

COUNTY OF MONTGOMERY, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

**FINANCIAL AND MANAGEMENT SERVICES
DEPARTMENT**

COUNTY OF MONTGOMERY, VIRGINIA

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	xi
Directory of Principal Officials	xii
Organization Chart.....	xiii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis.....	5

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1	Statement of Net Position.....	7
Exhibit 2	Statement of Activities	8

Fund Financial Statements

Exhibit 3	Balance Sheet – Governmental Funds	9
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	11
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Cash Basis) – General Fund	13

Notes to Financial Statements.....	14
------------------------------------	----

Required Supplementary Information

Exhibit 6	Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government.....	105
Exhibit 7	Schedule of Changes in Net Pension Liability and Related Ratios Schools – Nonprofessional Employees	106
Exhibit 8	Schedule of Pension Contributions	107
Exhibit 9	Schedule of Employer's Share of Net Pension Liability – VRS Teacher Retirement Plan	108
Exhibit 10	Schedule of Pension Contributions – VRS Teacher Retirement Plan	109
Exhibit 11	Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plan	110
Exhibit 12	Schedule of Employer's Share of Net OPEB Liability – VRS	111
Exhibit 13	Schedule of OPEB Contributions – VRS	112
Exhibit 14	Schedule of Changes in Net OPEN Liability and Related Ratios – Schools – Nonprofessional Employees	113

Notes to Required Supplementary Information	114
---	-----

FINANCIAL SECTION (Continued)

Other Supplementary Information

Discretely Presented Component Unit – Public Service Authority	
Exhibit A-1	Statement of Net Position 118
Exhibit A-2	Statement of Revenues, Expenses, and Changes in Fund Net Position 119
Exhibit A-3	Statement of Cash Flows 120
Discretely Presented Component Unit – School Board	
Exhibit A-4	Balance Sheet 122
Exhibit A-5	Statement of Revenues, Expenditures, and Changes in Fund Balances 123
Exhibit A-6	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Cash Basis 124

Supporting Schedule

Schedule 1	Schedule of Expenditures of Federal Awards 126
------------	--

STATISTICAL SECTION

Table 1	Net Position by Component 130
Table 2	Change in Net Position by Component 131
Table 3	Fund Balances – Governmental Funds 132
Table 4	Changes in Fund Balances – Governmental Funds 133
Table 5	Assessed Value and Actual Value of Taxable Property 134
Table 6	Property Tax Rates 135
Table 7	Comparison of Tax Rates for Montgomery County and Surrounding Localities 136
Table 8	Principal Property Tax Payers 137
Table 9	Property Tax Levies and Collections 138
Table 10	Ratios of Outstanding Debt by Type 139
Table 11	Ratios of General Bonded Debt Outstanding 140
Table 12	Pledged Revenue Coverage 141
Table 13	Demographic Statistics 142
Table 14	Principal Employers 143
Table 15	Full-Time Equivalent County Government Employees by Function/Program 144
Table 16	Operating Indicators by Function/Program 145
Table 17	Capital Asset and Infrastructure Statistics by Function/Program 146

COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> 148	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance 150	
Summary of Compliance Matters 153	
Schedule of Findings and Questioned Costs 154	
Summary Schedule of Prior Audit Findings 157	

INTRODUCTORY SECTION

December 12, 2024

To the Members of the Board of Supervisors and the Citizens of Montgomery County:

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the County of Montgomery for the fiscal year ended June 30, 2024, as required by state law. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Brown, Edwards & Company L.L.P., and the firm's unmodified opinion is included in the Financial Section of this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY

The financial reporting entity (the government) includes all funds of the primary government (Montgomery County as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Montgomery County has no blended component units. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The Montgomery County Public Service Authority (water and waste water services), the Montgomery County School Board (education), and the Montgomery County Economic Development Authority (economic development) are reported as discretely presented component units.

Other services provided by the County include law enforcement, fire and rescue services, animal care and adoption services, solid waste collection services, human services programs, library services, community and economic development programs, recreational activities, and planning and zoning functions. Certain other services are provided through cooperation with neighboring localities, and these additional services include mental health services, solid waste disposal, emergency communications, and tourism. These areas of joint cooperation do not meet the established criteria for inclusion in the reporting entity and, therefore, are only included in footnote disclosures.

ORGANIZATION OF GOVERNMENT

The County of Montgomery was established in 1776, and is located in southwestern Virginia approximately 30 miles southwest of the City of Roanoke along the Interstate 81 corridor. The County encompasses approximately 389 square miles. Per the Weldon Cooper Center for Public Service population estimates, the County has a population of 101,894 including that of two incorporated towns, Blacksburg and Christiansburg. The 2020 Census indicates that the County's population increased by 5.6% over the prior decade.

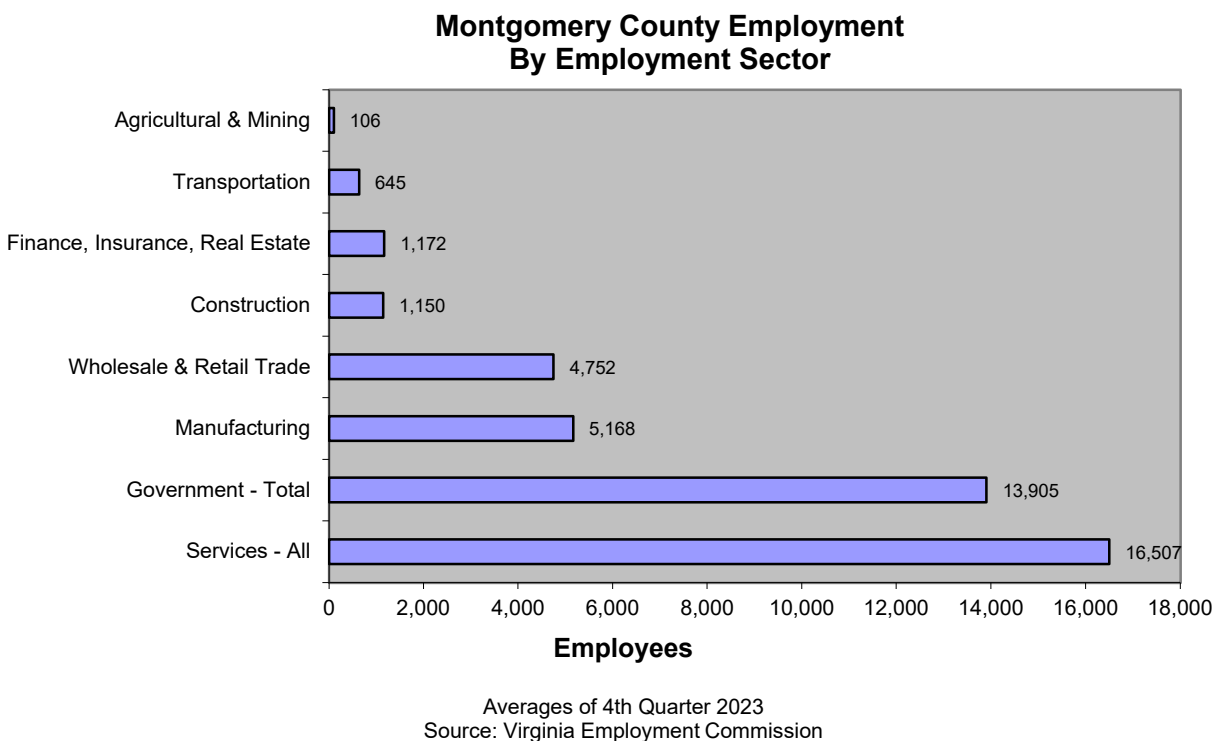
Montgomery County operates under the traditional County form of government. Policymaking and legislative authority are vested in the Board of Supervisors (Board), which consists of seven members elected from their respective districts. Each member must be a resident of the district he or she represents. Board members are elected to four-year staggered terms, and each year the Board elects one of its members to serve as Chair. The Board is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the County Administrator and County Attorney. The County Administrator is responsible for carrying out the policies and ordinances of the Board, overseeing the day-to-day government operations, and appointing the heads of County departments. The County also has five elected constitutional officers. The Commissioner of the Revenue, Commonwealth's Attorney, Treasurer, Sheriff, and Clerk of the Circuit Court are elected by County citizens. All constitutional officers serve four-year terms with the exception of the Clerk of Circuit Court who serves for eight years.

LOCAL ECONOMIC CONDITION AND OUTLOOK

Montgomery County is geographically situated in the New River Valley, which also includes the Counties of Floyd, Giles, and Pulaski and the City of Radford. All of these localities are within reasonable commuting time and distance from Montgomery County and represent the area from which County businesses draw their labor.

Montgomery County's labor market remains consistent with the state as a whole. The average unemployment rate in the County between July 2023 and June 2024 was 2.8%, and ranged from a low of 2.1% in April 2024 to a high of 3.5% in June 2024. The unemployment rate for the County over the past 10 years (2014-2023) averaged 3.6%, reaching a high of 5.0% in 2014 and a low of 2.8% in 2019. The pool of available labor has remained stable for the past decade in Montgomery County and surrounding New River Valley counties. Average unemployment among New River Valley localities was in line with the statewide rate of 2.9% for calendar year 2023, with Montgomery (2.8%) and Floyd (2.6%) Counties reporting the lowest rates for the year. Giles County, Pulaski County, and the City of Radford averaged 3.1% unemployment during the same period. Employment within Montgomery County represented 55.3% of the total civilian labor force in the New River Valley.

As in prior years, the service industry remained the largest employment sector within the County. The following illustration presents the proportion of employees in each of the major industry sectors based on averages for the 4th quarter of 2023:



Slight increases in employment were broad-based, covering several economic sectors. The total increase in the number of jobs was 750 across all sectors, an increase of 1.76% over the previous year. Only two areas experienced declines – manufacturing was down 2.77%, while agricultural and mining was down 6.19%, with both experiencing declines for the second consecutive year.

The service and manufacturing sectors provide a significant number of jobs in Montgomery County. Two hospitals, Carilion New River Valley Medical Center and LewisGale Hospital Montgomery, collectively employ over 1,600 employees. LewisGale has constructed a new standalone 10,000 sq ft emergency room in Christiansburg, which opened in October 2024. The region is a hub for the manufacturing industry with the County's largest industrial employer, BAE Systems, Inc., employing approximately 1,300 workers through defense contracts with the federal government. Other large companies in the County include Tenneco, formerly known as Federal-Mogul Corporation (automotive engine bearings), MOOG Components Group (aerospace, transportation, military, and communications components), Rowe Furniture (residential furniture), Wolverine Advanced Materials (automotive gaskets), Backcountry.com (outdoor product distribution), 1901 Group (software), and TORC Robotics (developer of autonomous vehicles and robotics).

The Virginia Tech Corporate Research Center (VTCRC), developed by the Virginia Tech Foundation, is a business/research park that serves as a catalyst for Montgomery County's high-tech industry cluster. The 230-acre park includes more than 1.3 million sq ft of office and lab space and is home to over 225 research, technology, and support companies that collectively employ more than 3,500 workers. An expansion on the northwest side of the park is providing enough land to construct 15 buildings (870,000 sq ft), in addition to the 36 single and multi-tenant buildings currently on site. The VTCRC anticipates that the expansion will result in increased employment, bringing the total number of employees in the park to 5,000. The majority of the tenants located in the VTCRC are research and development-oriented companies operating in the information technology, biotechnology, and advanced materials industries.

Companies at the VTCRC are creating an autonomous vehicle ecosystem that will transform the industry and the future of transportation. Global leaders like TORC and the Virginia Tech Transportation Institute are working to provide innovative transportation solutions. Furthermore, drone technology is transforming industries and changing how companies do business. The proximity of two major interstates, I-81 and I-77, facilitates seeing this technology in action and conducting real-time research. The VTCRC collaborates with Virginia Tech, the adjacent major research university that offers a highly respected engineering program and wide talent pool.

The VTCRC, in partnership with a developer, recently built a 207-unit apartment complex adjacent to the park. The VTCRC, with funding from GO Virginia, leads a coalition, which includes Montgomery County, Roanoke City and Carilion Clinic, to support the development of a shared lab facility, which provides early-stage innovators in the region with access to a virtual residency program. The program includes expert mentoring, programming, and resources offered through Johnson & Johnson Innovation.

Montgomery County's second largest industry sector, government, provides 31.8% of the County's jobs and helps stabilize the local economy during times of recession. This percentage reflects the large number of state workers employed by Virginia Tech, one of the Commonwealth's largest public universities. Virginia Tech is the largest employer in the County with approximately 13,000 employees. Approximately 1,600 additional individuals are employed through Montgomery County Public Schools, making education the largest area in the government sector.

Several new commercial and residential developments announced in fiscal year 2020 continue progress in fiscal year 2024. In the Town of Christiansburg, the Marketplace shopping center continues redevelopment for new restaurants and retailers. Fiscal year 2024 brought about the opening of several new restaurants and retail operations. Academy Sports + Outdoors opened a 60,000 sq ft store in Fall 2023. Two new hotels and senior residency apartments are planned for the property in the near future. In downtown Blacksburg, a local developer is constructing a \$120 million development on property that was formerly home to Blacksburg Middle School. The project will include a total of over 150,000 mixed-use sq ft consisting of office space, retail space, a 100-room hotel, and 73 townhomes. During fiscal year 2024, construction continued on townhomes that will be located on the property.

Since January 2014, companies working with the Montgomery County Economic Development Authority have announced \$232.7 million in new capital investment (industrial/commercial, non-retail) and the addition of 2,206 related jobs as shown in the following chart.

Business Announcements, Montgomery County, Virginia:

Company Name	Business Description	New Jobs Since 2014	Investment (\$ millions)
ESS Technologies	Packaging machinery manufacturer	27	\$ 1.6
United Therapeutics	Global biotechnology firm	20	100.0
Federal Express	Shipping and delivery service	175	20.0
Corning	Manufacturer of catalytic converters for cars and heavy trucks	0	30.8
Qualtrax	Software company that manages documents/training	75	2.0
TORC Robotics	Developer of autonomous vehicles and robotics	413	14.2
Moog, Inc.	Electrical equipment manufacturer	75	10.7
Modea	Provider of web, application development, and marketing of analytics solutions	75	0.2
Ozmo, Inc.	Builder of software products for mobile operations	95	0.8
Inorganic Ventures	Manufacturer of higher-class certified reference materials	10	0.6
1901 Group	Managed IT services provider	580	8.8
Block.One	Developer of blockchain technology	344	7.0
Aeroprobe	Producer of air data measurement tools	10	0.3
Spectrum Brands	Pet, home, and garden division of consumer products manufacturer	0	7.3
Polymer Solutions Incorporated	Laboratory, chemical analysis, physical testing, research and development, and litigation services	24	3.5
Luna Innovations	Research and development for biomedical	0	1.7
InMotion US	Electric motors developer	24	5.0
Wolverine	Gaskets manufacturer	93	10.6
Hubbell Lighting	LED lighting products manufacturer	100	6.1
VPT, Inc.	Manufacturer of power components for use in avionics, military, and space	16	1.0
Java Productions	Custom solutions for technology and business problems	20	0.1
ProChem Inc.	Industrial water and wastewater treatment	30	0.4
Total		2,206	\$ 232.7

There were several major business additions in fiscal year 2024. United Therapeutics opened a \$100 million research center in February 2024. Federal Express opened a 250,000 sq ft distribution center located in Falling Branch Corporate Park. Meld Printworks, a subsidiary of Meld Manufacturing, established a 16,000 sq ft facility to use the 3D printing process in order to print large parts at a faster pace, cutting down lead times for customers. ESS Technologies, a packaging machine manufacturer, consolidated a site in Giles with an existing Montgomery County facility and expanded into a new location in Christiansburg creating 27 new jobs, and a \$1.6 million investment in 2024.

The Board of Supervisors, Economic Development staff, the Economic Development Authority, the Economic Development Commission (EDC), and the Montgomery/Blacksburg/Christiansburg Development Corporation continue to support business, create jobs, and improve the County's standard of living by diversifying the economy, expanding existing businesses, and attracting new economic activity.

MAJOR INITIATIVES

Recent initiatives of the Board of Supervisors promote Montgomery County's economic progress, improve the community's quality of life, and poise the County to respond to future development needs. New jobs, expanded employment within industry and service sectors, and a comparatively low unemployment rate all suggest a trend of stable, manageable growth.

County staff members, following specific directives of the Board of Supervisors, have been involved in a variety of projects throughout the year. Major initiatives for 2024 include:

2024-2028 Capital Improvement Program

The 2024-2028 Capital Improvement Program (CIP) serves as a planning tool for the efficient and effective distribution of public improvements throughout the County and the school system. The current five-year CIP totals \$80.9 million.

Since 2009, the Board of Supervisors has earmarked a portion of the real estate tax rate to provide the County's Fire and Rescue Commission with an ongoing source of funding for fire and rescue capital equipment for volunteer departments. Since fiscal year 2017, one and one-half cents of the tax rate have been set aside annually for fire and rescue equipment. Each year the Commission, the Board of Supervisors, and County staff decide how to effectively distribute this funding based on existing and future capital needs of the County's fire and rescue agencies, as outlined in their replacement plan. For 2024, approximately \$1.8 million was provided for fire and rescue capital needs.

The County provides \$750,000 annually to address major capital repairs and large-scale components of County facilities that cannot be addressed within the General Fund. The Capital Maintenance Program is a preventive maintenance program designed to address major repairs and/or replace large-scale components of County facilities. Funds may be used for projects such as roof replacements, heating ventilation and air conditioning (HVAC) upgrades, flooring, paving, and other major facility system upgrades.

In 2024 the County provided \$425,000 for Parks and Recreation projects and \$210,000 for Information Technology infrastructure improvements. In fiscal year 2023, the County set aside one cent of the real estate tax rate for future County capital needs, and reduced this to one-half cent for fiscal year 2024. This provided \$587,716, of which \$100,000 is earmarked for the Valley to Valley Trail Project, a proposed hiking/bike trail that would connect Montgomery County to the Roanoke Valley area to the northeast.

FY 2024 Completed Capital Projects

Public safety remains a priority with \$1.8 million in fire and rescue equipment ordered in fiscal year 2024 based on recommendations of the Fire and Rescue Commission. An additional \$1.8 million in fire and rescue equipment ordered in prior years and received during fiscal year 2024 included:

- Pumper fire truck for Elliston Fire Department
- Pumper fire truck for Long-Shop McCoy Fire Department
- Portable Radios and Equipment for the County's Radio Project
- The outfitting of a command vehicle for Blacksburg Rescue Squad
- Ambulance for Christiansburg Rescue Squad

Creed Fields Park is approximately 15 acres located in the Elliston area and includes:

- Three baseball/softball fields
- One multi-purpose field
- Lighting for fields
- Restroom facility with water, sewer, and power
- Parking lot with 200 spaces and lighting
- Picnic shelter
- Playground
- Extensive walking trails

Future Initiatives

As the Board of Supervisors and County staff focus on the future, several new initiatives are underway.

- In fiscal year 2024, the County set aside two cents of the real estate tax rate for future new school capital projects. This earmarked amount was reduced to two cents from two and a half cents in fiscal year 2023. The total funding for fiscal year 2024 was \$2,350,864, which was an increase of \$90,891, as the County's general real estate reassessment resulted in an increase in real estate penny value. This revenue will be combined with other funds for future school capital projects.
- The County received \$90 million in bond proceeds in April 2022 to finance renovations and additions to Christiansburg High School. Architectural and engineering studies for the renovations are complete and the construction began in fiscal year 2024. The groundbreaking was held in October 2023, and the project is expected to be completed for the 2026-27 school year.
- The County received \$10 million in bond proceeds in May 2022. This funding supports several projects including Creed Fields Park lighting, Government Center Improvements, the Cinnabar Green Space and Storage project, the Magistrate and Court Services Facility, and the Riner Park. Planning is underway for various renovations at the Government Center. These renovations will reassign office space to improve customer service for citizens and align internal departments to facilitate collaboration and create efficiencies. The Cinnabar Green Space and Storage project will be evaluated as part of a Parks and Recreation master plan study. The Magistrate and Court Services Facility, partially funded with these bond proceeds, is currently under construction and is expected to be complete in July 2025. Construction is also underway on the Riner Park, which has an expected completion date January 2025.

