee, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
US Department of Health and Human Services:				
Direct Payments:				
Head Start Cluster:				
Head Start	93.600	Not applicable	\$ 1,457,172	
COVID-19 Head Start	93.600	Not applicable	<u>90,054</u>	\$ 1,547,226
Pass Through Payments:				
Virginia Department of Social Services:				
MaryLee Allen Promoting Safe and Stable Families	93.556	0950119, 0950120		27,776
Temporary Assistance for Needy Families	93.558	0400120, 0400121		421,946
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	0500120, 0500121		961
Low-income Home Energy Assistance	93.568	0600420, 0600421		65,590
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900120, 0900121		190
Social Services Block Grant	93.667	1000120, 1000121		431,364
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120, 9150121		6,213
Children's Health Insurance Program	93.767	0540120, 0540121		5,582
Medicaid Cluster:				
Medical Assistance Program	93.778	1200120, 1200121		453,371
Foster Care - Title IV-E	93.658	1100120, 1100121		424,719
Adoption Assistance	93.659	1100120, 1100121		824,196
CCDF Cluster:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760120, 0760121		<u>82,808</u>
Total US Department of Health and Human Services				<u>\$ 4,291,942</u>
US Department of Agriculture:				
Direct Payments:				
Child and Adult Care Food Program	10.558	Not applicable		\$ 69,211
Pass Through Payments:				
Child Nutrition Cluster:				
Virginia Department of Agriculture and Consumer Services:				
Food Distribution (Note C)	10.555	Not available	\$ 150,081	
Virginia Department of Education:				
National School Lunch Program	10.555	APE40254	<u>23,140</u>	\$ 173,221
School Breakfast Program	10.553	APE40253		12,120
COVID-19 Summer Food Service Program for Children	10.559	APE60175	273,913	
Summer Food Service Program for Children	10.559	APE60175	<u>2,018,172</u>	<u>\$ 2,292,085</u>
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	APE43841		17,337
Virginia Department of Social Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010120, 0010121 0040120, 0040121		<u>607,351</u>
Total US Department of Agriculture				<u>\$ 3,171,325</u>
US Department of Justice:				
Pass Through Payments:				
Virginia Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	17VAGX0018		\$ 75,465
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	20VDBX0141		36,140
Violence Against Women Formula Grants	16.588	20WFAX0011		<u>33,497</u>
Total US Department of Justice				<u>\$ 145,102</u>
US Department of Treasury:				
Pass Through Payments:				
Virginia Department of Accounts:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0022	\$ 4,560,224	
Virginia Department of Education:				
COVID-19 Coronavirus Relief Fund	21.019	APE70056	<u>\$ 512,523</u>	<u>\$ 5,072,747</u>
				<u>\$ 477,406</u>
US Election Assistance Commission:				
Pass Through Payments:				
Virginia Department of Elections:				
COVID-19 HAVA Election Security Grants	90.404	Not available		<u>\$ 54,621</u>
US Department of Transportation:				
Pass Through Payments:				
Virginia Department of Motor Vehicles:				
Highway Safety Cluster:				
National Priority Safety Programs	20.616	M6OT-2020-50188-20188		<u>\$ 14,760</u>

County of Lee, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal ALN	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Appalachian Regional Commission:				
Pass Through Payments:				
Virginia Department of Housing and Community Development:				
Appalachian Area Development	23.002	HCD49301	\$ 206,040	\$ 206,040
US Department of Housing and Urban Development:				
Pass Through Payments:				
Virginia Department of Housing and Community Development:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	HCD50790	\$ 208,164	\$ 208,164
US Department of the Labor				
Pass Through Payments:				
Virginia Community College System:				
Workforce Innovation and Opportunity Act Cluster:				
WIOA Adult Program	17.258	534027		\$ 899,839
COVID-19 WIOA Dislocated Worker Formula Grants	17.278	534027	\$ 9,292	\$ 9,292
WIOA Dislocated Worker Formula Grants	17.278	534027	594,707	594,707
WIOA Youth Activities	17.259	534027		586,273
Total Workforce Innovation and Opportunity Act Cluster			\$ 2,090,111	\$ 2,090,111
US Department of Education:				
Pass Through Payments:				
Virginia Department of Education:				
Career and Technical Education - Basic Grants to States				
Student Support and Academic Enrichment Program	84.048	APE61095	\$ 119,399	
Rural Education	84.424	APE60281		135,252
Supporting Effective Instruction State Grants	84.358	APE43481		28,952
COVID-19 Governor's Emergency Education Relief Fund	84.367	APE61480		207,534
	84.425C	APE70037	427,290	
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	APE60177, APE60041, APE60042, APE50195, APE60173	2,006,708	2,433,998
Title I: Grants to Local Educational Agencies <i>Special Education Cluster (IDEA)</i>	84.010	APE42901		1,675,052
Special Education - Grants to States	84.027	APE43071	\$ 701,060	
Special Education - Preschool Grants	84.173	APE62521	25,880	726,940
Total US Department of Education			\$ 5,327,127	
Total Expenditures of Federal Awards			\$ 20,581,939	\$ 2,981,721
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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance). Because the Schedule presents only a selected portion of the 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 minimis indirect cost rate because they only request direct costs for reimbursement.				
Note C -- Food Donation				
Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the Lee County School Board had food commodities totaling \$0 in inventory.				
Note D -- Relationship to the Financial Statements:				
Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:				
Intergovernmental federal revenues per the basic financial statements:				
Primary government:				
General Fund			\$ 10,445,152	
Payments in Lieu of Taxes			(228,267)	
Capital Improvements Fund			414,204	
Total primary government			\$ 10,631,089	
Component Unit School Board:				
School Operating Fund			\$ 8,334,413	
School Head Start Fund			1,616,437	
Total Component Unit School Board			\$ 9,950,850	
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards			\$ 20,581,939	

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs except for Workforce Innovation and Opportunity Act Cluster, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	Yes
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Identification of major programs:

ALN	Name of Federal Program or Cluster
10.561	SNAP Cluster State Admin Matching Grants for the Supplemental Nutrition Assistance Program
21.019	COVID-19 Coronavirus Relief Fund (CRF)
84.425C	COVID-19 Governor's Emergency Education Relief Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund
93.659	Adoption Assistance
17.258/17.259/17.278	Workforce Innovation and Opportunity Act Cluster

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, 2021

Section II - Financial Statement Findings**2021-001 - Material Weakness**

Criteria:	An auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
Condition:	The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause:	The County and School Board do not have proper controls in place to detect and correct adjustments in closing their year end financial statements.
Effect:	There is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected by the County's or School Board's internal controls over financial reporting.
Recommendation:	The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit going forward.
Management's Response:	The County and School Board will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2021-002 - Material Weakness

Criteria:	The audited financial statements are required to be on file with the Auditor of Public Accounts of the Commonwealth of Virginia by December 15th of each year.
Condition:	The audited financial statements were not filed by December 15, 2021.
Cause:	The adjusted trial balances for audit were provided to the auditors on March 9, 2022 and component unit audit reports were not issued until August 2022.
Effect:	The audited financial statements are not issued in compliance with the Code of Virginia requirements. As a result, the financial information is not included in the annual Comparative Cost Report issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Finally, the audited financial statements as provided to the County and School Board will not provide timely information to make proper decisions.

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section II - Financial Statement Findings (Continued)

2021-002 - Material Weakness (Continued)

Recommendation:	We recommend the County ensure financial information is maintained in an accurate and efficient manner to expedite the financial preparation process for audit.
Management's Response:	The County will continue to work to improve its financial closing process in order to improve timeliness going forward.

2021-003 - Material Noncompliance

Criteria:	The County and its volunteer agencies participate in the Virginia Retirement System Line of Duty Act (LODA) Plan. The LODA Plan requires covered employees to meet eligibility criteria as specified in Plan documents.
Condition:	The County includes volunteer agencies in the LODA Plan but was unable to document the eligibility of any of the volunteer members.
Cause:	The County has difficulty obtaining up to date enrollment and position reports from the volunteer agencies and rolls forward prior listings for each annual renewal.
Effect:	The County has 200 volunteers included in its 232 individuals covered in the LODA Plan and therefore a majority of the participants may or may not be eligible for the Plan.
Recommendation:	Management should obtain an accurate position listing for each volunteer agency prior to allowing them to continue participating in the VRS LODA Plan. Further, the listing should include required census (full name, gender, date of birth, agency, and personnel type) information with supporting documentation to allow for testing in accordance with the Auditor of Public Accounts' (APA) <i>Specifications for Counties, Cities, and Towns</i> .
Management's Response:	Management will attempt to obtain updated and complete information from the volunteer agencies to ensure only eligible participants are included.

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs

2021-004 - 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 - 2019; 534027 - 2020
Program & ALN:	WIOA Cluster (17.258/17.259/17.278)
Pass-through Entities:	Virginia Community College Systems received by County and passed through to Southwest Virginia Workforce Development Board
Compliance Requirement:	Subrecipient Monitoring
Finding Type:	Noncompliance
Criteria:	The County is the grant recipient for the award and is required to perform subrecipient monitoring procedures to ensure proper compliance with Uniform Guidance.
Condition:	Funds are requested for drawdown by the subrecipient without the County reviewing and approving documentation.
Cause:	The County misunderstood the compliance requirements for subrecipient monitoring.
Effect:	The County does not properly monitor the subrecipient of the grants to ensure proper use of funds.
Recommendation:	We recommend the County obtain, review, and approve the reimbursement requests prior to submission. Further, we recommend the County obtain and review periodic financial statements and/or underlying documentation and obtain a copy of the annual audit report in accordance with Uniform Guidance.
Views of Responsible Officials and Planned Corrective Action:	The County will work with the subrecipient to implement necessary controls to be in compliance.