- The County received \$19.2 million in American Rescue Plan funds (half in fiscal year 2021 and half in fiscal year 2022). A portion of these funds are being used to expand broadband to unserved/underserved areas of the County, improve water/sewer infrastructure, and assist in several County Capital projects including a portion of the construction costs at Creed Fields, the Magistrates and Court Services facility, a new emergency services facility in the eastern part of the County, Riner Park, and outdoor improvements at the Blacksburg Library.

Department Focus – Office of Management and Budget

In May of 2021, the Office of Management and Budget was officially created as a new County department. This transition moved the budget function out of the Finance Department and created a new department in the County Administration Division. The Management and Budget Office is responsible for County budgeting and related reporting. The office is responsible for developing, presenting, and administering the County's:

- General yearly operating budget
- Five-year CIP
- Five-year operating plan for the general fund and CIP
- Performance measurement program

The mission of the Management and Budget Office is to provide the best and most comprehensive budget, financial, economic, and analytical guidance to stakeholders including the Board of Supervisors, County Divisions, Constitutional Officers, Outside Agencies, and citizens. Staff in the office aim to achieve this by establishing ongoing relationships with stakeholders throughout the fiscal year and by recommending the best allocation of county resources. These relationships and recommendations improve County-wide accountability, enhance decision-making and effective resource use, improve customer service, support strategic planning and goal setting, and support the County's overall vision of the future.

The Management and Budget Office currently has 3 full-time staff positions. Staff includes the Management and Budget Director, Budget Manager, and Senior Budget Analyst. Staff work diligently to perform budget and financial analysis, revenue forecasting, budget monitoring, program analysis, economic analysis, and special "ad hoc" studies on County Programs. In addition, staff have begun developing a new County-wide performance measurement program. The new program aims to reinforce Montgomery County's commitment to responsible, accountable government, emphasizing the importance of strategic goal setting and evaluation through collecting and analyzing meaningful performance data.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

Although the County budgets and manages its financial affairs using the cash basis of accounting, generally accepted accounting principles require localities to use the accrual or modified accrual basis of accounting to prepare financial statements. The modified accrual basis of accounting recognizes revenues when measurable and available and recognizes expenditures when the services or goods are received and the liabilities incurred. The accruals recorded on the financial statements for the fiscal year ended June 30, 2024, reflect cash that will not be received or disbursed until fiscal year 2025.

County management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes

that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is established at the organizational level within an individual fund. The budget is implemented through appropriations that are made by the Board of Supervisors on an annual basis with supplemental appropriations made as required. These appropriations may be greater or less than contemplated in the budget.

The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. All amounts lapse at year-end. Material encumbrances outstanding at year-end are reported as either a commitment or assignment of fund balance since they do not constitute expenditures or liabilities. Funding for these encumbrances generally is re-appropriated in the subsequent year.

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed in conformity with provisions at Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Generally accepted auditing standards and the standards set forth in the Government Accountability Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Compliance Section.

AWARDS OF ACHIEVEMENT

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Montgomery for its annual comprehensive financial report for the fiscal year ended June 30, 2023. This was the 37th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS


The County has established and continues to maintain a strong and stable financial position through progressive management of financial operations and through sound accounting and financial reporting practices. Appreciation is expressed to the members of the Montgomery County Board of Supervisors and to each of the Constitutional Officers for their interest and support in planning and conducting the financial operations of the County in a responsible manner.

The preparation of the annual comprehensive financial report was made possible by the dedicated service of the entire staff of the Finance Department, and many other departmental personnel. We would also like to express our appreciation to the County's independent auditing firm, Brown, Edwards & Company, L.L.P. for their cooperation and assistance.

Respectfully submitted,

A handwritten signature in black ink, reading "Angela M. Hill". The signature is written in a cursive style with a large initial 'A'.

Angela M. Hill
County Administrator

A handwritten signature in black ink, reading "Terri T. Mitchell". The signature is written in a cursive style with a large initial 'T'.

Terri T. Mitchell
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Montgomery County
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO

BOARD OF SUPERVISORS

Mary W. Biggs, Chair
Steve R. Fijalkowski, Vice Chair

Sara R. Bohn	M. Todd King
April N. DeMotts	Derek W. Kitts
Anthony M. Grafsky	

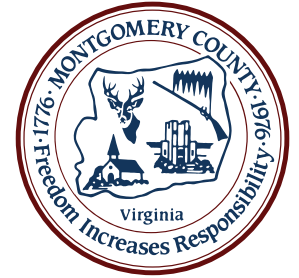
COUNTY ADMINISTRATION

Bernard F. Bragen, Jr.	Superintendent of Schools
Charles E. Campbell	Director of Public Service Authority
Troy A. Cole	Director of Information Technology
Meredith P. Hoggatt	Virginia Cooperative Extension Unit Coordinator
Kelly M. Edmonson	Director of Social Services
Michael P. Geary	Director of Emergency Services
Brian T. Hamilton	Director of Economic Development
Jennifer T. Harris	Director of Public Information
Mitchell B. Haugh	Director of Parks and Recreation
Angela M. Hill	County Administrator
Brea G. Hopkins	Director of Planning
Karim H. Khan	Director of Montgomery Regional Library
Christopher S. Lawrence	Deputy County Administrator
Marc M. Magruder	Director of Management Services and Budget
Martin M. McMahon	County Attorney
Lisa Rayne	Director of Finance
Alexandria B. Strickler	Director of Human Services
Connie M. Viar	General Registrar
Tonia D. Winn	Director of Human Resources
Scott A. Woodrum	Assistant County Administrator
William C. Yeager	Interim Director of Engineering and Regulatory Compliance

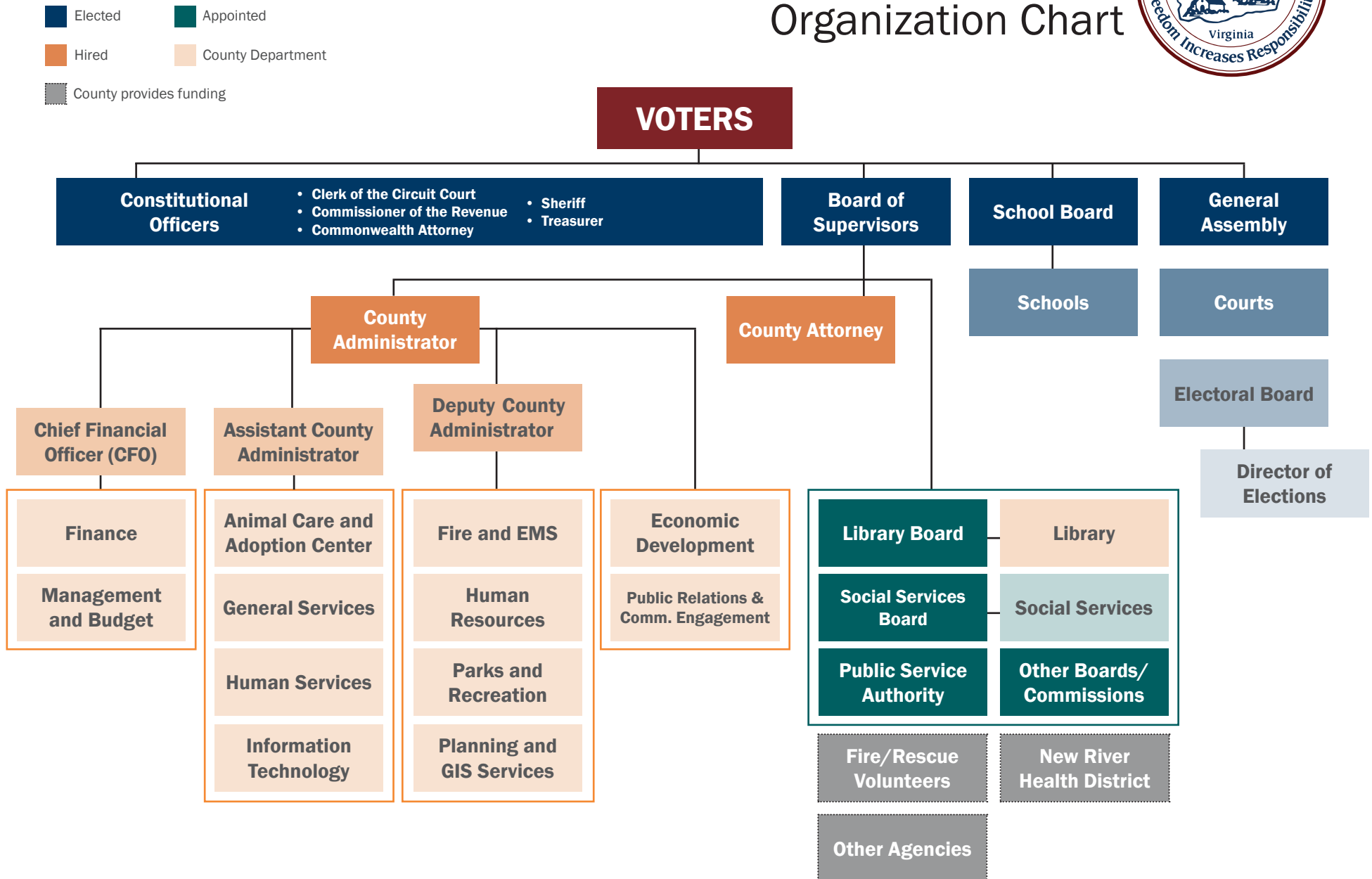
CONSTITUTIONAL OFFICERS

Tiffany M. Couch	Clerk of the Circuit Court
Charles H. Partin	Sheriff
Mary K. Pettitt	Commonwealth Attorney
Brenda H. Winkle	Commissioner of the Revenue
Mary M. Weaver	Treasurer

MONTGOMERY COUNTY, VIRGINIA



Organization Chart



THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Members of the Board of Supervisors
County of Montgomery, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia (the "County"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the County, as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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


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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management



about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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


Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 12, 2024

Management's Discussion and Analysis

The following discussion and analysis of the County of Montgomery's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2024. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2024

- The total assets and deferred outflows of resources of the governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$284 million (net position). Of this amount \$88.2 million (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- Total general fund revenues exceeded the final budgeted amount by approximately \$9.2 million.

Grant funding does not follow the fiscal year; therefore, the original appropriation of funds does not always coincide with the year the funds are received. As a result, intergovernmental revenues were less than budgeted amounts by \$116,000. Property tax revenue exceeded the budgeted estimate by \$5.4 million primarily from real estate tax collections exceeding budget by nearly \$4.2 million resulting from a 5 cent real estate tax increase that was not included in the FY 24 budget but became effective with the June 5, 2024 real estate tax bills. Additionally, public service taxes and business furnishings, fixtures and computer taxes exceeded estimates by \$520,000 and \$407,000. Other local taxes exceeded budget by over \$900,000 primarily due to sales and use tax exceeding the budget estimate by \$516,000, cigarette tax by \$206,000 and recordation tax by \$87,000. Permits, privilege fees and regulatory licenses was less than budget by \$389,000 due to a decrease in building permits. Revenue from use of money and property exceeded final budget by nearly \$2.7 million due to higher interest than anticipated in the budget. Recovered costs exceeded budget by \$716,000.

- Actual expenditures were \$24.3 million less than the final expenditure appropriation. As always, the County received and included in the final approved budget various grant awards during the year; however, not all were expended before year-end. Orders had been placed, but goods were not received at year-end of approximately \$1.2 million for the County and just over \$1.0 million for the Montgomery County School Board (the Schools).

County administration expenditures totaled approximately \$382,000 less than appropriated. The Human Resources Department carried over funds for an employee career development program, which, when combined with the current year allocation, resulted in unspent funds totaling \$163,000. The Emergency Services Department had \$121,000 in unspent funds due to the timing of grant funding. The Finance Department had vacancy savings of \$58,000. Information Technology had vacancy savings resulting in unspent funds of \$175,000 along with \$92,000 in professional services not yet performed at year-end.

The Commissioner of Revenue, Treasurer, and Clerk of the Circuit Court had fund remaining at year-end due to salary savings. The Sheriff had unspent funds of approximately \$175,000 due to salary savings and savings of \$125,000 in operational funds. In addition, the Sheriff had unspent funds from grants and special programs of \$150,000. The County fire and rescue departments had approximately \$360,000 in savings. The Animal Care and Adoption Center had approximately \$137,000 unspent at year-end due to \$51,000 in equipment that was not received by year-end along with \$57,000 in operations savings and \$29,000 in salary savings.

General Services expenditures were \$728,000 less than budget. This is due in part to \$423,000 appropriated for equipment not received by year-end. Each year funds are budgeted for sustainability projects. Approximately \$90,000 of budgeted funds were not needed for these projects in FY 24. The remaining unspent funds were primarily for maintenance. Funds are budgeted each year in Engineering and Regulatory Compliance for maintenance and remediation of the County's two closed landfills. Approximately \$97,000 of budgeted funds were unspent at year-end.

Human Services had unspent funds of \$97,000 due to \$37,000 in salary savings and \$35,000 in grant funding that does not follow the fiscal year. Parks and Recreation had expenditure savings of more than \$369,000, \$173,000 was the result of salary savings and \$85,000 for a vehicle purchased delayed until Riner Park is complete. The library realized salary savings of approximately \$70,000 and \$76,000 of unspent funds were the result of grants and donations that cross over fiscal years.

Planning and GIS had \$688,000 budgeted but not spent at year-end primarily for professional services for the comprehensive plan and funding for a road project that was not completed by year-end. The Economic Development Department had funds remaining for a multi-year broadband expansion project. The funds remaining at year-end include ARPA funds of \$4.0 million and the Virginia Telecommunications Initiative (VATI) broadband grant totaling of \$700,000. Expenditures for other agencies was nearly \$4.4 million less than budgeted. This includes ARPA funds appropriated to water and sewer projects of \$2.3 million and \$90,000 of ARPA funds for tourism along with \$1.7 million in opioid abatement funds not spent at year-end. In addition, \$195,000 in funding for access to community college was remaining at year-end.

General and Special Contingencies had remaining balances of just over \$137,000 and \$92,000, respectively. The use of General Contingencies varies from year to year based on the amount of funding needed for unanticipated costs. The County's financial policies require one percent of the County's general fund be set aside for contingencies each year. Of the \$796,000 designated in fiscal year 2024, a balance of \$229,000 remained at year-end.

Finally, the Schools spent \$8.1 million less than appropriated during the year. This resulted in lower general fund expenditures for education, as the amount required to be provided by the County to the Schools was lower. The Schools had placed orders for goods that were not received by year-end of approximately \$1.0 million.

Net position of the Public Service Authority at June 30, 2024, was up \$3.9 million from the previous year. This was primarily the result of grant funding of \$2.3 million along with capital contributions in the form of Virginia Resource Authority loan forgiveness of \$566,000 and \$481,000 in assets purchased by the County with ARPA funds. In addition, facilities fees increased \$453,000 over the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$44.7 million, or 18% of fiscal year 2024 general and school operating fund revenues, less the general fund transfer to the school operating fund. The Board of Supervisors has adopted a policy to maintain this percentage at a minimum of 12%. The percentage exceeds the target at year-end as a result of the increase in General Fund balance, primarily due to revenues exceeding budgeted amounts as discussed above.

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

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

Government-wide Financial Statements

These statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a change in the manner in which the County used previously accumulated funds.

The *statement of activities* presents how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include the County (known as the *primary government*) as well as funds of the Montgomery County Public Service Authority, the Schools, and the Montgomery County Economic Development Authority. The functions of the County, including general government, judicial administration, public safety, health and welfare, parks and recreation, public works and community development are principally supported by taxes and intergovernmental revenues (*governmental activities*). Financial information for the *component units* are reported separately from the financial information presented for the primary government.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County only has governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation of the County's near term financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balances are the differences between assets and liabilities in governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact for items such as inventory.
- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.

- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision-making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds. As of the end of the current fiscal year, the County's total governmental funds reported an ending fund balance of \$212.0 million, an increase of \$4.3 million in comparison with the prior year. The current year increase is due primary to an increase in tax collection. Ending fund balance was comprised of: \$6.0 million, nonspendable; \$106.0 million, restricted; \$46.5 million, committed; \$8.8 million, assigned; and \$44.7 million, unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30% of total general fund expenditures, while total fund balance represents 49% of that same amount.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County adopts an annual budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The following table reflects the condensed Statement of Net Position in millions:

	Governmental Activities		Component Units	
	2024	2023	2024	2023
Current and other assets	\$ 244.1	\$ 238.2	\$ 27.3	\$ 28.7
Capital assets	297.4	289.9	78.8	67.1
Total assets	\$ 541.5	\$ 528.1	\$ 106.1	\$ 95.8
Deferred outflows of resources	\$ 8.0	\$ 8.2	\$ 28.0	\$ 27.2
Long-term liabilities	\$ 215.0	\$ 224.0	\$ 105.4	\$ 100.7
Other liabilities	45.9	46.2	22.9	23.6
Total liabilities	\$ 260.9	\$ 270.2	\$ 128.3	\$ 124.3
Deferred inflows of resources	\$ 4.9	\$ 6.5	\$ 12.0	\$ 16.6
Net position:				
Net investment in				
capital assets	\$ 185.2	\$ 170.7	\$ 68.4	\$ 60.4
Restricted	10.2	11.6	1.1	1.4
Unrestricted	88.3	77.3	(75.7)	(79.7)
Total net position	\$ 283.7	\$ 259.6	\$ (6.2)	\$ (17.9)

Governmental Activities

Total net position for governmental activities is \$283.7 million or \$24.1 million more than in 2023. Total assets increased \$13.4 million primarily due to an increase in amounts due from other governments and an increase in capital assets while total liabilities decreased \$9.3 million due to a decrease in long-term debt; which was partially offset by an increase in accounts payable, pension liability and other postemployment benefit liability.

Component Units

Total net position for component units is \$(6.2) million for 2024, an increase from \$(17.9) million in 2023. This consists of a net position for the Public Service Authority of \$18.9 million, a deficit in net position of \$25.3 million for the Schools, and a net position of approximately \$0.2 million for the Economic Development Authority.

Summary of Activities:

The following chart shows the revenues and expenses of the governmental activities in millions:

	Governmental Activities		Component Units	
	2024	2023	2024	2023
Revenues				
Program revenues:				
Charges for services	\$ 2.6	\$ 3.5	\$ 13.0	\$ 12.6
Operating grants and contributions	27.4	30.7	88.8	81.4
Capital grants and contributions	-	-	3.4	2.6
General revenues:				
Property taxes	113.4	107.3	-	-
Other taxes	17.8	17.3	-	-
Payments from Montgomery County	-	-	55.0	54.9
Intergovernmental revenue, unrestricted	5.4	5.4	-	-
Investment earnings	11.1	7.8	0.3	0.2
Other	2.4	2.1	-	-
Total revenues	180.1	174.1	160.5	151.7
Expenses				
General government	10.4	10.0	-	-
Judicial administration	5.0	4.3	-	-
Public safety	24.3	22.1	-	-
Public works	13.7	8.9	-	-
Health and welfare	13.0	10.4	-	-
Education	68.3	61.9	142.0	137.0
Parks, recreation and cultural	5.2	4.4	-	-
Community development	4.7	2.4	1.0	1.0
Water	-	-	3.5	3.0
Waste water	-	-	2.3	2.1
Interest on long-term debt	11.4	10.2	-	-
Total expenses	156.0	134.6	148.8	143.1
Change in net position	24.1	39.5	11.7	8.6
Net position-beginning	259.6	220.1	(17.9)	(26.5)
Net position-ending	<u>\$ 283.7</u>	<u>\$ 259.6</u>	<u>\$ (6.2)</u>	<u>\$ (17.9)</u>

Revenues

For the fiscal year ended June 30, 2024, revenues from governmental activities totaled \$180.1 million, an increase of \$6.0 million over fiscal year 2023. Primary reasons for this increase include:

- In the current year there was an increase of \$6.1 million in property taxes and \$0.5 million in other taxes.
- Investment earnings increased \$3.3 million due to higher cash balances and higher interest rates.
- Other revenue increased \$0.3 due to an increase in opioid abatement funds.

The above increases were offset by the following decreases:

- Operating grants and contributions decreased \$3.3 million due to a \$7.4 million decrease in ARPA funding recognized in the current year. This decrease was offset by an opioid abatement grant of \$1.3 million, an increase of \$1.1 million in school state construction funds, and a \$1.7 million increase in state shared expenses.
- Charges for services decreased \$0.9 million primarily due to a decrease in building inspections.

Component unit revenues total \$160.5 million, including a \$55 million transfer from the general fund of which \$54.8 million was for school operations. GASB 34 requires that school debt service be included in the general fund, as the school system cannot issue debt. County funds associated with school debt service totaled \$20.7 million, which brings the total provided for school purposes to \$75.5 million.

Expenses

Expenses for governmental activities totaled \$156.0 million in 2024, an increase of \$21.4 million from 2023. General government administration increased \$0.4 million and judicial administration increased \$0.7 million. Public safety increased \$2.2 million as the County expanded paid Emergency Medical Services in portions of the county. Public works increased \$4.8 million due to several large maintenance projects and the purchase of equipment. Health and welfare increased \$2.6 million due to an opioid abatement grant and an increase in welfare administration expenses. Education expenses increased \$6.4 million and parks, recreational and cultural increased \$0.8 million. Community development expense increased \$2.3 million due to broadband expansion work and interest on long-term debt increased \$1.2 million due to an increase in estimated arbitrage resulting from unspent bond proceeds for the Christiansburg High School renovation. The County's original approved budget included an increased transfer to the Schools of \$2.5 million more than 2023. The Schools total expenses increased \$6.4 million on a full accrual basis. This includes adjustments for pension expenses.

Expenses for the Public Service Authority component unit increased \$0.6 million primarily due to a change in OPEB benefits.

Education is a very high priority in the Montgomery County community as demonstrated by the Board of Supervisors approving \$54.8 million for school operations. Depreciation expense related to the Schools totaled \$7.8 million.

Total expenses for education were \$68.3 million. This amount represented about 44% of governmental activity expenses. When interest for school-related projects is included, the County's contribution totals \$78.9 million, or 51%. On the cash basis of accounting, total school expenses, including expenses funded through the state and federal government and debt service for school-related projects, were equal to 70% of the general fund expenses (excluding payments to the Schools), plus school operating fund expenses for 2024.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

For the fiscal year ended June 30, 2024, the governmental funds reflect a combined fund balance of \$212.0 million, an increase of \$4.3 million from June 30, 2023. The total consisted of \$73.0 million in the general fund and \$139.0 million in the County capital fund. The general fund balance increased \$4.9 million in fiscal year 2024. The school operating fund spent \$8.1 million less than permitted by the revised budget, which resulted in a lower-than-budgeted transfer to the Schools from the general fund. The balance was transferred to the Schools after year-end for one-time uses. The County capital projects fund balance decreased \$0.6 million, including transfers from the general fund of \$16.4 million. Transfers of \$3.7 million are included in the budget for large fire and rescue equipment purchases, capital maintenance projects, parks and recreation projects, IT projects, and other future County and School capital projects. Additionally, transfers of \$12.7 million will be used for Riner Park, the Magistrate and Court Services Building, Government Center skylights and other building improvements, an EMS ambulance, Blacksburg Library outdoor improvements, and park revitalization.

The following table presents budgeted and actual revenues and expenditures (cash basis) for the general fund for fiscal year 2024 in millions:

	Original Final		
	Original	Amended	
	Budget	Budget	Actual
Revenues			
Taxes	\$ 126.1	\$ 126.1	\$ 132.4
Intergovernmental	22.3	26.4	26.3
Other	5.1	5.4	8.7
Total	153.5	157.9	167.4
Expenditures and transfers	153.5	181.6	158.9
Change in fund balance	\$ -	\$ (23.7)	\$ 8.5

Increases in intergovernmental and other revenue categories made up the changes from the original to the final budget. The increase in intergovernmental revenue included an appropriation of over \$2.3 million in opioid abatement grant and settlement funds, \$342,000 for ARPA grant funds for the Sheriff's office, \$301,000 to reconcile shared expenses to the state-approved Compensation Board funding, \$151,000 for Children Services Act services, and \$1.0 million in various additional small grants.

The increase in the final budget for expenditures over the original budget of \$28.1 million resulted primarily from:

- Encumbrances of \$880,000 and \$4.0 million for the County and Schools, respectively;
- Carryover of ARPA funds totaling \$8.9 million;
- Carryovers of unspent grant funds, donations and earmarked funds of \$2.4 million;
- Carryovers from the fiscal year 2023 budget of \$1.0 million for the general fund, and \$2.9 million for the Schools;
- Funding for opioid abatement of \$2.4 million;
- Funding of \$342,000 for Sheriff's Office ARPA equipment grant, emergency services one-time expenses associated with new EMS program of \$139,000, \$95,000 for emergency service cache team grant, \$151,000 in Children Services Act services, registrar fall elections expenditures of \$201,000, \$350,000 in professional services for the comprehensive plan; \$209,000 for a road project, \$100,000 for relocation of the Montgomery Museum; \$91,000 for Floyd library operations; and \$85,000 a parks and recreation truck.
- Additional funding for shared expenses of \$314,000, funding for Social services of \$151,000 and \$142,000 for Fire Program funds.

Actual tax revenue exceeded the budgeted by \$6.3 million. Personal property taxes and real estate collections exceeded the estimates by \$5.4 million. Sales tax revenue exceeded the estimate by \$0.5 million. The new cigarette tax exceeded the expected amount by \$0.2 million. Revenue from use of money and property exceeded budget by \$2.7 million. Actual expenditures and transfers were \$22.8 million less than the budgeted amount for several reasons, including the timing of grants and other special projects. The transfer from the general fund to the school operating fund *on the budgetary basis (cash)* was \$8.1 million less than the budgeted amount. This is due in part to the Schools receiving more state and federal revenue than budgeted, which resulted in a lower-than-budgeted amount needed from the County and the Schools spending \$5.0 million less than budgeted. The balance of the transfer to the Schools and the funds associated with 2024 outstanding purchase orders for the Schools were approved by the Board of Supervisors and transferred to the Schools in fiscal year 2025.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the County had invested \$297.4 million, net of accumulated depreciation, in a variety of capital assets including buildings, park facilities, and public safety vehicles and equipment.

The following table displays the County and Component Units capital assets in millions of dollars:

	Governmental Activities		Component Units	
	2024	2023	2024	2023
Non-depreciable assets				
Land	\$ 14.7	\$ 14.7	\$ 2.8	\$ 0.8
Intangible asset	-	-	0.9	0.9
Construction in progress	25.9	8.5	17.1	13.3
Depreciable capital assets				
Infrastructure	-	-	37.2	32.6
Buildings and improvements	365.1	363.8	68.3	65.4
Machinery and equipment	36.1	33.6	26.8	25.1
Accumulated depreciation	(145.6)	(133.0)	(74.7)	(71.4)
Intangible right-to-use assets:				
Leased equipment	1.4	1.4	0.1	0.2
Leased buildings	0.7	0.7	0.4	0.6
Leased land	0.1	0.1	-	-
Software subscriptions	0.8	1.2	-	0.2
Accumulated amortization	(1.8)	(1.1)	(0.1)	(0.6)
Total	\$ 297.4	\$ 289.9	\$ 78.8	\$ 67.1

The table below shows the change in capital assets in millions of dollars:

	Balance June 30, 2023	Net Additions/ (Deletions)	Balance June 30, 2024
Non-depreciable assets			
Land	\$ 15.5	\$ 2.0	\$ 17.5
Intangible assets	0.9	-	0.9
Construction in progress	21.8	21.2	43.0
Depreciable capital assets			
Infrastructure	32.6	4.6	37.2
Buildings and improvements	429.2	4.2	433.4
Machinery and equipment	58.7	4.2	62.9
Accumulated depreciation	(204.4)	(15.9)	(220.3)
Intangible right-to-use assets			
Leased equipment	1.6	(0.1)	1.5
Leased buildings	1.3	(0.2)	1.1
Leased land	0.1	-	0.1
Subscription software	1.4	(0.6)	0.8
Accumulated amortization	(1.7)	(0.2)	(1.9)
Total	\$ 357.0	\$ 19.2	\$ 376.2

Governmental Activities

Additional information about the County's capital assets, including the component unit Public Service Authority and the Schools can be found in Note 8 of this report.

Long-Term Debt

The following table displays the Governmental and Component Unit outstanding debt at June 30, 2024, in millions of dollars:

	Governmental Activities		Component Units	
	2024	2023	2024	2023
General obligation bonds	\$ 118.1	\$ 121.4	\$ -	\$ -
Lease revenue bonds	9.1	10.1	-	-
Refunding bonds	59.1	69.2	-	-
Revenue bonds	-	-	9.0	6.4
Total	\$ 186.3	\$ 200.7	\$ 9.0	\$ 6.4

Other obligations include lease liabilities, subscription liabilities, arbitrage payable, accrued compensated absences, and accrued landfill closure and post-closure costs. More detailed information about the County's long-term debt can be found in Note 9 of this report. Debt for school assets is included with Governmental Activities under GASB 34, as schools in Virginia are not able to issue debt.

The Montgomery County Board of Supervisors adopted the following debt policy on September 28, 2015:

1. The County will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except where approved justification is provided.
2. When the County finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not to exceed the expected useful life of the project.

3. Net debt as a percentage of estimated market value of taxable property should strive to be below 3% but should not exceed 4%.
4. The ratio of debt service expenditures as a percent of governmental fund expenditures (General fund plus School Operating fund expenditures, less the General Fund transfer to the School Operating Fund) should strive to be below 10% but not exceed 12%.
5. The County will review the ten-year tax-supported debt and lease payout ratio annually, and intends to maintain the ratio at 60% over a five-year period, with the ratio being no less than 55% in any one year during the period.
6. The County recognizes the importance of underlying and overlapping debt in analyzing financial condition. The County will regularly analyze total indebtedness including underlying and overlapping debt.
7. Where feasible, the County will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
8. The County will retire tax anticipation debt, if any, annually and will retire bond anticipation debt within six months after completion of the project.
9. On all general fund-supported, debt-financed projects, the County will attempt to make a down payment of at least 5% of total project costs in the aggregate from current resources. The long-term goal is to annually designate a portion of General Fund cash for one-time capital projects.

As of June 30, 2024, the County was in compliance with all debt policies.

ECONOMIC FACTORS

As of September 2024, the County's and state's unemployment rates were 2.8 and 3.1 percent, respectively, which is a decrease of 0.2 percent from the previous year's rate for the County and an increase of 0.1 percent for the state.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, 755 Roanoke Street, Christiansburg, Virginia 24073.

BASIC FINANCIAL STATEMENTS

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF NET POSITION
June 30, 2024

	Primary Government	Component Units		
	Governmental Activities	Public Service Authority	School Board	Economic Development Authority
Assets				
Cash and cash equivalents (Note 4)	\$ 125,439,456	\$ 4,038,411	\$ 4,469,526	\$ 609,234
Receivables, net (Note 5)	6,533,307	984,256	-	-
Leases receivable	1,295,265	-	-	-
Receivables, other	-	-	-	53,053
Due from primary government	-	114,253	6,320,399	14,943
Due from other governmental units (Note 6)	8,079,909	-	5,893,098	-
Prepays	307,473	-	205	2,811
Inventories	-	174,020	99,498	1,464,848
Advances to component units (Note 17)	5,641,130	-	-	-
Restricted assets:				
Cash and cash equivalents (Note 4)	625,003	103,120	1,084,778	-
Investments (Note 4)	95,790,075	-	-	1,850,000
Notes receivable (Note 17)	386,627	-	-	-
Capital assets: (Note 8)				
Non-depreciable	40,566,756	9,535,508	9,309,785	1,984,559
Depreciable, net	255,568,807	16,756,165	40,587,300	269,113
Intangible, right-to-use, net	773,289	-	368,226	-
Intangible, subscription right-to-use, net	449,757	-	-	-
Total assets	541,456,854	31,705,733	68,132,815	6,248,561
Deferred Outflows of Resources				
Deferred charge on refunding	2,919,310	-	-	-
Deferred outflows related to pensions (Notes 11 and 12)	4,449,010	199,902	24,258,288	-
Deferred outflows related to other postemployment benefits (Notes 13 and 14)	619,123	45,221	3,511,042	-
Total deferred outflows of resources	7,987,443	245,123	27,769,330	-
Liabilities				
Accounts payable and accrued expenses	8,840,419	1,098,322	2,286,051	27,335
Accrued payroll and related liabilities	1,528,595	61,268	9,299,765	-
Accrued interest payable	3,362,163	88,908	-	-
Amounts held for others	625,003	-	-	-
Advances from primary government (Note 17)	-	15,021	-	5,626,109
Due to other governmental units (Note 6)	40,429	-	-	-
Due to component units	6,449,595	-	-	-
Unearned revenue	7,317,129	-	65,533	-
Customer deposits	-	103,120	-	-
Long-term liabilities due within one year (Note 9 and 17)	17,586,029	480,977	3,408,274	386,627
Other postemployment benefit liability due within one year (Notes 13 and 14)	95,309	-	-	-
Noncurrent liabilities due in more than a year:				
Long-term liabilities (Note 9)	194,975,727	9,749,933	1,288,464	-
Lease liabilities	295,216	-	226,621	-
Subscription liabilities	157,002	-	-	-
Net pension liability (Notes 11 and 12)	12,571,721	564,874	72,043,200	-
Net other postemployment benefit liability (Notes 13 and 14)	7,037,298	667,895	20,799,847	-
Total liabilities	260,881,635	12,830,318	109,417,755	6,040,071
Deferred Inflows of Resources				
Property taxes (Note 5)	840,622	-	-	-
Leases	1,227,819	-	-	-
Deferred inflows related to pensions (Notes 11 and 12)	1,809,234	81,293	9,331,492	-
Deferred inflows related to other postemployment benefits (Notes 13 and 14)	993,618	91,886	2,486,356	-
Total deferred inflows of resources	4,871,293	173,179	11,817,848	-
Net Position				
Net investments in capital assets	185,232,661	17,273,692	49,892,821	1,314,300
Restricted for grants	10,212,323	-	-	-
Restricted for permanent fund	-	-	1,084,778	-
Unrestricted	88,246,385	1,673,667	(76,311,057)	(1,105,810)
Total net position	\$ 283,691,369	\$ 18,947,359	\$ (25,333,458)	\$ 208,490

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Public Service Authority	School Board	Economic Development Authority
Primary Government:								
Governmental activities:								
General government administration	\$ 10,374,054	\$ 382,802	\$ 5,134,347	\$ -	\$ (4,856,905)			
Judicial administration	5,032,770	346,355	1,818,740	-	(2,867,675)			
Public safety	24,328,560	703,769	8,816,849	-	(14,807,942)			
Public works	13,743,061	336,899	64,378	-	(13,341,784)			
Health and welfare	12,961,726	322,478	8,818,117	-	(3,821,131)			
Education	68,309,949	-	496,832	-	(67,813,117)			
Parks, recreational, and cultural	5,211,498	482,868	1,274,392	-	(3,454,238)			
Community development	4,688,535	63,121	950,044	-	(3,675,370)			
Interest on long-term debt	11,365,572	-	-	-	(11,365,572)			
Total governmental activities	<u>\$ 156,015,725</u>	<u>\$ 2,638,292</u>	<u>\$ 27,373,699</u>	<u>\$ -</u>	<u>(126,003,734)</u>			
Component Units:								
Public Service Authority	\$ 5,752,401	\$ 6,198,342	\$ -	\$ 3,378,445		\$ 3,824,386	\$ -	\$ -
School Board	141,990,439	6,658,846	88,783,374	-		-	(46,548,219)	-
Economic Development Authority	993,263	179,892	-	-		-	-	(813,371)
Total component units	<u>\$ 148,736,103</u>	<u>\$ 13,037,080</u>	<u>\$ 88,783,374</u>	<u>\$ 3,378,445</u>		<u>3,824,386</u>	<u>(46,548,219)</u>	<u>(813,371)</u>
General Revenues:								
General property taxes (Note 5)					113,350,014	-	-	-
Sales and use tax					13,567,931	-	-	-
Utility tax					1,506,205	-	-	-
Motor vehicle license tax					816,764	-	-	-
Other local taxes					1,871,566	-	-	-
Intergovernmental revenue, unrestricted					5,415,089	-	-	-
Investment earnings, unrestricted					5,600,242	112,499	106,082	61,774
Investment earnings, restricted for capital projects					5,548,382	-	-	-
Payments from Montgomery County					-	-	54,823,466	181,365
Other revenue					2,433,030	-	-	-
Total general revenues					150,109,223	112,499	54,929,548	243,139
Change in net position					24,105,489	3,936,885	8,381,329	(570,232)
Net position – beginning, as restated (Note 21)					259,585,880	15,010,474	(33,714,787)	778,722
Net position – ending					\$ 283,691,369	\$ 18,947,359	\$ (25,333,458)	\$ 208,490

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 79,391,414	\$ 46,048,042	\$ 125,439,456
Receivables, net	6,533,307	-	6,533,307
Lease receivable	1,295,265	-	1,295,265
Due from other governmental units	4,362,491	3,717,418	8,079,909
Advances to component unit	5,641,130	-	5,641,130
Restricted assets:			
Cash and cash equivalents	625,003	-	625,003
Investments	-	95,790,075	95,790,075
Notes receivable	386,627	-	386,627
Total assets	<u><u>\$ 98,235,237</u></u>	<u><u>\$ 145,555,535</u></u>	<u><u>\$ 243,790,772</u></u>
Liabilities			
Accounts payable and accrued liabilities	\$ 2,322,561	\$ 6,517,858	\$ 8,840,419
Accrued payroll and related liabilities	1,528,595	-	1,528,595
Due to other governmental units	40,429	-	40,429
Due to component unit	6,449,595	-	6,449,595
Unearned revenue	7,317,129	-	7,317,129
Amounts held for others	625,003	-	625,003
Total liabilities	<u>18,283,312</u>	<u>6,517,858</u>	<u>24,801,170</u>
Deferred Inflows of Resources			
Leases	1,227,819	-	1,227,819
Deferred revenue	5,733,370	-	5,733,370
	<u>6,961,189</u>	<u>-</u>	<u>6,961,189</u>
Fund Balances			
Nonspendable	6,027,757	-	6,027,757
Restricted	10,212,323	95,790,075	106,002,398
Committed	3,226,126	43,247,602	46,473,728
Assigned	8,804,980	-	8,804,980
Unassigned	44,719,550	-	44,719,550
Total fund balances	<u>72,990,736</u>	<u>139,037,677</u>	<u>212,028,413</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 98,235,237</u></u>	<u><u>\$ 145,555,535</u></u>	<u><u>\$ 243,790,772</u></u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Ending fund balance – governmental funds	\$ 212,028,413
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	296,135,563
Right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,223,046
Certain amounts are recognized as expenditures when paid in the fund statements, but are capitalized and recorded in future periods for governmental activities.	307,473
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,892,748
Deferred premiums and charges on refunding are not financial resources and, therefore, are not reported in the funds.	2,919,310
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	4,449,010
Other postemployment benefits	619,123
Deferred inflows related to:	
Pensions	(1,809,234)
Other postemployment benefits	(993,618)
Net pension liability	(12,571,721)
Net other postemployment benefit liability	(7,132,607)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(216,376,137)
Net position of governmental activities	<u><u>\$ 283,691,369</u></u>