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs (Continued)

2021-005 - COVID-19 Coronavirus Relief Fund (21.019)

Agency:	Department of Treasury
Federal Award Number/Year:	2020
Program & ALN:	COVID-19 Coronavirus Relief Fund - 21.019
Pass-through Entities:	Virginia Department of Accounts
Compliance Requirement:	Reporting
Finding Type:	Finding reported in accordance with 2 CFR section 200.516(a) and material weakness of internal controls surrounding reporting requirements.
Criteria:	Per single audit requirements, prime recipients (i.e. the Commonwealth of Virginia) are required to submit quarterly Financial Progress reports. To assist with the reporting requirement, the Commonwealth required quarterly reports from its subrecipients (the County).
Condition:	The County did not file a required quarterly report for the quarter ended June 30, 2021.
Cause:	The County did not have a proper reporting and review process of federal grants and failed to submit the required report.
Effect:	The amounts reported by the County to the Commonwealth are understated resulting in an error in reporting by the Commonwealth to the federal government.
Recommendation:	Management should establish a reconciliation process and reports should be reviewed by someone other than the preparer prior to submission to ensure accuracy of reporting.
Views of Responsible Officials and Planned Corrective Action:	The County concurs with the finding. The County corrected activity with the final reporting filed for the period ended December 31, 2021.

County of Lee, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section III - Federal Award Findings and Questioned Costs (Continued)

2021-006 - COVID-19 Coronavirus Relief Fund (21.019)

Agency:	Department of Treasury
Federal Award Number/Year:	2020
Program & ALN:	COVID-19 Coronavirus Relief Fund - 21.019
Pass-through Entities:	Virginia Department of Education
Compliance Requirement:	Reporting
Finding Type:	Finding reported in accordance with 2 CFR section 200.516(a) and material weakness of internal controls surrounding reporting requirements.
Criteria:	Per single audit requirements, prime recipients (i.e. the Commonwealth of Virginia) are required to submit quarterly Financial Progress reports. To assist with the reporting requirement, the Commonwealth required quarterly reports from its subrecipients (the School Board).
Condition:	The School Board reported expenditures of \$309,600 but incurred expenditures under the grant in the amount of \$512,523 during fiscal year 2021.
Cause:	The School Board experienced turnover during the fiscal year in key positions and did not have a proper reporting and review process in place.
Effect:	The amounts reported by the School Board to Virginia Department of Education are understated resulting in an error in reporting by the Commonwealth to the federal government.
Recommendation:	Management should establish a reconciliation process and reports should be reviewed by someone other than the preparer prior to submission to ensure accuracy of reporting.
Views of Responsible Officials and Planned Corrective Action:	The School Board concurs with the finding. The School Board will work with the Virginia Department of Education to determine steps to correct reporting.

County of Lee, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Finding 2020-001

Finding Type: Material Weakness

Condition: The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Recommendation: The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Current Status: Finding 2020-001 is recurring in fiscal year 2021 as 2021-001 and reported as a material weakness.

Finding 2020-002

Finding Type: Material Weakness

Condition: The audit information was not available for the auditors to begin their audit until May 20, 2021. Therefore, the audited financial statements were not filed by December 15, 2020.

Recommendation: We recommend the County ensure financial information is maintained in an accurate and efficient manner to expedite the financial preparation process for audit.

Current Status: Finding 2020-002 is recurring in fiscal year 2021 as 2021-002 and reported as a material weakness.

Finding 2020-003

Finding Type: Material Noncompliance

Condition: The Virginia Department of Fire Programs Aid to Locality (ATL) Annual Report does not reconcile to the County's general ledger.

Recommendation: We recommend the County annually reconcile the ATL Annual report and have a proper review of the report to ensure it agrees to the County's general ledger.

Current Status: The County improved the reconciliation process during fiscal year 2021 and no findings were reported.

Finding 2020-004

Finding Type: Federal Noncompliance Finding - WIOA Cluster (17.258/17.259/17.278)

Condition: Funds are requested for drawdown by the subrecipient without the County reviewing documentation and approving same.

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.

Current Status: Finding 2020-004 is recurring in fiscal year 2021 as 2021-004 and reported as a federal noncompliance finding.

Finding 2020-005

Finding Type: Federal Noncompliance Finding - Adoption Assistance (93.659)

Condition: Case files and case action forms supporting payments did not have any evidence of review or approval.

Recommendation: We recommend the County implement a procedure to review and document approval on all case action forms.

Current Status: Social Services improved the review process during fiscal year 2021 and no findings were reported.