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2024

	General	County Capital Improvements	Total Governmental Funds
REVENUES			
General property taxes	\$ 114,362,271	\$ -	\$ 114,362,271
Other local taxes	17,762,466	-	17,762,466
Permits, privilege fees, and regulatory licenses	246,416	-	246,416
Fines and forfeitures	50,110	-	50,110
Revenue from use of money and property	5,704,202	5,445,963	11,150,165
Charges for services	609,099	-	609,099
Recovered costs	1,732,667	-	1,732,667
Other revenue	503,289	-	503,289
Intergovernmental	28,426,815	4,361,975	32,788,790
Total revenues	169,397,335	9,807,938	179,205,273
EXPENDITURES			
Current operating			
General government administration	10,346,135	-	10,346,135
Judicial administration	4,568,793	-	4,568,793
Public safety	24,601,981	-	24,601,981
Public works	7,571,822	-	7,571,822
Health and welfare	12,311,539	-	12,311,539
Education	55,128,765	-	55,128,765
Parks, recreation, and cultural	4,629,693	-	4,629,693
Community development	4,590,379	-	4,590,379
Debt service			
Principal retirement	15,333,124	-	15,333,124
Interest and fiscal charges	9,175,987	-	9,175,987
Capital projects	-	26,769,773	26,769,773
Total expenditures	148,258,218	26,769,773	175,027,991
Excess (deficiency) of revenues over expenditures	21,139,117	(16,961,835)	4,177,282
OTHER FINANCING SOURCES (USES)			
Inception of leases	59,224	-	59,224
Inception of subscriptions	88,678	-	88,678
Transfers in	-	16,353,709	16,353,709
Transfers out	(16,353,709)	-	(16,353,709)
Total other financing sources (uses)	(16,205,807)	16,353,709	147,902
Net changes in fund balances	4,933,310	(608,126)	4,325,184
FUND BALANCES AT JULY 1	68,057,426	139,645,803	207,703,229
FUND BALANCES AT JUNE 30	\$ 72,990,736	\$ 139,037,677	\$ 212,028,413

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2024

Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities:

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

Net change in fund balances – total governmental funds		\$ 4,325,184
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 or amortization expense. This is the amount by which capital outlays of \$21,836,938 exceeded depreciation and amortization of \$13,967,473 in the current period.		7,869,465
In the statement of activities, only the <i>gain or loss</i> on the sale or disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>net book value</i> of the property sold or disposed of.		(389,352)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		917,483
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		3,306,477
Pension expense		(2,451,816)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions		133,461
Other postemployment benefit expense		(3,792,971)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Arbitrage Payable	(2,456,929)	
Principal repayments		
General obligation bonds	3,295,294	
Lease revenue bonds	1,067,178	
Refunding bonds	10,135,000	
		12,040,543
Governmental funds report the effect of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In statement of activities, interest is recognized as it accrues, regardless of when it is due. The net effect of those differences are as follows:		
Bond premiums and discounts	1,243,983	
Interest expense	267,344	
		1,511,327
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.		635,688
Change in net position of governmental activities		\$ 24,105,489

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL (CASH BASIS)

GENERAL FUND

For the Year Ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 109,232,284	\$ 109,232,284	\$ 114,639,247	\$ 5,406,963
Other local taxes	16,843,491	16,867,491	17,771,060	903,569
Permits, privilege fees, and regulatory licenses	636,843	636,843	247,716	(389,127)
Fines and forfeitures	29,000	29,000	42,903	13,903
Revenue from use of money and property	3,142,979	3,177,089	5,845,875	2,668,786
Charges for services	495,174	607,544	611,060	3,516
Recovered costs	832,937	856,287	1,572,769	716,482
Intergovernmental	22,310,432	26,383,894	26,268,312	(115,582)
Other	-	83,499	382,548	299,049
Total revenues	153,523,140	157,873,931	167,381,490	9,507,559
EXPENDITURES				
Current operating				
Board of Supervisors	283,793	283,793	265,982	17,811
County Administration	4,934,863	5,589,429	5,207,475	381,954
County Attorney	462,310	511,767	493,886	17,881
Financial & Management Services	1,249,087	1,327,493	1,241,784	85,709
Insurance	237,256	267,352	247,620	19,732
Information Technology	2,463,808	2,748,349	2,439,503	308,846
Commissioner of the Revenue	1,257,913	1,372,627	1,209,174	163,453
Treasurer & Collections	1,072,468	1,241,686	1,101,101	140,585
Electoral Board/Registrar	616,381	857,457	854,142	3,315
Commonwealth Attorney	1,766,388	1,850,445	1,839,270	11,175
Circuit Court	249,883	278,358	276,403	1,955
General District Court	21,711	21,711	16,281	5,430
Juvenile & Domestic Court	20,524	20,524	14,238	6,286
Magistrate	5,000	5,000	1,124	3,876
Clerk of the Circuit Court	896,332	1,040,265	975,025	65,240
Sheriff	18,083,325	19,217,677	18,767,581	450,096
Fire & Rescue	1,465,993	1,911,974	1,552,217	359,757
Animal Care & Adoption Center	853,330	966,960	830,124	136,836
General Services	7,428,200	8,317,220	7,588,977	728,243
Engineering & Regulatory Compliance	827,409	866,238	769,455	96,783
Children's Services Act	1,651,969	1,862,874	1,856,573	6,301
Human Services	495,287	527,672	430,852	96,820
New River Valley Health District	629,014	629,014	619,275	9,739
Social Services	7,461,588	7,320,567	7,273,688	46,879
Parks & Recreation	1,649,015	1,772,520	1,403,492	369,028
Regional Library	2,590,167	3,235,577	3,006,787	228,790
Planning & GIS	934,450	1,621,050	932,662	688,388
Economic Development	966,838	8,092,916	3,196,212	4,896,704
Other agencies	3,080,357	8,894,090	4,520,777	4,373,313
Contingencies	795,702	229,318	-	229,318
Law Library	17,600	17,600	13,335	4,265
Montgomery County Schools	58,429,986	64,543,545	56,410,173	8,133,372
Revenue refunds	227,000	227,000	206,807	20,193
Debt service				
Principal retirement	14,497,472	14,497,472	14,497,472	-
Interest and fiscal charges	11,341,413	11,341,413	9,152,974	2,188,439
Total expenditures	148,963,832	173,508,953	149,212,441	24,296,512
Excess (deficiency) of revenues over expenditures	4,559,308	(15,635,022)	18,169,049	33,804,071
OTHER FINANCING USES				
Transfers in	1,524,820	1,524,820	-	(1,524,820)
Transfers out	(6,084,128)	(9,650,899)	(9,650,899)	-
Total other financing uses	(4,559,308)	(8,126,079)	(9,650,899)	(1,524,820)
Net change in fund balance	\$ -	\$ (23,761,101)	\$ 8,518,150	\$ 32,279,251

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies

The financial statements of the County of Montgomery, Virginia (the “County”), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the County are described below.

A. Reporting Entity

Primary Government. The County is a political subdivision of the Commonwealth of Virginia governed by a seven-member elected Board of Supervisors (the “Board”). The accompanying financial statements for the primary government and its component units are prepared in accordance with GAAP applicable to governmental units, as prescribed by the GASB.

Discretely Presented Component Units. Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Montgomery County School Board

The Montgomery County School Board (the “School Board”) is responsible for elementary and secondary education within the County’s jurisdiction. The School Board is comprised of seven members popularly elected to a four-year term. The School Board is fiscally dependent upon the County because the County Board approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements; as such, they have been included in these statements.

Montgomery County Public Service Authority

The Public Service Authority (the “Authority”) provides water and wastewater services for County businesses and residents. The County Board of Supervisors has historically appointed themselves as the Authority’s Board of Directors. The Authority does not provide financial benefit to or impose a financial burden on the County. Complete financial statements may be obtained by writing the Montgomery County Public Service Authority, 755 Roanoke Street, Christiansburg, Virginia 24073.

Montgomery County Economic Development Authority

The Montgomery County Economic Development Authority (the “EDA”) was created to encourage and provide financing for economic development in the County. The EDA is governed by seven directors appointed by the County Board of Supervisors and the County is financially accountable for the EDA. The County routinely provides funding to support the EDA’s operations. The EDA is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. Complete financial statements may be obtained by writing the Montgomery County Economic Development Authority, 755 Roanoke Street, Christiansburg, Virginia 24073.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations:

New River Valley Community Services

The County and the Counties of Floyd, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services (“NRVCS”). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the current year, the County contributed \$252,661 to NRVCS.

Virginia Tech Montgomery Executive Airport Authority

The Virginia Tech Montgomery Executive Airport Authority (the “Airport Authority”) was created by concurrent resolutions of the governing bodies of the County, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Airport Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member, and all jurisdictions jointly appoint a fifth member. The Airport Authority utilizes revenues generated by the airport and contributions by the members to fund all airport activities and has no bonded indebtedness. For the current year, the County paid \$60,000 toward operations of the Airport Authority.

Montgomery Regional Solid Waste Authority

The County is a member of the Montgomery Regional Solid Waste Authority (the “Waste Authority”), which was created by a joint resolution by the County, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Waste Authority is governed by a five-member board whereby the governing body of each member jurisdiction appoints one board member and all jurisdictions jointly appoint a fifth member. The Waste Authority, which began operation in August 1995, serves as a solid waste transfer station and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Waste Authority. All Waste Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Waste Authority. The Waste Authority has negotiated with New River Resource Authority for shared use of a landfill with an anticipated operating life of 50 years. For the current year, the County paid \$1,067,858 in tipping fees to the Waste Authority.

New River Valley Metropolitan Planning Organization

The County is a member of the New River Valley Metropolitan Planning Organization (“MPO”). In 2003, the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization was created as a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery area. In 2012, the MPO was expanded to also include the City of Radford and a portion of Pulaski County. The Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization was renamed and provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community’s vision. The County has three members within this organization, two of which are voting members. For the current year, the County paid \$20,720 toward operations of the MPO.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Western Virginia Regional Jail Authority

The County, along with the Counties of Franklin and Roanoke and the City of Salem, is a member of the Western Virginia Regional Jail Authority (WVRJA), which was created in June 2005. The WVRJA was formed to own, operate, manage, maintain, regulate, plan for and finance the regional jail. The Board consists of twelve members, three from each jurisdiction consisting of the Sheriff, one elected member of the governing body, and the chief administrative officer. The member jurisdictions are responsible for a portion of the debt service and per diem cost based on prisoner days used. For the current year, the County paid \$4,561,343 to the WVRJA.

New River Valley Emergency Communications Regional Authority

The County is a member of the New River Valley Emergency Communications Regional Authority (the "Communications Authority"). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority began providing 911 dispatch and emergency communication services to the community and agencies in these localities on July 1, 2016. The Board consists of 5 members, one from each member and all members jointly appoint a fifth member. For the current year, the County paid \$1,006,398 toward the operations of the Communications Authority.

Montgomery Tourism Development Council

The County, along with the Towns of Blacksburg and Christiansburg, is a member of the Montgomery Tourism Development Council (the "Council"). The Council was formed to stimulate economic opportunity and enhance quality of life by celebrating and sharing the region's culture, heritage, and natural beauty through authentic visitor experiences. The operating board consists of the County Administrator and Town Managers. For the current year, the County paid \$60,177 toward the operations of the Council.

NRV Regional Water Authority

The NRV Regional Water Authority (NRVRWA) operates and maintains a water supply system for the Town of Christiansburg, Town of Blacksburg, Virginia Tech, and Montgomery County. Each governing body appoints one member to the five-person Board of Directors, and one at-large member. The Board will then be reduced to five and the one at-large member will be appointed by the members of the authority. All indebtedness of the NRVRWA is payable solely from the revenues of the water system. Although the Montgomery County Public Service Authority is one of NRVRWA's customers, neither the County nor the PSA have an obligation for any of its indebtedness. During fiscal year 2024, the PSA paid \$1,046,717 to NRVRWA. This consists of an annual payment of \$47,522, which is the \$1,300,000 membership fee being spread over 40 years (see Note 20). The balance of \$999,195 was for water purchases.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

New River Valley Passenger Rail Station Authority

The County, along with the Counties of Giles and Pulaski; the City of Radford; the Towns of Blacksburg, Christiansburg and Pulaski; Radford University; and Virginia Polytechnic Institute & State University; is a member of the New River Valley Passenger Rail Station Authority (NRVPRSA), which was created in July 2022. The NRVPRSA was formed to enable the members to share the costs of developing, owning and operating a passenger rail station, which will be an economic development asset that would be cost-prohibitive to individual members. The Board consists of two representatives appointed by each member. For the current year, the County did not make a payment to NRVPRSA.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a statement of net position and a statement of activities that report information on all activities of the primary government. The effect of inter-fund activity has been removed from these statements. *Governmental activities* solely comprise the primary government and are supported by taxes and intergovernmental revenues. Likewise, the *primary* government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 included among program revenues are reported instead as *general revenues*.

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*. 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.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after year-end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the state or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. Licenses, permits, fines, and rents are recorded as revenues when received. Grant revenues are considered receivable when legal and contractual requirements have been met and available if collected within one year. Revenues from general-purpose grants are recognized in the period in which the grant applies. Sale of real estate revenue is recognized when the property is sold. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid leave and other employee amounts, which are recorded as compensated absences and other postemployment benefits, which are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when due.

The County reports the following major governmental funds:

General Fund – This is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

County Capital Fund – This fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes, grants, and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of date acquired.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (Continued)

Investments

Investments are stated at fair value.

Receivables

Receivables are shown net of an allowance for uncollectible amounts calculated by management using historical collection data, specific account analysis, and management's judgment.

Inventories

Inventories of supplies are generally recorded at cost using the first-in/first-out (FIFO) method except for commodities received from the Federal Government, which are valued at market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Inventories of the EDA include land and buildings held for resale. The cost of land (including acquisition costs) is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Improvement, carrying, and amenity costs are allocated based on acreage. Inventory is valued at the lower of cost or market.

Capital Assets

Capital assets, which include property, plant, equipment, and right-to-use lease and subscription assets, are reported in the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than \$5,000 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. The leases and subscription sections of this note provide additional information about right-to-use lease and subscription assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Machinery and equipment	4 – 30 years
Water and wastewater systems	30 – 40 years

Right-to-use lease and subscription assets are amortized as described in the leases and subscriptions sections of this note.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Leases

Leases (Lessee) – The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the governmental activities column in the government-wide financial statements.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured initially as the amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset, but if the lease contains a purchase option the County is reasonably certain to exercise, the lease asset is amortized over the useful life of the underlying asset. In that circumstance, if the underlying asset is nondepreciable, the lease asset is not amortized.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for equipment, building, and infrastructure leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (Continued)

Leases (Lessor) – The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured initially as the amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the County determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The County uses the rate implicit in the lease as the discount rate for equipment, building, and infrastructure leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscriptions

Subscriptions – The County recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the governmental activities column in the government-wide financial statements.

At the commencement of a subscription, the County initially measures the subscription liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is measured initially as the amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain capitalizable implementation costs, less any incentives received from the subscription vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the subscription term.

Key estimates and judgments related to subscriptions include how the County determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The County uses the interest rate charged by the subscription vendor as the discount rate. When the interest rate charged by the subscription vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (Continued)

Subscriptions (Continued)

- The subscription term includes the period during which the County has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend, if it is reasonably certain that the County or subscription vendor will exercise that option, or to terminate, if it is reasonably certain that the government or subscription vendor will not exercise that option.

The County monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

County, PSA, and School Board employees are granted a specified amount of leave with pay each year. Amounts recorded reflect unused leave payable upon termination including applicable employer-related taxes, in accordance with respective policies. The cost of accumulated leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund-type statements. A liability is reported in the governmental funds only when the amounts become due and payable.

Long-term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but do not recognize long-term liabilities. 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. Repayments and issuance costs are reported as debt service expenditures.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (Continued)

Pensions and Other Postemployment Benefits (OPEB)

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

Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ.

Net Position/Fund Balances

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans or advances.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the County Board of Supervisors. To be reported as committed, amounts cannot be used for any other purposes unless the Board of Supervisors takes action to remove or change the constraint.
- **Assigned** – Amounts the County intends to use for a specified purpose; intent can be expressed by the governing body or by the County Administrator who has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Equity (Continued)

Net Position/Fund Balances (Continued)

The Board of Supervisors establishes fund balance commitments by passage of resolutions. Assigned fund balance is established by the Board of Supervisors through passage of resolutions appropriating funds for specific purposes, as deemed appropriate by the County Administrator, including but not limited to the purchase of capital assets, construction, or debt service.

Restricted Amounts

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

General Fund unassigned fund balance at the close of each fiscal year should be at least 12% of the General Fund plus School operating fund revenues, excluding the General Fund transfer to the School operating fund. Should the County find it necessary to access these funds in an emergency situation the unassigned fund balance would be allowed to fall below the target described above. Any appropriation, which causes unassigned fund balance to drop below 12% will occur only after the County Administrator presents to the Board of Supervisors a plan and timeline for replenishing the balance to a minimum of 12%. The General Fund unassigned fund balance at June 30, 2024, was 18%.

Other governmental funds of the County do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined on a case-by-case basis, based on the needs of each fund and as recommended by officials and approved by the Board of Supervisors.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2024, total \$1,168,606 in the general fund.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 30, the County Administrator submits to the Board a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the organizational level. Each organization represents a major County function, such as County Administration, Financial and Management Services, Information Management Services, etc. Only the Board can revise the appropriation for each fund and organization. The County Administrator may amend the budget within organizations. Approval by the Board of Supervisors is required for the School Board to transfer budgeted amounts within its major categories, which include administration, instruction, attendance, health, etc.
- Formal budgetary integration is employed as a management control device for the General and Capital Fund. Program and project budgets are utilized for the Capital Fund where funds remaining at the end of the year are reappropriated until project completion. The School Fund is integrated only at the level of legal adoption.
- All budgets are adopted on a cash basis.
- The Board approved additional General Fund appropriations of \$28,112,072 during the current year primarily for public safety, education, special community development projects, and capital projects.
- All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 2. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

Below is a reconciliation of the change in fund balances on the budgetary basis to the GAAP basis:

	Primary Government	Component Unit – School Board	
	General Fund	Operating	Cafeteria
Net change in fund balance (budgetary basis)	\$ 8,518,150	\$ (241,004)	\$ (685,320)
Adjustments:			
Tax and other accruals and due from other entities/funds, net of deferred/unearned revenue:			
June 30, 2024	11,257,631	11,685,553	462,411
June 30, 2023	(11,203,121)	(11,174,533)	71,207
Inventory:			
June 30, 2024	-	-	99,498
June 30, 2023	-	-	(89,386)
Accounts, salaries, and other amounts payable to other entities/funds:			
June 30, 2024	(24,231,118)	(11,685,553)	(156,250)
June 30, 2023	20,591,768	11,174,533	720,381
Net change in fund balance (GAAP basis)	<u>\$ 4,933,310</u>	<u>\$ (241,004)</u>	<u>\$ 422,541</u>

Note 3. Significant Transactions of the County Component Unit – School Board

Certain transactions between the County and the School Board are explained here to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt and the proceeds are recorded in the County’s governmental activities. The proceeds received are then provided to the School Board for capital expenditures. Any unspent money is reported as deposits and investments in the County’s governmental activities.
2. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property, which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 3. Significant Transactions of the County Component Unit – School Board (Continued)

3. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board – Component Unit (Exhibit A-5)	\$ 150,629,222
Principal and other debt service expenditures included in primary Government (Exhibit 4)	<u>20,678,959</u>
Total expenditures for school activities	<u>\$ 171,308,181</u>

Note 4. 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, the State Treasurer’s Local Government Investment Pool (LGIP), and the State Treasurer’s Non-Arbitrage Program (SNAP).

The County has invested bond proceeds subject to rebate of arbitrage earnings in SNAP. SNAP is an open-end management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation, and revenue tax-exempt financing of Virginia counties, cities, and towns.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 4. Deposits and Investments (Continued)

Investments (Continued)

As of June 30, the County had the following deposits and investments:

	<u>Fair Value</u>	<u>Standard and Poor's Credit Rating</u>	<u>Percentage of Portfolio</u>
Primary Government			
Demand deposits	\$ 126,064,459	NA	57%
Money market accounts	<u>95,790,075</u>	AAAm	<u>43</u>
Total	<u><u>\$ 221,854,534</u></u>		<u><u>100%</u></u>
Component Units			
PSA			
Demand deposits	<u>\$ 4,141,531</u>	NA	<u>100%</u>
School Board			
Demand deposits	<u>\$ 5,554,304</u>	NA	<u>100%</u>

Deposits and investments are reflected in the statements as follows:

	<u>Primary Government</u>	<u>Component Unit – PSA</u>	<u>Component Unit – School Board</u>
Deposits and investments			
Cash and cash equivalents	\$ 125,439,456	\$ 4,038,411	\$ 4,469,526
Investments, restricted	95,790,075	-	-
Cash and cash equivalents, restricted	<u>625,003</u>	<u>103,120</u>	<u>1,084,778</u>
	<u><u>\$ 221,854,534</u></u>	<u><u>\$ 4,141,531</u></u>	<u><u>\$ 5,554,304</u></u>

Credit Risk

The County has adopted a formal investment policy whereby the Treasurer invests its funds in accordance with Virginia law. State statute requires that obligations of the Commonwealth of Virginia and its political subdivisions have a debt rating of at least AA by Standard and Poor's (S&P) or equivalent by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P and P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P and Aa by Moody's. Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 4. Deposits and Investments (Continued)

Concentration of Credit Risk

Although the intent of the County is to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the County places no limit on the amount it may invest in any one issuer.

Interest Rate Risk

During the year, the County invested only in SNAP, which has a dollar-weighted-average portfolio maturity of 90 days, and money market funds, which are readily available. The County follows the *Code of Virginia* regarding investments and interest rate risk.

Custodial Credit Risk

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all of the County’s investments were held in a bank’s trust department in the County’s name by the County’s designated custodian.

Restricted Amounts

Restricted cash and cash equivalents and restricted investments consist primarily of unused bond proceeds, balances required to be maintained as conditions of certain bond instruments, and amounts held for others. Unused bond proceeds will be used to fund construction commitments as described in Note 8.

Note 5. Receivables

Receivables other than lease receivables are aggregated into a single receivables line net of allowances for uncollectible accounts. Details of receivables other than lease receivables are as follows:

		Component Unit	
		Public Service Authority	
	General	Water	Wastewater
Taxes	\$ 6,020,071	\$ -	\$ -
Accounts	2,302,047	677,413	407,843
Gross receivables	8,322,118	677,413	407,843
Allowance for uncollectibles	(1,788,811)	(60,000)	(41,000)
Net receivables	\$ 6,533,307	\$ 617,413	\$ 366,843

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 5. Receivables (Continued)

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is approximately 29% of the total taxes receivable and is based on historical collection rates.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of deferred revenue were as follows:

Unavailable property taxes	\$ 2,963,007
Unavailable opioid abatement fund	1,929,741
Unearned property taxes	<u>840,622</u>
Total	<u>\$ 5,733,370</u>

Lease Receivables

The County, as a lessor, has entered into a lease agreement involving a County owned office space. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$206,633.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Lease receivable	\$ 1,423,586	\$ -	\$ 128,321	\$ 1,295,265

Principal and Interest Requirements to Maturity

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Total Payments</u>
	<u>Principal</u>	<u>Interest</u>	
2025	\$ 133,896	\$ 52,584	\$ 186,480
2026	139,713	46,767	186,480
2027	145,782	40,698	186,480
2028	152,115	34,365	186,480
2029	158,723	27,757	186,480
2030-2033	<u>565,036</u>	<u>41,018</u>	<u>606,054</u>
	<u>\$ 1,295,265</u>	<u>\$ 243,189</u>	<u>\$ 1,538,454</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 5. Receivables (Continued)

Property Taxes

The County levies real estate taxes on all real property within its boundaries, except those exempted by statute, at a rate enacted by the Board on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All property is assessed at 100% of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in equal semi-annual installments due June 5 and December 5. The taxes receivable balance at June 30 includes amounts not yet received from the January 1 levy (due June 5), less an allowance for uncollectible amounts. Property taxes attach an enforceable lien on property as of January 1. In addition, any uncollected amounts from previous years' levies are included in the taxes receivable balance. The real estate tax rate for calendar year 2024 is \$0.75 per \$100 of assessed value.

Personal property tax assessments on tangible business property and all motor vehicles is \$2.55 per \$100 assessed value. Personal property taxes for the calendar year are due on December 5. Personal property taxes do not create a lien on property.

Note 6. Due to/from Other Governmental Units

Due to other governmental units consists of the following:

	General Fund
<u>Commonwealth of Virginia:</u>	
Delinquent fees collected by the Commonwealth's Attorney	\$ 40,429
	<u>\$ 40,429</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 6. Due to/from Other Governmental Units (Continued)

Due from other governmental units consists of the following:

	<u>General Fund</u>	<u>Component Unit – School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 2,135,640	\$ -
State sales tax	-	3,131,187
Categorical aid	1,031,570	-
Non-categorical aid	275,483	-
Excess clerk fees	28,000	-
Virginia public assistance funds	194,391	-
Comprehensive services act	302,713	-
<u>Federal Government:</u>		
Virginia public assistance funds	302,177	-
Categorical aid	3,809,935	2,761,911
	<u><u>\$ 8,079,909</u></u>	<u><u>\$ 5,893,098</u></u>

Note 7. Interfund Balances and Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
County Capital	General	\$ 16,353,709

Transfers to the County Capital fund from the General fund were to support capital projects including Auburn Park, Government Center improvements, fire and rescue equipment, capital maintenance projects, information technology systems, and future unspecified school and county projects.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets

Capital asset activity for the year was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 14,679,564	\$ -	\$ -	\$ 14,679,564
Construction in progress	8,507,504	18,237,219	(857,531)	25,887,192
Total capital assets, not depreciated	23,187,068	18,237,219	(857,531)	40,566,756
Capital assets, depreciated:				
Buildings and improvements	363,822,857	1,317,746	-	365,140,603
Machinery and equipment	33,646,942	2,965,026	(517,552)	36,094,416
Total capital assets, depreciated	397,469,799	4,282,772	(517,552)	401,235,019
Less accumulated depreciation:				
Buildings and improvements	110,370,732	10,752,274	-	121,123,006
Machinery and equipment	22,646,136	2,413,081	(516,011)	24,543,206
Total accumulated depreciation	133,016,868	13,165,355	(516,011)	145,666,212
Total capital assets, depreciated, net	264,452,931	(8,882,583)	(1,541)	255,568,807
Intangible right-to-use assets:				
Leased equipment	1,388,630	41,565	(55,749)	1,374,446
Leased buildings	702,230	-	-	702,230
Leased land	56,333	44,235	-	100,568
Total intangible right-to- use, leases	2,147,193	85,800	(55,749)	2,177,244
Less accumulated amortization:				
Leased equipment	631,291	357,767	(32,038)	957,020
Leased buildings	233,856	170,608	-	404,464
Leased land	25,444	17,027	-	42,471
Total accumulated amortization, leases	890,591	545,402	(32,038)	1,403,955
Total intangible right-to-use, leases, net	1,256,602	(459,602)	(23,711)	773,289

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets (Continued)

Capital asset activity for the year was as follows: (Continued)

Primary Government (Continued)

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Intangible right-to-use assets:				
Software	\$ 1,193,250	\$ 88,678	\$ (422,171)	\$ 859,757
Total intangible right-to-use, subscriptions	1,193,250	88,678	(422,171)	859,757
Less accumulated amortization:				
Software	211,355	256,716	(58,071)	410,000
Total accumulated amortization, subscriptions	211,355	256,716	(58,071)	410,000
Total intangible right-to-use, subscriptions, net	981,895	(168,038)	(364,100)	449,757
Capital assets, net	<u>\$289,878,496</u>	<u>\$ 8,726,996</u>	<u>\$ (1,246,883)</u>	<u>\$297,358,609</u>

Intangible Right-to-Use Assets – Leases

As of June 30, 2024, the County recognized right-to-use assets for the value of land, buildings, and equipment leased under long-term contracts as part of capital assets. The intangible right-to-use assets are being amortized over the lease terms for each lease. Terms of the leases are described in Note 9.

Additional detail regarding the right-to-use leased assets included in capital assets is as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use assets:				
Leased equipment	\$ 1,388,630	\$ 41,565	\$ (55,749)	\$ 1,374,446
Leased buildings	702,230	-	-	702,230
Leased land	56,333	44,235	-	100,568
Total intangible right-to-use, leases	2,147,193	85,800	(55,749)	2,177,244
Less accumulated amortization:				
Leased equipment	631,291	357,767	(32,038)	957,020
Leased buildings	233,856	170,608	-	404,464
Leased land	25,444	17,027	-	42,471
Total accumulated amortization, leases	890,591	545,402	(32,038)	1,403,955
Total intangible right-to-use, leases, net	<u>\$ 1,256,602</u>	<u>\$ (459,602)</u>	<u>\$ (23,711)</u>	<u>\$ 773,289</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets (Continued)

Intangible Right-to-Use Assets – Subscriptions

As of June 30, 2024, the County recognized right-to-use assets for the value of software subscriptions under subscription contracts as part of capital assets. The intangible right-to-use assets are being amortized over the subscription terms for each subscription. Terms of the subscriptions are described in Note 9.

Additional detail regarding the right-to-use subscription assets included in capital assets is as follows:

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Intangible right-to-use assets:				
Software	\$ 1,193,250	\$ 88,678	\$ (422,171)	\$ 859,757
Total intangible right-to-use, subscriptions	1,193,250	88,678	(422,171)	859,757
Less accumulated amortization:				
Software	211,355	256,716	(58,071)	410,000
Total accumulated amortization, subscriptions	211,355	256,716	(58,071)	410,000
Total intangible right-to-use, subscriptions, net	<u>\$ 981,895</u>	<u>\$ (168,038)</u>	<u>\$ (364,100)</u>	<u>\$ 449,757</u>

Depreciation and amortization expense were charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 472,786
Judicial administration	118,129
Public safety	2,027,964
Public works	2,898,952
Health and welfare	144,631
Education	7,769,249
Parks, recreation, and cultural	489,467
Community development	46,295
	<u>\$ 13,967,473</u>

The County's construction commitments as of June 30 were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Balance</u>
Auburn Park	\$ 190,415	\$ 12,967,110
Magistrate and Court Services Facility	1,780,568	4,824,432
Blacksburg Library Outdoor Renovations	59,622	392,178

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets (Continued)

Component Unit – Public Service Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land, improvements, and rights	\$ 322,389	\$ -	\$ -	\$ 322,389
Construction in progress	7,044,715	5,922,111	(4,630,707)	8,336,119
Intangible asset (Note 20)	877,000	-	-	877,000
Total capital assets, not depreciated	<u>8,244,104</u>	<u>5,922,111</u>	<u>(4,630,707)</u>	<u>9,535,508</u>
Capital assets, depreciated:				
Wastewater systems	17,421,620	-	-	17,421,620
Water systems	15,216,222	4,568,044	-	19,784,266
Buildings and improvements	1,410,040	-	-	1,410,040
Machinery and equipment	1,835,268	355,985	(103,453)	2,087,800
Total capital assets, depreciated	<u>35,883,150</u>	<u>4,924,029</u>	<u>(103,453)</u>	<u>40,703,726</u>
Less accumulated depreciation:				
Wastewater systems	12,420,185	366,774	-	12,786,959
Water systems	9,367,225	400,277	-	9,767,502
Buildings and improvements	213,693	39,937	-	253,630
Machinery and equipment	1,136,124	105,366	(102,020)	1,139,470
Less accumulated depreciation	<u>23,137,227</u>	<u>912,354</u>	<u>(102,020)</u>	<u>23,947,561</u>
Total capital assets, depreciated, net	<u>12,745,923</u>	<u>4,011,675</u>	<u>(1,433)</u>	<u>16,756,165</u>
Capital assets, net	<u>\$ 20,990,027</u>	<u>\$ 9,933,786</u>	<u>\$ (4,632,140)</u>	<u>\$ 26,291,673</u>

Depreciation expense was charged to functions as follows:

Water	\$ 484,786
Wastewater	<u>427,568</u>
	<u>\$ 912,354</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets (Continued)

Component Unit – School Board

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 523,102	\$ -	\$ -	\$ 523,102
Construction in progress	6,272,292	5,031,750	(2,517,359)	8,786,683
Total capital assets, not depreciated	6,795,394	5,031,750	(2,517,359)	9,309,785
Capital assets, depreciated:				
Buildings and improvements	63,401,571	2,834,563	-	66,236,134
Machinery and equipment	23,281,872	1,764,071	(309,920)	24,736,023
Total capital assets, depreciated	86,683,443	4,598,634	(309,920)	90,972,157
Less accumulated depreciation:				
Buildings and improvements	33,183,460	266,278	-	33,449,738
Machinery and equipment	14,756,825	2,488,214	(309,920)	16,935,119
Total accumulated depreciation	47,940,285	2,754,492	(309,920)	50,384,857
Total capital assets, depreciated, net	38,743,158	1,844,142	-	40,587,300
Intangible right-to-use assets:				
Leased equipment	241,122	1,110	(125,661)	116,571
Leased buildings	573,933	416,534	(596,250)	394,217
Total intangible right-to-use, leases	815,055	417,644	(721,911)	510,788
Less accumulated amortization:				
Leased equipment	143,298	59,222	(125,661)	76,859
Leased buildings	385,537	218,190	(538,024)	65,703
Total accumulated amortization, leases	528,835	277,412	(663,685)	142,562
Total intangible right-to-use, leases, net	286,220	140,232	(58,226)	368,226

Depreciation and amortization expense were charged as follows:

School Board	<u>\$ 3,031,904</u>
--------------	---------------------

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets (Continued)

Component Unit – School Board (Continued)

Capital asset activity for the year was as follows: (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Intangible right-to-use assets:				
Software	\$ 191,110	\$ -	\$ (191,110)	\$ -
Total intangible right-to- use, subscriptions	191,110	-	(191,110)	-
Less accumulated amortization:				
Software	131,594	59,516	(191,110)	-
Total accumulated amortization, subscriptions	131,594	59,516	(191,110)	-
Total intangible right-to- use, subscriptions, net	59,516	(59,516)	-	-
Capital assets, net	<u>\$ 45,884,288</u>	<u>\$ 6,956,608</u>	<u>\$ (2,575,585)</u>	<u>\$ 50,265,311</u>

All depreciation expense in the School Board was charged to the Education function.

Intangible Right-to-Use Assets – Leases

As of June 30, 2024, the School Board recognized right-to-use assets for the value of equipment and buildings leased under long-term contracts as part of capital assets. The intangible right-to-use assets are being amortized over the lease terms for each lease. Terms of the leases are described in Note 9.

Additional detail regarding the right-to-use leased assets included in capital assets is as follows:

Component Unit – School Board

	Beginning Balance	Increases	Decreases	Ending Balance
Intangible right-to-use assets:				
Leased equipment	\$ 241,122	\$ 1,110	\$ (125,661)	\$ 116,571
Leased buildings	573,933	416,534	(596,250)	394,217
Total intangible right-to- use, leases	815,055	417,644	(721,911)	510,788
Less accumulated amortization:				
Leased equipment	143,298	59,222	(125,661)	76,859
Leased buildings	385,537	218,190	(538,024)	65,703
Total accumulated amortization, leases	528,835	277,412	(663,685)	142,562
Total intangible right-to-use, leases, net	<u>\$ 286,220</u>	<u>\$ 140,232</u>	<u>\$ (58,226)</u>	<u>\$ 368,226</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Capital Assets (Continued)

Component Unit – School Board (Continued)

Intangible Right-to-Use Assets – Subscriptions

As of June 30, 2024, the School Board recognized right-to-use assets for the value of software subscriptions under subscription contracts as part of capital assets. The intangible right-to-use assets are being amortized over the subscription terms for each subscription. Terms of the subscriptions are described in Note 9.

Additional detail regarding the right-to-use subscription assets included in capital assets is as follows:

Component Unit – School Board

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Intangible right-to-use assets:				
Software	\$ 191,110	\$ -	\$ (191,110)	\$ -
Total intangible right-to- use, subscriptions	<u>191,110</u>	<u>-</u>	<u>(191,110)</u>	<u>-</u>
Less accumulated amortization:				
Software	<u>131,594</u>	<u>59,516</u>	<u>(191,110)</u>	<u>-</u>
Total accumulated amortization, subscriptions	<u>131,594</u>	<u>59,516</u>	<u>(191,110)</u>	<u>-</u>
Total intangible right-to- use, subscriptions, net	<u>\$ 59,516</u>	<u>\$ (59,516)</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 121,421,176	\$ -	\$ (3,295,294)	\$ 118,125,882	\$ 3,345,294
Lease revenue bonds	10,117,178	-	(1,067,178)	9,050,000	335,000
Refunding bonds	69,200,000	-	(10,135,000)	59,065,000	9,950,000
Lease liability	1,266,674	85,800	(568,191)	784,283	489,067
Subscription liability	802,789	88,678	(552,410)	339,057	182,055
Arbitrage payable	554,250	2,456,930	-	3,011,180	53,989
Issuance premiums	18,651,214	-	(1,758,014)	16,893,200	-
Landfill post-closure (Note 10)	1,267,185	41,818	-	1,309,003	125,166
Compensated absences	4,133,203	3,408,624	(3,105,458)	4,436,369	3,105,458
Governmental activities long-term liabilities	<u>\$ 227,413,669</u>	<u>\$ 6,081,850</u>	<u>\$ (20,481,545)</u>	<u>\$ 213,013,974</u>	<u>\$ 17,586,029</u>
Component Unit – Public Service Authority					
Revenue bonds	\$ 6,372,918	\$ 2,968,875	\$ (323,813)	\$ 9,017,980	\$ 331,836
Membership fee payable (Note 20)	1,064,335	-	(26,236)	1,038,099	26,760
Compensated absences	204,173	113,578	(142,920)	174,831	122,381
Component Unit – Public Service Authority long-term liabilities	<u>\$ 7,641,426</u>	<u>\$ 3,082,453</u>	<u>\$ (492,969)</u>	<u>\$ 10,230,910</u>	<u>\$ 480,977</u>
Component Unit – School Board					
Lease liability	\$ 287,370	\$ 417,644	\$ (332,523)	\$ 372,491	\$ 145,870
Subscription liability	66,567	-	(66,567)	-	-
Compensated absences	4,541,124	3,195,352	(3,185,608)	4,550,868	3,262,404
Component unit – School Board long-term liabilities	<u>\$ 4,895,061</u>	<u>\$ 3,612,996</u>	<u>\$ (3,584,698)</u>	<u>\$ 4,923,359</u>	<u>\$ 3,408,274</u>

All Governmental Activities long-term liability requirements are paid by the General Fund.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	General Obligation Bonds		Lease Revenue Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 3,345,294	\$ 5,609,841	\$ 335,000	\$ 378,338	\$ 9,950,000	\$ 2,561,050
2026	4,420,294	5,557,091	350,000	361,588	8,935,000	2,063,550
2027	6,220,294	5,445,591	370,000	344,088	7,620,000	1,616,800
2028	5,550,000	4,535,394	385,000	325,588	9,510,000	1,235,800
2029	6,270,000	4,281,644	405,000	306,338	8,775,000	922,000
2030-2034	32,885,000	14,943,256	2,345,000	1,211,888	14,275,000	1,067,200
2035-2039	37,625,000	7,453,594	2,875,000	681,163	-	-
2040-2042	21,810,000	1,462,519	1,985,000	148,113	-	-
	<u>\$ 118,125,882</u>	<u>\$49,288,930</u>	<u>\$ 9,050,000</u>	<u>\$ 3,757,104</u>	<u>\$ 59,065,000</u>	<u>\$ 9,466,400</u>

Year Ended June 30	Revenue Bonds		Membership Fee Payable	
	Principal	Interest	Principal	Interest
2025	\$ 331,836	\$ 156,692	\$ 26,760	\$ 20,762
2026	549,759	161,548	27,296	20,227
2027	561,702	149,605	27,842	19,681
2028	573,911	137,396	28,398	19,124
2029	586,396	124,911	28,967	18,556
2030 – 2034	2,460,380	441,657	153,757	83,855
2035 – 2039	1,259,330	283,561	169,760	67,852
2040 – 2044	1,368,524	174,366	187,429	50,183
2045 – 2049	1,326,142	55,704	206,937	30,675
2050 – 2053	-	-	180,953	9,137
	<u>\$ 9,017,980</u>	<u>\$ 1,685,440</u>	<u>\$ 1,038,099</u>	<u>\$ 340,052</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Public Service Authority
General Obligation Bonds:						
Qualified School Construction Bonds	- %	11/13/09	2027	\$ 8,249,998	\$ 1,455,882	\$ -
Qualified School Construction Bonds	-	07/08/11	2027	13,370,000	2,715,000	-
Virginia Public School Authority Bonds	4.0 – 5.0	12/06/11	2031	86,115,000	5,700,000	-
Virginia Public School Authority Bonds	2.25 – 5.0	10/24/19	2040	27,315,000	23,565,000	-
Virginia Public School Authority Bonds	3.50 – 5.0	04/26/22	2042	84,690,000	84,690,000	-
					<u>\$ 118,125,882</u>	<u>\$ -</u>
Revenue Bonds:						
Lease Revenue Bond	3.25 – 5.0	05/11/22	2042	9,775,000	\$ 9,050,000	\$ -
Water and Sewer Refunding Bond	2.45	03/28/13	2032	6,275,000	-	3,044,995
Virginia Resource Authority, 2022	1.67	07/14/22	2054	5,972,985	-	5,972,985
					<u>\$ 9,050,000</u>	<u>\$ 9,017,980</u>
Refunding Bonds:						
Refunding Bond	4.7%	02/03/16	2029	\$ 32,835,000	\$ 14,420,000	\$ -
Refunding Bond	4.3	11/10/16	2032	64,605,000	44,645,000	-
					59,065,000	-
Plus bond premium					16,893,200	-
					<u>\$ 75,958,200</u>	<u>\$ -</u>

On July 14, 2022, the Authority closed on a loan with the Virginia Resources Authority through the Virginia Water Supply Revolving Fund of \$7,164,626 and loan forgiveness of \$1,400,000 with an interest rate of 1.67%. The proceeds are being used by the Authority to complete capital upgrades as agreed upon with the Water Authority (Note 20) and other capital upgrades necessary as part of taking over non-compliant water systems (Note 16). As of June 30, 2024, \$7,110,696 has been drawn down from the loan (\$5,972,985 in debt and \$1,137,711 in loan forgiveness). Loan forgiveness is earned on a prorated basis as funds are expended.

Leases Payable – County

On October 1, 2020, the County entered into a 72 month lease as Lessee for the use of an office building. An initial lease liability was recorded in the amount of \$444,566. As of June 30, 2024, the value of the lease liability is \$194,625. The County is required to make monthly fixed payments of \$7,257 a month through September 30, 2026. The lease has an interest rate of 0.5773%. The value of the right to use asset as of year-end of \$444,566 with accumulated amortization of \$254,160 is included with Buildings on the Lease Class activities table found below. The County has 1 extension option, for 36 months.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities (Continued)

Leases Payable – County (Continued)

On November 1, 2020, the County entered into a 60-month lease as Lessee for the use of land. An initial lease liability was recorded in the amount of \$30,311. As of June 30, 2024, the value of the lease liability is \$8,973. The County is required to make monthly fixed payments of \$600. The lease has an interest rate of 0.4570%. The value of the right to use asset as of year-end of \$30,311 with accumulated amortization of \$21,396 is included with Land on the Lease Class activities table found below. The County has 3 extension options, each for 12 months.

On April 1, 2018, the County entered into a 120-month lease as Lessee for the use of land. The County had 1 extension option, for 60 months, which was exercised on January 1, 2023. An initial lease liability was recorded in the amount of \$17,559. As of June 30, 2024, the value of the lease liability is \$10,243. The County is required to make monthly fixed payments of \$222 through March 31, 2025, increasing 2.5% each year. The lease has an interest rate of 0.8333%. The value of the right to use asset as of year-end of \$17,559 with accumulated amortization of \$7,810 is included with Land on the Lease Class activities table found below.

On May 1, 2004, the County entered into a 240-month lease as Lessee for the use of land. An initial lease liability was recorded in the amount of \$8,463. The lease was amended on February 22, 2024, to extend the original lease by an additional 120 months upon the original expiration date of April 30, 2023. As of June 30, 2024, the value of the lease liability is \$26,252. The County is required to make annual fixed payments of \$3,000. The lease has an interest rate of 2.402%. The value of the right to use asset as of year-end of \$35,039 with accumulated amortization of \$8,851 is included with Land on the Lease Class activities table found below.

On January 1, 2021, the County entered into a 48-month lease as Lessee for the use of equipment. An initial lease liability was recorded in the amount of \$389,981. As of June 30, 2024, the value of the lease liability is \$56,173. The County is required to make annual fixed payments of \$112,540. The lease has an interest rate of 0.5773%. The value of the right to use asset as of year-end of \$389,981 with accumulated amortization of \$334,271 is included with Equipment on the Lease Class activities table found below.

On September 1, 2021, the County entered into a 48-month lease as Lessee for the use of equipment. An initial lease liability was recorded in the amount of \$742,475. As of June 30, 2024, the value of the lease liability is \$233,396. The County is required to make annual fixed payments \$187,284. The lease has an interest rate of 0.4570%. The value of the right to use asset as of year-end of \$742,475 with accumulated amortization of \$510,452 is included with Equipment on the Lease Class activities table found below.

On October 1, 2022, the County entered into a 36-month lease as Lessee for the use of an office building. An initial lease liability was recorded in the amount of \$257,664. As of June 30, 2024, the value of the lease liability is \$110,118. The County is required to make monthly fixed payments of \$7,500 through September 30, 2025, increasing to \$7,744 a month through September 30, 2026, to \$7,997 a month through September 30, 2027, and to \$8,261 a month through September 30, 2028. The lease has an interest rate of 3.2380%. The value of the right to use asset as of year-end of \$257,664 with accumulated amortization of \$150,304 is included with Buildings on the Lease Class activities table found below. The County has 3 extension options, each for 12 months.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities (Continued)

Leases Payable – County (Continued)

On December 15, 2023, the County entered into a 24-month lease as Lessee for the use of land. An initial lease liability was recorded in the amount of \$17,659. As of June 30, 2024, the value of the lease liability is \$13,159. The County is required to make biannual fixed payments of \$4,500 through December 31, 2025. The lease has an interest rate of 2.580%. The value of the right to use asset as of year-end of \$17,659 with accumulated amortization of \$4,415 is included with Land on the Lease Class activities table found below.

The County also has leases for various equipment such as printers, copiers, postage meters, and portable toilets for periods expiring December 2024 through November 2028. The County uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 8. The related debt, as well as principal and interest requirements to maturity are disclosed below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Equipment	\$ 1,374,446	\$ 957,020
Building	702,230	404,464
Land	100,568	42,471
Total Leases	<u>\$ 2,177,244</u>	<u>\$ 1,403,955</u>

Lease Liability - Principal and Interest Requirements to Maturity

Year Ended June 30	Governmental Activities		Total Payments
	Principal	Interest	
2025	\$ 489,067	\$ 7,105	\$ 496,172
2026	207,682	2,510	210,192
2027	55,151	1,040	56,191
2028	14,592	586	15,178
2029	4,115	374	4,489
2030-2034	13,676	823	14,499
	<u>\$ 784,283</u>	<u>\$ 12,438</u>	<u>\$ 796,721</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities (Continued)

Subscriptions Payable – County

For the year ending June 30, 2024, the County had 14 active subscriptions. The subscriptions have payments that range from \$0 to \$92,700 and interest rates that range from 2.1843% to 3.2380%. As of June 30, 2024, the total combined value of the subscription liability is \$339,057. The combined value of the right to use asset, as of June 30, 2024, of \$859,757 with accumulated amortization of \$410,000 is included within the Subscription Class activities table found below.

Amount of Subscription Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Subscription Asset Value	Accumulated Amortization
Software	\$ 859,757	\$ 410,000
Total Subscriptions	<u>\$ 859,757</u>	<u>\$ 410,000</u>

Subscription Liability - Principal and Interest Requirements to Maturity

Year Ended June 30	Governmental Activities		Total Payments
	Principal	Interest	
2025	\$ 182,055	\$ 7,220	\$ 189,275
2026	76,525	3,975	80,500
2027	80,477	2,037	82,514
	<u>\$ 339,057</u>	<u>\$ 13,232</u>	<u>\$ 352,289</u>

Leases Payable – Schools

On December 3, 2024, the School Board entered into a 36-month lease as Lessee for the use of a building. An initial lease liability was recorded in the amount of \$394,217. As of June 30, 2024, the value of the lease liability is \$332,788. The School Board is required to make monthly fixed payments of \$10,850 through December 31, 2024, increasing to \$11,350 for January 1, 2025 through December 31, 2025, and to \$11,850 for January 1, 2026 through December 31, 2026. The lease has an interest rate of 2.4260%. The value of the right to use asset as of year-end of \$394,217 with accumulated amortization of \$65,703 is included with Buildings on the Lease Class activities table found below.

The School Board also has leases for various equipment such as printers, copiers, and air cylinders for periods expiring October 2024 through July 2028. The School Board uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 8. The related debt, as well as principal and interest requirements to maturity are disclosed below.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 9. Long-Term Liabilities (Continued)

Leases Payable – Schools (Continued)

Amount of Lease Assets by Major Classes of Underlying Asset

<u>Asset Class</u>	<u>As of Fiscal Year-end</u>	
	<u>Lease Asset Value</u>	<u>Accumulated Amortization</u>
Equipment	\$ 116,571	\$ 76,859
Buildings	394,217	65,703
Total Leases	<u>\$ 510,788</u>	<u>\$ 142,562</u>

Lease Liability - Principal and Interest Requirements to Maturity

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Total Payments</u>
	<u>Principal</u>	<u>Interest</u>	
2025	\$ 145,870	\$ 7,013	\$ 152,883
2026	151,105	3,664	154,769
2027	75,146	510	75,656
2028	185	-	185
2029	185	-	185
	<u>\$ 372,491</u>	<u>\$ 11,187</u>	<u>\$ 383,678</u>

Subscriptions Payable – Schools

For the year ending June 30, 2024, the School Board had 3 active subscriptions and all expired in the current year. The subscriptions had payments that ranged from \$67,914 to \$67,914 and interest rates that ranged from 1.7103% to 2.0240%. There were no subscriptions outstanding at June 30.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 10. Landfill Post-Closure Care

The County maintains the Thompson and Mid County Landfills, which were closed in 1993 and 1997, respectively. State and federal laws and regulations required the County to perform maintenance activities and ongoing monitoring (post-closure care) of the landfills after the closure. The post-closure care is typically required for a period of ten years after closure; however, certain contaminants and a high concentration of gas were detected at the landfills in prior years. As a result, the Department of Environmental Quality required an additional ten-year monitoring period in 2013 which stays in effect while the landfills are under a corrective action and ongoing monitoring. The \$1,309,003 reported post-closure care liability represents what it would cost to perform all post-closure care in 2024. Actual costs may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

Note 11. Defined Benefit Pension Plans

Primary Government – County

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>371</u>
Inactive members:	
Vested inactive members	96
Non-vested inactive members	101
Inactive members active elsewhere in VRS	<u>208</u>
Total inactive members	405
Active members	<u>404</u>
Total covered employees	<u><u>1,180</u></u>

Contributions

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

The Political Subdivision's contractually required contribution rate for the year ended June 30, 2024, was 13.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 Political Subdivision were \$3,306,477 and \$2,946,563 for the years ended June 30, 2024 and 2023, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

Actuarial Assumptions

The total pension liability for General Employees, Public Safety employees with Hazardous Duty Benefits, and the VRS Teacher Retirement Plan in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

Inflation	2.50 %
General Employees – Salary increases, including inflation	3.50 – 5.35 %
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75 %
Teacher Cost-Sharing Plan-Salary increases, including inflation	3.50-5.95%
Investment rate of return	6.75 %, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service-related. Public Safety Employees – 45% to 70% of deaths are assumed to be service-related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better-fit experience; adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better-fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS – Multi-Asset Public Strategies	4.00	4.50	0.18
PIP – Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00 %		<u>5.75 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>8.25 %</u>

- * The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (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, Political Subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the actuarially determined employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$ 107,985,346	\$ 96,847,249	\$ 11,138,097
Changes for the year:			
Service cost	2,749,889	-	2,749,889
Interest	7,491,808	-	7,491,808
Benefit Changes	9,036	-	9,036
Differences between expected and actual experience	1,726,733	-	1,726,733
Contributions – employer	-	3,024,353	(3,024,353)
Contributions – employee	-	1,148,003	(1,148,003)
Net investment income	-	6,432,636	(6,432,636)
Benefit payments, including refunds of employee contributions	(5,356,648)	(5,356,648)	-
Administrative expenses	-	(63,742)	63,742
Other changes	-	2,592	(2,592)
Net changes	6,620,818	5,187,194	1,433,624
Balances at June 30, 2023	\$ 114,606,164	\$ 102,034,443	\$ 12,571,721

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political Subdivision's net pension liability (asset)	<u>\$ 28,142,625</u>	<u>\$ 12,571,721</u>	<u>\$ (170,357)</u>

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

For the year ended June 30, 2024, the Political Subdivision recognized pension expense of \$2,420,360. At June 30, 2024, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,119,231	\$ 257,090
Change in assumptions	23,302	-
Net difference between projected and actual earnings on pension plan investments	-	1,552,144
Employer contributions subsequent to the measurement date	<u>3,306,477</u>	<u>-</u>
Total	<u>\$ 4,449,010</u>	<u>\$ 1,809,234</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

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

The \$3,306,477 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision'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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (782,222)
2026	(1,324,465)
2027	1,392,946
2028	47,040
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Component Unit – Public Service Authority

Plan Description

All full-time, salaried permanent employees of the Montgomery County Public Service Authority, (the "Component Unit") are automatically covered by VRS Retirement Plan upon employment. This plan 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.

Plan participants are covered under three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the recap as those described for the County.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Component Unit – Public Service Authority (Continued)

Contributions

The component unit's contractually required contribution rate for the year ended June 30, 2024, was 13.70% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 Component Unit were \$148,567 and \$141,430 for the years ended June 30, 2024 and 2023, respectively.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$ 5,274,339	\$ 4,739,729	\$ 534,610
Changes for the year:			
Service cost	58,050	-	58,050
Interest	158,153	-	158,153
Benefit Changes	191	-	191
Differences between expected and actual experience	36,452	-	36,452
Contributions – employer	-	63,845	(63,845)
Contributions – employee	-	24,235	(24,235)
Net investment income	-	135,794	(135,794)
Benefit payments, including refunds of employee contributions	(113,080)	(113,080)	-
Administrative expenses	-	(1,346)	1,346
Other changes	-	54	(54)
Net changes	139,766	109,502	30,264
Balances at June 30, 2023	\$ 5,414,105	\$ 4,849,231	\$ 564,874

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Component Unit – Public Service Authority (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Component Unit's net pension liability (asset)	\$ 1,264,508	\$ 564,874	\$ (7,655)

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

For the year ended June 30, 2024, the Component Unit recognized pension expense of \$108,752. At June 30, 2024, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 50,289	\$ 11,552
Change in assumptions	1,046	-
Net difference between projected and actual earnings on pension plan investments	-	69,741
Employer contributions subsequent to the measurement date	<u>148,567</u>	<u>-</u>
Total	<u>\$ 199,902</u>	<u>\$ 81,293</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Component Unit – Public Service Authority (Continued)

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

The \$148,567 reported as deferred outflows of resources related to pensions resulting from the Component Unit'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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (35,148)
2026	(59,513)
2027	62,590
2028	2,113
2029	-
Thereafter	-

School Nonprofessionals

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the County.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>166</u>
Inactive members:	
Vested inactive members	22
Non-vested inactive members	95
Inactive members active elsewhere in VRS	<u>83</u>
Total inactive members	200
Active members	<u>122</u>
Total covered employees	<u><u>488</u></u>

Contributions

The School Division's contractually required contribution rate for the year ended June 30, 2024, was 10.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

Contributions to the pension plan from the School Division were \$480,685 and \$446,143 for the years ended June 30, 2024 and 2023, respectively.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2022	\$ 28,417,077	\$ 25,786,912	\$ 2,630,165
Changes for the year:			
Service cost	375,964	-	375,964
Interest	1,891,046	-	1,891,046
Differences between expected and actual experience	668,770	-	668,770
Contributions – employer	-	445,070	(445,070)
Contributions – employee	-	226,567	(226,567)
Net investment income	-	1,640,658	(1,640,658)
Benefit payments, including refunds of employee contributions	(1,555,098)	(1,555,098)	-
Administrative expenses	-	(16,743)	16,743
Other changes	-	657	(657)
Net changes	1,380,682	741,111	639,571
Balances at June 30, 2023	\$ 29,797,759	\$ 26,528,023	\$ 3,269,736

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

The following presents the net pension liability of the School Division using the discount rate of 6.75%, as well as what 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's net pension liability (asset)	\$ 7,050,268	\$ 3,269,736	\$ 128,313

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

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

For the year ended June 30, 2024, the School Division recognized pension expense of \$283,175. At June 30, 2024, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 288,787	\$ -
Net difference between projected and actual earnings on pension plan investments	-	427,795
Employer contributions subsequent to the measurement date	<u>480,685</u>	<u>-</u>
Total	<u><u>\$ 769,472</u></u>	<u><u>\$ 427,795</u></u>

The \$480,685 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (13,440)
2026	(511,436)
2027	371,949
2028	13,919
2029	-
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2024, approximately \$59,224 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

Teacher Cost-Sharing Plan

Plan Description

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

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the County.

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 contribution rate for the year ended June 30, 2024, was 14.21% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Division were \$10,968,037 and \$10,741,177 for the years ended June 30, 2024 and 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Employee Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Division's proportionate share is reflected in Exhibit 2.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Teacher Cost-Sharing Plan (Continued)

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

At June 30, 2024, the School Division reported a liability of \$68,773,464 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the school division's proportion was 0.6804% as compared to 0.7010% at June 30, 2022.

For the year ended June 30, 2024, the School Division recognized pension expense of \$8,270,819. 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. Beginning with the June 30, 2022, measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,907,699	\$ 2,683,834
Change in assumptions	3,117,742	-
Net difference between projected and actual earnings on pension plan investments	-	4,471,662
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,495,338	1,748,201
Employer contributions subsequent to the measurement date	<u>10,968,037</u>	<u>-</u>
Total	<u>\$ 23,488,816</u>	<u>\$ 8,903,697</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Teacher Cost-Sharing Plan (Continued)

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

The \$10,968,037 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (9,406)
2026	(3,167,646)
2027	5,794,435
2028	999,699
2029	-
Thereafter	-

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, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 57,574,609
Plan fiduciary net position	<u>47,467,405</u>
Employers' net pension liability	<u>\$ 10,107,204</u>
Plan fiduciary net position as a percentage of the total pension liability	82.45%

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 11. Defined Benefit Pension Plans (Continued)

Teacher Cost-Sharing Plan (Continued)

Net Pension Liability (Continued)

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.

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
School Division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 121,910,822</u>	<u>\$ 68,773,464</u>	<u>\$ 25,090,185</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2024, approximately \$1,311,171 was payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 12. Summary of Pension Elements

A summary of the pension-related financial statement elements is as follows:

	<u>Governmental Activities</u>	<u>Public Service Authority</u>	<u>School Board</u>
Net pension liability			
VRS Basic Pension Plan	\$ (12,571,721)	\$ (564,874)	\$ (72,043,200)
Deferred outflows of resources			
Difference between expected and actual experience	\$ 1,119,231	\$ 50,289	\$ 6,196,486
Change in assumptions	23,302	1,046	3,117,742
Change in proportion	-	-	3,495,338
Pension contributions subsequent to measurement date	<u>3,306,477</u>	<u>148,567</u>	<u>11,448,722</u>
Total deferred outflows of resources	<u>\$ 4,449,010</u>	<u>\$ 199,902</u>	<u>\$ 24,258,288</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ (257,090)	\$ (11,552)	\$ (2,683,834)
Net difference between projected and actual earnings on plan investments	(1,552,144)	(69,741)	(4,899,457)
Change in proportion	<u>-</u>	<u>-</u>	<u>(1,748,201)</u>
Total deferred inflows of resources	<u>\$ (1,809,234)</u>	<u>\$ (81,293)</u>	<u>\$ (9,331,492)</u>
Net pension expense	<u>\$ 2,420,360</u>	<u>\$ 108,752</u>	<u>\$ 8,553,994</u>

Note 13. Other Postemployment Benefits Liability

Local Plans – County and Public Service Authority

Plan Description and Benefits Provided

The County provides postemployment medical and dental benefits to its retirees and their eligible dependents who elect to stay in the plans. At retirement, retirees may stay in one of three health plans with an additional choice of staying in one of two dental plans and can continue coverage under all the benefits until becoming eligible for Medicare or death, whichever comes first, under the single-employer plan. The retiree pays the full premium for these benefits if they have less than 20 years of service. Participants are eligible for the plan at age 50 if they have completed ten years of service, or at age 55 if they have completed five years of service. Retiring employees must have been permanent active employees and have coverage in effect when they retire.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

Plan Description and Benefits Provided (Continued)

Effective April 8, 2024, the County established the Retiree Health Insurance Supplement Program for both current and future retirees. The County pays a percentage of the health insurance premium for employees with 20 years of service who retire with full VRS benefits. Retirees are responsible for their remaining medical premium cost and 100% of their dental premium. The retiree must be enrolled in one of the County's medical plans for at least 12 months immediately preceding retirement and must enroll in the Supplement Program no later than 30 days preceding retirement. The retiree's covered spouse and/or other dependent must be enrolled in one of the County's medical plans at least 12 months immediately preceding retirement. Spouse and/or dependent coverage ends at the earliest of: (1) either the spouse or retiree becoming eligible for Medicare, (2) the retiree's death, or (3) the spouse's or dependent's death.

The County may change, add, or delete benefits (including contributions required of retired employees) as deemed appropriate. No assets are accumulated in a GASB-compliant trust.

Employees Covered by Benefit Terms

As of the June 30, 2024, actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>72</u>
Total inactive employees	72
Active plan members	<u>451</u>
	<u><u>523</u></u>

Total OPEB Liability

The County and Public Service Authority's total OPEB liability of \$5,985,699 and \$612,971, respectively, were measured as of June 30, 2024, and were determined based on an actuarial valuation performed as of July 1, 2023.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation	2.50 %
Salary increases, including inflation	3.50 % - 5.35 %
Healthcare cost trend rates	3.90 % - 6.40 %
Retirees' share of benefit-related costs	40%-100 %
Mortality rates	.011 % - 14.672 %

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of VRS experience studies for the period from July 1, 2016 through June 30, 2020.

Effective April 8, 2024, the Authority established the Retiree Health Insurance Supplement Program for both current and future retirees. See Plan Description for details on this program.

Changes in assumptions and other inputs since the July 1, 2023 valuation include:

- The healthcare trend assumption was updated. These rates are consistent with information from the Getzen Trend Mode, Milliman's Health Cost Guidelines, and actuarial judgment.
- The discount rate was changed from 2.16% to 3.65% since this was the discount rate used to measure the June 30, 2023 Total OPEB Liability for purposes of GASB 75.

Changes in the Total OPEB Liability

County

Balance at June 30, 2023	<u>\$ 2,740,116</u>
Changes for the year:	
Service cost	108,136
Interest	102,238
Effect of Plan Changes	3,684,821
Economic/Demographic Gains	31,410
Assumption or other input changes	(585,713)
Benefit payments	<u>(95,309)</u>
Net changes	<u>3,245,583</u>
Balance at June 30, 2024	<u><u>\$ 5,985,699</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

Changes in the Total OPEB Liability (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
Local Plan	\$ 2,740,116	\$ 3,926,605	\$ (681,022)	\$ 5,985,699	\$ 95,309
Public Service Authority					
Balance at June 30, 2023		\$ 280,603			
Changes for the year:					
Service cost		11,076			
Interest		10,470			
Effect of Plan Changes		377,346			
Assumption or other input changes		(56,764)			
Benefit payments		(9,760)			
Net changes		332,368			
Balance at June 30, 2024		\$ 612,971			

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

The following presents the total OPEB liability of the County and Public Service Authority, as well as what the County and Public Service Authority's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

	<u>1.00% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1.00% Increase (4.93%)</u>
County			
Total OPEB liability	\$ 6,733,003	\$ 5,985,699	\$ 5,343,424
Public Service Authority			
Total OPEB liability	\$ 689,497	\$ 612,971	\$ 547,196

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

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

The following presents the total OPEB liability of the County and the Public Service Authority, as well as what the County and Public Service Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
County			
Total OPEB liability	<u>\$ 5,200,681</u>	<u>\$ 5,985,699</u>	<u>\$ 6,934,366</u>
Public Service Authority			
Total OPEB liability	<u>\$ 532,578</u>	<u>\$ 612,971</u>	<u>\$ 710,117</u>

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

For the year ended June 30, 2024, the County and Public Service Authority recognized OPEB expense of \$3,837,083 and \$392,939, respectively. At June 30, 2024, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

County	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 65,233	\$ 812,472
Differences between expected and actual experience	<u>220,402</u>	<u>-</u>
Total	<u>\$ 285,635</u>	<u>\$ 812,472</u>
Public Service Authority	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 6,681	\$ 83,203
Differences between expected and actual experience	<u>22,570</u>	<u>-</u>
Total	<u>\$ 29,251</u>	<u>\$ 83,203</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

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

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

County:

Year Ending June 30,	Reduction to OPEB Expense
2025	\$ (59,767)
2026	(59,767)
2027	(59,767)
2028	(71,643)
2029	(100,020)
Thereafter	(175,873)

Public Service Authority:

Year Ending June 30,	Reduction to OPEB Expense
2025	\$ (6,120)
2026	(6,120)
2027	(6,120)
2028	(7,337)
2029	(10,244)
Thereafter	(18,011)

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board

Plan Description and Benefits Provided

The School Board provides postemployment medical and dental benefits to its retirees and their eligible dependents who elect to stay in the plans. At retirement, retirees may stay in one of three health plans with an additional choice of staying in one of two dental plans and can continue coverage under all the benefits until becoming eligible for Medicare or death, whichever comes first, under a single-employer plan. The retiree pays the premium for these benefits. The School Board may change, add, or delete benefits (including contributions required of retired employees) as deemed appropriate.

Participants are eligible for the plan at age 50 if they have completed ten years of service, or at age 55 if they have completed five years of service. Retiring employees must have been permanent active employees and have coverage in effect when they retire.

Retirees who participate in the Retiree Incentive Health Insurance Plan receive a subsidy from the Schools equal to 100% of the retiree-only premium cost for the HMO medical plan offering. If the retiree elects another medical plan offering (or tier of coverage), they are responsible for 100% of their premium cost in excess of the Schools-provided subsidy. Plan benefits are provided for 4 years or until the retiree attains age 65, whichever occurs first.

Plan participants are required to fulfill 35 days of work before June 1 in each year they participate. Retirees who do not participate in the Retiree Incentive Health Insurance Plan are responsible for 100% of their premium cost.

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>42</u>
Total inactive employees	42
Active plan members	<u>1,244</u>
	<u><u>1,286</u></u>

Total OPEB Liability

The School Board's total OPEB liability of \$8,595,046 was measured as of June 30, 2024 and was determined based on an actuarial valuation performed as of July 1, 2023.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation	3.5% - 5.35%
Healthcare cost trend rates	3.9% - 8.10%
Retirees' share of benefit-related costs	0% - 100%
Mortality rates	.011% - 20.588%

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020.

There were no changes in benefit terms in the current year.

Changes in assumptions and other inputs since the July 1, 2023 valuation include:

- The healthcare trend assumption was updated. These rates are consistent with information from the Getzen Trend Mode, Milliman's Health Cost Guidelines, and actuarial judgment.
- The discount rate was changed from 2.16% to 3.65% since this was the discount rate used to measure the June 30, 2023 Total OPEB Liability for purposes of GASB 75.

Changes in the Total OPEB Liability

Balance at June 30, 2023	<u>\$ 8,766,537</u>
Changes for the year:	
Service cost	515,495
Interest	329,738
Economic/demographic losses	(236,713)
Assumption or other input changes	(279,259)
Benefit payments	<u>(500,752)</u>
Net changes	<u>(171,491)</u>
Balance at June 30, 2024	<u><u>\$ 8,595,046</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

	1.00% Decrease (2.93%)	Current Discount Rate (3.93%)	1.00% Increase (4.93%)
Total OPEB liability	\$ 9,129,489	\$ 8,595,046	\$ 8,084,386

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 School Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower, or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 7,773,486	\$ 8,595,046	\$ 9,541,781

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

For the year ended June 30, 2024, the School Board recognized OPEB expense of \$1,029,596. At June 30, 2023, the political subdivision 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	\$ 158,429	\$ 558,865
Change in assumptions	591,859	482,180
Total	\$ 750,288	\$ 1,041,045

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board (Continued)

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

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2025	\$ 181,582
2026	74,511
2027	(175,307)
2028	(175,307)
2029	(135,538)
Thereafter	(60,698)

Virginia Retirement System Plans – County and Public Service Authority

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the County and Public Service Authority also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution – County	\$ 133,461
June 30, 2023 Contribution – County	\$ 121,634
June 30, 2024 Contribution – Public Service Authority	\$ 6,391
June 30, 2023 Contribution – Public Service Authority	\$ 5,824

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session. The County's proportionate share is reflected in Exhibit 2 of the financial statements.

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

The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program – County

June 30, 2024 proportionate share of liability	\$ 1,146,908
June 30, 2023 proportion	0.10021 %
June 30, 2022 proportion	0.09607 %
June 30, 2024 expense	\$ 60,923

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

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

Group Life Insurance Program – Public Service Authority

June 30, 2024 proportionate share of liability	\$ 54,924
June 30, 2023 proportion	0.10021 %
June 30, 2022 proportion	0.09607 %
June 30, 2024 expense	\$ 2,917

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

At June 30, 2024, the County and Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – County

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 114,548	\$ 34,815
Change in assumptions	24,516	79,463
Net difference between projected and actual earnings on OPEB plan investments	-	46,089
Changes in proportion	60,963	20,779
Employer contributions subsequent to the measurement date	133,461	-
Total	<u><u>\$ 333,488</u></u>	<u><u>\$ 181,146</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

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

Group Life Insurance Program – Public Service Authority

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 5,486	\$ 1,675
Change in assumptions	1,174	3,806
Net difference between projected and actual earnings on		
OPEB plan investments	-	2,207
Changes in proportion	2,919	995
Employer contributions subsequent to the		
measurement date	<hr/> 6,391	<hr/> -
Total	<hr/> \$ 15,970 <hr/>	<hr/> \$ 8,683 <hr/>

The deferred outflows of resources related to OPEB resulting from the County and Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program – County

Year Ending June 30,	Reduction to OPEB Expense
	<hr/>
2025	\$ 4,541
2026	(39,052)
2027	26,360
2028	7,484
2029	19,548
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

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

Group Life Insurance Program – Public Service Authority

Year Ending June 30,	Reduction to OPEB Expense
2025	\$ 217
2026	(1,870)
2027	1,262
2028	359
2029	928
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each 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, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,907,052
Plan fiduciary net position	2,707,739
Employers' net OPEB liability	\$ 1,199,313
Plan fiduciary net position as a percentage of total OPEB liability	69.30%

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

Long-Term Expected Rate of Return

Group Life Insurance

The long-term expected rate of return on VRS 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 OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS – Multi-Asset Public Strategies	4.00	4.50	0.18
PIP – Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00 %		<u>5.75 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>8.25 %</u>

- * The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – County and Public Service Authority (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – County	\$ 1,700,077	\$ 1,146,908	\$ 699,668
GLI Net OPEB liability – Public Service Authority	\$ 81,414	\$ 54,924	\$ 33,506

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the School Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Teacher Employee Health Insurance Credit Program

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

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Plan Descriptions (Continued)

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full-time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer, agent-defined benefit plan.

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	33
Vested inactive members	2
Active members	<u>205</u>
Total covered employees	<u><u>240</u></u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.55% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution – Professionals	\$ 378,302
June 30, 2023 Contribution – Professionals	\$ 366,812
June 30, 2024 Contribution – Non-professionals	\$ 29,391
June 30, 2023 Contribution – Non-professionals	\$ 26,807

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Contributions (Continued)

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session. The School Board's proportionate share is reflected in Exhibit 2 of the financial statements.

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401 and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.21% of covered employee compensation.
June 30, 2024 Contribution	\$ 846,573
June 30, 2023 Contribution	\$ 820,880

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution. The School Board's proportionate share is reflected in Exhibit 2 of the financial statements.

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1400 and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.</i>
Total rate:	0.68% of covered employee compensation.
June 30, 2024 Contribution	\$36,950
June 30, 2023 Contribution	\$33,757

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program – Professionals

June 30, 2024 proportionate share of liability	\$ 3,458,580
June 30, 2023 proportion	0.28838%
June 30, 2022 proportion	0.29984%
June 30, 2024 expense	\$ 212,976

Group Life Insurance Program – Non-professionals

June 30, 2024 proportionate share of liability	\$ 252,695
June 30, 2023 proportion	0.02107 %
June 30, 2022 proportion	0.02217 %
June 30, 2024 expense	\$ (15,287)

Teacher Health Insurance Credit Program

June 30, 2024 proportionate share of liability	\$ 8,242,242
June 30, 2023 proportion	0.68038 %
June 30, 2022 proportion	0.69908 %
June 30, 2024 expense	\$ 741,251

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2022	\$ 527,465	\$ 54,457	\$ 473,008
Changes for the year:			
Service cost	3,186	-	3,186
Interest	35,343	-	35,343
Difference between expected and actual experience	(222,339)	-	(222,339)
Contributions – employer	-	33,757	(33,757)
Net investment income	-	4,257	(4,257)
Benefit payments	(14,116)	(14,116)	-
Administrative expenses	-	(118)	118
Other changes	-	18	(18)
Net changes	(197,926)	23,798	(221,724)
Balances at June 30, 2023	\$ 329,539	\$ 78,255	\$ 251,284

In addition, for the year ended June 30, 2023, the School Board recognized OPEB income of \$10,437 related to the General Employee Health Insurance Credit Program.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

At June 30, 2024, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 345,428	\$ 104,986
Change in assumptions	73,929	239,624
Net difference between projected and actual earnings on OPEB plan investments	-	138,985
Changes in proportion	220,059	125,335
Employer contributions subsequent to the measurement date	378,302	-
Total	<u>\$ 1,017,718</u>	<u>\$ 608,930</u>

Group Life Insurance Program – Non-professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,238	\$ 7,671
Change in assumptions	5,401	17,508
Net difference between projected and actual earnings on OPEB plan investments	-	10,155
Changes in proportion	10,549	40,763
Employer contributions subsequent to the measurement date	29,391	-
Total	<u>\$ 70,579</u>	<u>\$ 76,097</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 362,782
Change in assumptions	191,865	8,306
Net difference between projected and actual earnings on OPEB plan investments	4,136	-
Changes in proportion	536,844	218,355
Employer contributions subsequent to the measurement date	846,573	-
Total	<u>\$ 1,579,418</u>	<u>\$ 589,443</u>

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 170,841
Change in assumptions	55,472	-
Net difference between projected and actual earnings on OPEB plan investments	617	-
Employer contributions subsequent to the measurement date	36,950	-
Total	<u>\$ 93,039</u>	<u>\$ 170,841</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

The deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program – Professionals

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2025	\$ 22,700
2026	(98,139)
2027	82,515
2028	13,146
2029	10,264
Thereafter	-

Group Life Insurance Program – Non-professionals

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (15,432)
2026	(14,852)
2027	1,055
2028	(5,882)
2029	202
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2025	\$ 61,489
2026	49,684
2027	69,518
2028	14,832
2029	(15,937)
Thereafter	(36,184)

General Employee Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (44,730)
2026	(45,821)
2027	(24,216)
2028	15
2029	-
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.50%
Salary increases, including inflation:	
• Locality - general employees	3.50 – 5.35%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI & HIC: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 3,907,052	\$ 1,475,471
Plan fiduciary net position	2,707,739	264,054
Employers' net OPEB liability	\$ 1,199,313	\$ 1,211,417
Plan fiduciary net position as a percentage of total OPEB liability	69.30%	17.90%

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS 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 OPEB 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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	6.14 %	2.09 %
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS – Multi-Asset Public Strategies	4.00	4.50	0.18
PIP – Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100.00 %		5.75 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		8.25 %

* The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of 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 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities 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 Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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 OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – Professionals	\$ 5,126,696	\$ 3,458,580	\$ 2,109,897
GLI Net OPEB liability – Non-professionals	\$ 374,573	\$ 252,695	\$ 154,156
Teacher HIC Net OPEB liability	\$ 9,322,896	\$ 8,242,242	\$ 7,326,481
General Employee HIC Net OPEB liability	\$ 288,288	\$ 251,284	\$ 220,089

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2024, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2024 payroll.

- | | |
|--|-----------|
| • Group Life Insurance | \$ 92,849 |
| • Teacher Employee Health Insurance Credit | \$ 78,424 |
| • General Employee Health Insurance Credit | \$ 3,013 |

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 14. Summary of Other Postemployment Benefit Elements

A summary of the other postemployment benefits-related financial statement elements is as follows:

	<u>Governmental Activities</u>	<u>Public Service Authority</u>	<u>School Board</u>
Net other postemployment benefits liability			
Local Sponsored Health Insurance	\$ (5,985,699)	\$ (612,971)	\$ (8,595,046)
VRS – Group Life Insurance	(1,146,908)	(54,924)	(3,711,275)
VRS – HIC	-	-	(8,493,526)
Total net other postemployment benefit liability	<u>\$ (7,132,607)</u>	<u>\$ (667,895)</u>	<u>\$ (20,799,847)</u>
Deferred outflows of resources			
Differences between expected and actual experience –			
Local Sponsored Health Insurance	\$ 220,402	\$ 22,570	\$ 158,429
VRS – Group Life Insurance	114,548	5,486	370,666
Net difference between projected and actual investment earnings –			
VRS – HIC	-	-	4,753
Change in actuarial assumptions-			
Local Sponsored Health Insurance	65,233	6,681	591,859
VRS – Group Life Insurance	24,516	1,174	79,330
VRS – HIC	-	-	247,337
Change in proportion –			
VRS – Group Life Insurance	60,963	2,919	230,608
VRS – HIC	-	-	536,844
Contributions subsequent to measurement date-			
VRS – Group Life Insurance	133,461	6,391	407,693
VRS – HIC	-	-	883,523
Total deferred outflows of resources	<u>\$ 619,123</u>	<u>\$ 45,221</u>	<u>\$ 3,511,042</u>
Deferred inflows of resources			
Differences between expected and actual experience –			
Local Sponsored Health Insurance	\$ -	\$ -	\$ (558,865)
VRS – Group Life Insurance	(34,815)	(1,675)	(112,657)
VRS – HIC	-	-	(533,623)
Net difference between projected and actual investment earnings –			
VRS – Group Life Insurance	(46,089)	(2,207)	(149,140)
Change in actuarial assumptions-			
Local Sponsored Health Insurance	(812,472)	(83,203)	(482,180)
VRS – Group Life Insurance	(79,463)	(3,806)	(257,132)
VRS – HIC	-	-	(8,306)
Change in proportion –			
VRS – Group Life Insurance	(20,779)	(995)	(166,098)
VRS – HIC	-	-	(218,355)
Total deferred inflows of resources	<u>\$ (993,618)</u>	<u>\$ (91,886)</u>	<u>\$ (2,486,356)</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 14. Summary of Other Postemployment Benefit Elements (Continued)

A summary of the other postemployment benefits-related financial statement elements is as follows:
(Continued)

	<u>Governmental Activities</u>	<u>Public Service Authority</u>	<u>School Board</u>
Other postemployment benefits expense			
Local Sponsored Health Insurance	\$ 3,837,083	\$ 392,939	\$ 1,029,596
VRS – Group Life Insurance	60,923	2,917	197,689
VRS – HIC	-	-	730,814
Total other postemployment benefit expense	<u>\$ 3,898,006</u>	<u>\$ 395,856</u>	<u>\$ 1,958,099</u>

Note 15. Risk Management

General Liability Insurance

The County and 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 participates with other localities in the Virginia Association of Counties Liability Pool, a public risk entity pool, for its coverage of general liability, auto insurance, and workers' compensation. Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The County pays the 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 and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the past three years and there have not been any significant reductions in insurance coverage over the previous year.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 15. Risk Management (Continued)

Health Insurance

The County and School Board have a professionally administered self-insurance program that provides health coverage for employees on a cost-reimbursement basis. Retired employees and dependents of employees of the County and School Board are also covered by the program. Under the self-insurance program, the County and School Board are obligated for claims payments. The County and School Board have stoploss insurance that covers claims in excess of \$250,000 and \$275,000, respectively, per covered individual. During the current fiscal year, total claims expense of \$5,010,505 and \$12,661,167 for the County and School Board, respectively, which did not exceed the stoploss provisions, was incurred. This represents claims processed and an estimate, based on plan experience prior and subsequent to year-end, for claims incurred but not reported (IBNR) as of June 30. The estimated liability, including reported and IBNR claims, was \$402,662 and \$2,837,525 for the County and School Board, respectively, at year-end. This liability is included in accounts payable and accrued expenses. Changes in the reported liability are as follows:

County

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
June 30, 2024	\$ 247,179	\$ 5,165,988	\$ 5,010,505	\$ 402,662
June 30, 2023	496,560	4,071,781	4,321,162	247,179
June 30, 2022	215,509	5,496,738	5,215,687	496,560
June 30, 2021	202,343	4,443,754	4,430,588	215,509
June 30, 2020	398,851	3,949,774	4,146,282	202,343
June 30, 2019	312,080	4,006,089	3,919,318	398,851
June 30, 2018	414,445	3,724,415	3,826,780	312,080
June 30, 2017	363,272	3,293,875	3,242,702	414,445

School Board

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
June 30, 2024	\$ 2,788,059	\$ 12,710,633	\$ 12,661,167	\$ 2,837,525
June 30, 2023	2,897,125	13,367,788	13,476,854	2,788,059
June 30, 2022	2,278,732	14,400,364	13,781,971	2,897,125
June 30, 2021	2,568,128	13,755,024	14,044,420	2,278,732
June 30, 2020	2,626,315	12,573,966	12,632,153	2,568,128
June 30, 2019	2,531,491	11,609,929	11,515,105	2,626,315
June 30, 2018	1,150,000	12,639,034	11,257,543	2,531,491
June 30, 2017	2,273,049	10,150,587	11,273,636	1,150,000

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 16. Commitments and Contingencies

Litigation

Various claims are pending against the County. In the opinion of management, after consulting with legal counsel, the potential loss on all claims will not materially affect the County's financial position.

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required, they will be immaterial.

Public Service Authority

In August 2021, the Office of Drinking Water (ODW) and VA Department of Health (VDH) notified the Authority of 5 publicly regulated, privately owned water systems in the County that were non-compliant. VDH requested the Authority take over the systems as the operator of last resort. The ODW offered to provide the Authority \$4 million in grant funding and a loan of \$750,000 from the Virginia Water Supply Revolving Fund (Note 9) in exchange for the PSA agreeing to take over the systems. On February 28, 2022, the Authority Board passed a resolution to complete the receivership process for operation of the systems. The Authority has taken over the operation of the systems and is in the process of bringing the systems into compliance pursuant to a court order dated May 2, 2022, that was initiated by the state attorney general's office.

Economic Development Authority

Incentives

The EDA enters into performance agreement incentives with various companies. At year-end, incentives not yet earned by recipient companies were \$3,521,016.

Sale of land and road construction

In June 2022, the EDA entered into an agreement to sell a parcel of land. As part of the agreement, that the EDA agreed to reimburse the purchaser up to \$1,066,000 to construct a road. In addition, the EDA agreed to hold \$787,125 in escrow to be used towards the reimbursement of the road construction cost. As of June 30, 2024, the project is complete and the funds have been released from escrow.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 17. Transactions with Component Units

Economic Development Authority

Advances to Component Unit:

Non-interest-bearing advances to the EDA for the purchase of capital items are to be repaid from the sale of land and other revenues of the EDA. There is no deed of trust held by the County for the properties. Therefore, there is opportunity for these properties to be encumbered with additional financing upon approval of the County on a project-by-project basis.

Advances consist of the following:

Construction of the Falling Branch Corporate Park	\$ 3,525,943
Improvements to the Elliston Lafayette Industrial Park	1,093
Repayment of debt	<u>2,099,073</u>
	<u>\$ 5,626,109</u>

Note Receivable from Component Unit

On June 17, 1997, the EDA signed an interest-free promissory note with the County in the amount of \$1,274,620. The EDA agreed to remit to the County all funds received pursuant to property sales or payments received on property leases from the Falling Branch Industrial Park, less reasonable costs in repayment of the note upon demand by the County. The balance due at June 30 was \$386,627.

Public Service Authority

Advances to the Component Unit at June 30 in the amount of \$15,021 were for financial services provided.

Other

The County provides personnel and office space to the EDA at no charge.

Note 18. Net Position/Fund Balance

Deficit Unrestricted Net Position

At June 30, the School Board had a deficit in unrestricted net position of \$76,311,057. The School Board deficit results primarily from the net pension and OPEB liabilities. The deficit is anticipated to be recovered through future revenues, as well as possible transfers and contributions from the General Fund.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 18. Net Position/Fund Balance (Continued)

Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the governmental funds are presented below:

	General Fund	Capital Fund
Fund Balances:		
Nonspendable:		
Long-term advances and notes receivable	\$ 6,027,757	\$ -
Restricted:		
Judicial administration	69,297	-
Public safety	2,924,562	-
Public works	-	8,751,388
Health and welfare	3,078,982	-
Education	-	87,038,687
Parks, recreation, and culture	139,482	-
Community development	4,000,000	
Committed:		
General government administration	2,441,215	2,400,395
Public safety	-	7,907,426
Public works	-	94,278
Education	784,911	3,578,174
Parks, recreation, and culture	-	16,064,799
Community development	-	13,202,530
Assigned:		
General government administration	568,233	-
Judicial administration	50,252	-
Public safety	991,768	-
Public works	687,260	-
Health and welfare	6,240	-
Education	5,874,985	-
Parks, recreation, and culture	123,147	-
Community development	503,095	-
Unassigned:	44,719,550	-
Total fund balance	<u>\$ 72,990,736</u>	<u>\$ 139,037,677</u>

Note 19. Concentrations

Two Public Service Authority customers provide approximately seven and six percent, respectively, of operating revenue.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 20. Service Contracts

The Public Service Authority maintains contracts for water purchase and sewer treatment services with the following organizations:

New River Valley Regional Water Authority
Blacksburg VPI Sanitation Authority
Pepper's Ferry Regional Wastewater Treatment Authority

During June 2013, Montgomery County joined the New River Valley Regional Water Authority (NRVRWA). While Montgomery County is the legal member of the NRVRWA, all costs associated with the membership are paid with revenues of the Authority. The Authority must pay a \$1,300,000 membership fee over forty years (Note 9). As part of the water agreement, and in exchange for the rights to acquire water from the NRVRWA, the Authority transferred a section of pipe with an estimated value of \$877,000 to the Water Authority (Note 8). This exchange created an intangible asset of equal value with an indefinite useful life that is evaluated annually for impairment. The transfer of the pipe occurred in 2014.

The Authority is responsible for capital upgrades with an estimated cost of \$9,200,000. The initial design work of the capital upgrades was completed in fiscal year 2019 and additional design work was required in fiscal years 2020, 2021, and 2022. Construction began in fiscal year 2023 and is expected to be complete in fiscal year 2025. \$7,569,260 in capital upgrades were included in Construction in Progress at June 30, 2024. Funding for the construction of this project has been obtained through a loan with the Virginia Resources Authority through the Virginia Water Supply Revolving Fund.

Note 21. Prior Period Restatement

In the current year, it was determined there was an account receivable and an account payable in fiscal year 2023 that were not recorded. In addition, there was an error in wastewater inventory. The following is a summary of the restatement to net position.

	<i>Discretely Presented Component Unit Public Service Authority</i>
Net position July 1, 2023, as previously reported	\$ 14,502,054
Change in accounts receivable	490,767
Change in accounts payable	(14,482)
Change in inventory	32,135
Net position July 1, 2023, as restated	<u><u>\$ 15,010,474</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 22. New Accounting Standards

In this section, we would like to make you aware of certain confirmed and potential changes that are on the horizon that may affect your financial reporting and audit.

The GASB issued **Statement No. 101, *Compensated Absences*** in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through non-cash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through non-cash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or non-cash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The GASB issued **Statement No. 102, *Certain Risk Disclosures*** in December 2023. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 22. New Accounting Standards (Continued)

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

The concentration or constraint.

Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.

Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

The GASB issued **Statement No. 103, Financial Reporting Model Improvements** in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis: This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 22. New Accounting Standards (Continued)

Unusual or Infrequent Items: This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position: This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than non-operating revenues and expenses. Non-operating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other non-operating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Major Component Unit Information: This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information: This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods, thereafter. Earlier application is encouraged.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -
PRIMARY GOVERNMENT
June 30, 2024

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 2,807,939	\$ 2,303,496	\$ 2,285,348	\$ 2,250,914	\$ 2,016,917	\$ 1,946,180	\$ 2,074,767	\$ 2,038,842	\$ 2,065,492	\$ 1,987,518
Interest on total pension liability	7,649,961	7,387,692	6,806,641	6,371,079	6,060,068	5,917,362	5,729,306	5,529,177	5,278,174	5,014,694
Changes in benefit terms	9,327	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	1,763,185	(838,876)	(1,253,659)	2,716,934	1,439,191	(1,579,974)	(574,874)	(1,147,090)	(408,515)	-
Changes in assumptions	-	-	3,676,579	-	2,828,625	-	(525,978)	-	-	-
Benefit payments, including refunds of employee contributions	(5,469,728)	(5,472,942)	(4,947,651)	(4,824,665)	(4,237,001)	(4,252,843)	(3,780,564)	(3,343,304)	(3,355,504)	(3,120,914)
Net change in total pension liability	6,760,684	3,379,370	6,567,258	6,514,262	8,107,800	2,030,725	2,922,657	3,077,625	3,579,647	3,881,298
Total pension liability - beginning	<u>113,259,585</u>	<u>109,880,215</u>	<u>103,312,957</u>	<u>96,798,695</u>	<u>88,690,895</u>	<u>86,660,170</u>	<u>83,737,513</u>	<u>80,659,888</u>	<u>77,080,241</u>	<u>73,198,943</u>
Total pension liability - ending	<u>120,020,269</u>	<u>113,259,585</u>	<u>109,880,215</u>	<u>103,312,957</u>	<u>96,798,695</u>	<u>88,690,895</u>	<u>86,660,170</u>	<u>83,737,513</u>	<u>80,659,888</u>	<u>77,080,241</u>
Plan Fiduciary Net Position										
Contributions - employer	3,088,198	2,473,445	2,401,177	1,980,117	1,916,017	1,995,757	1,968,509	2,262,436	2,206,584	1,777,329
Contributions - employee	1,172,238	988,635	961,410	960,139	944,821	873,088	865,723	875,307	921,830	894,800
Net investment income (loss)	6,568,430	(98,192)	22,609,701	1,581,481	5,271,254	5,546,314	8,262,943	1,179,030	2,959,075	8,832,131
Benefit payments, including refunds of employee contributions	(5,469,728)	(5,472,842)	(4,947,651)	(4,824,665)	(4,237,001)	(4,252,843)	(3,780,564)	(3,343,304)	(3,355,504)	(3,120,914)
Administrative expenses	(65,088)	(64,777)	(56,277)	(54,535)	(52,363)	(48,133)	(47,748)	(41,456)	(40,120)	(47,509)
Other	2,646	2,387	2,129	(1,893)	(3,319)	(4,922)	(7,349)	(498)	(626)	465
Net change in plan fiduciary net position	5,296,696	(2,171,344)	20,970,489	(359,356)	3,839,409	4,109,261	7,261,514	931,515	2,691,239	8,336,302
Plan fiduciary net position - beginning	<u>101,586,978</u>	<u>103,758,322</u>	<u>82,787,833</u>	<u>83,147,189</u>	<u>79,307,780</u>	<u>75,198,519</u>	<u>67,937,005</u>	<u>67,005,490</u>	<u>64,314,251</u>	<u>55,977,949</u>
Plan fiduciary net position - ending	<u>106,883,674</u>	<u>101,586,978</u>	<u>103,758,322</u>	<u>82,787,833</u>	<u>83,147,189</u>	<u>79,307,780</u>	<u>75,198,519</u>	<u>67,937,005</u>	<u>67,005,490</u>	<u>64,314,251</u>
Net pension liability - ending	<u>\$ 13,136,595</u>	<u>\$ 11,672,607</u>	<u>\$ 6,121,893</u>	<u>\$ 20,525,124</u>	<u>\$ 13,651,506</u>	<u>\$ 9,383,115</u>	<u>\$ 11,461,651</u>	<u>\$ 15,800,508</u>	<u>\$ 13,654,398</u>	<u>\$ 12,765,990</u>
Plan fiduciary net position as a percentage of total pension liability	<u>89%</u>	<u>90%</u>	<u>94%</u>	<u>80%</u>	<u>86%</u>	<u>89%</u>	<u>87%</u>	<u>81%</u>	<u>83%</u>	<u>83%</u>
Covered payroll	<u>\$ 23,592,240</u>	<u>\$ 20,767,525</u>	<u>\$ 20,164,227</u>	<u>\$ 19,971,700</u>	<u>\$ 19,201,224</u>	<u>\$ 17,882,222</u>	<u>\$ 17,508,356</u>	<u>\$ 17,375,145</u>	<u>\$ 16,814,775</u>	<u>\$ 16,910,837</u>
Net pension liability as a percentage of covered payroll	<u>56%</u>	<u>56%</u>	<u>30%</u>	<u>103%</u>	<u>71%</u>	<u>52%</u>	<u>65%</u>	<u>91%</u>	<u>81%</u>	<u>75%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

The Public Service Authority is a cost-sharing entity, therefore, it is included in the primary government information above.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SCHOOLS - NONPROFESSIONAL EMPLOYEES
June 30, 2024

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 375,964	\$ 387,456	\$ 397,042	\$ 399,561	\$ 393,505	\$ 528,691	\$ 581,565	\$ 559,551	\$ 552,067	\$ 525,743
Interest on total pension liability	1,891,046	1,867,585	1,756,489	1,716,489	1,782,396	1,686,304	1,681,115	1,587,055	1,510,044	1,455,818
Difference between expected and actual experience	668,770	(312,850)	(437,607)	(21,518)	(1,431,716)	549,019	(580,451)	419,588	297,904	-
Changes in assumptions	-	-	1,046,571	-	735,879	-	(286,105)	-	-	-
Benefit payments, including refunds of employee contribution	(1,555,098)	(1,611,171)	(1,396,986)	(1,606,888)	(1,419,907)	(1,362,646)	(1,281,342)	(1,163,631)	(1,356,068)	(1,057,738)
Net change in total pension liability	1,380,682	331,020	1,365,509	487,644	60,157	1,401,368	114,782	1,402,563	1,003,947	923,823
Total pension liability - beginning	28,417,077	28,086,057	26,720,548	26,232,904	26,172,747	24,771,379	24,656,597	23,254,034	22,250,087	21,326,264
Total pension liability - ending	29,797,759	28,417,077	28,086,057	26,720,548	26,232,904	26,172,747	24,771,379	24,656,597	23,254,034	22,250,087
Plan Fiduciary Net Position										
Contributions - employer	445,070	458,903	472,050	415,739	410,048	455,431	598,779	496,152	477,385	469,880
Contributions - employee	226,567	221,638	227,896	219,282	214,838	232,380	292,491	284,097	326,053	268,846
Net investment income (loss)	1,640,658	(16,458)	5,851,591	417,736	1,412,099	1,515,213	2,288,302	324,084	840,218	2,572,433
Benefit payments, including refunds of employee contribution	(1,555,098)	(1,611,171)	(1,396,986)	(1,606,888)	(1,419,907)	(1,362,646)	(1,281,342)	(1,163,631)	(1,356,068)	(1,057,738)
Administrative expenses	(16,743)	(16,798)	(14,840)	(14,746)	(14,494)	(13,384)	(13,349)	(11,872)	(11,870)	(13,997)
Other	657	606	549	(487)	(886)	(1,339)	(2,028)	(138)	(176)	136
Net change in plan fiduciary net position	741,111	(963,280)	5,140,260	(569,364)	601,698	825,655	1,882,853	(71,308)	275,542	2,239,560
Plan fiduciary net position - beginning	25,786,912	26,750,192	21,609,932	22,179,296	21,577,598	20,751,943	18,869,090	18,940,398	18,664,856	16,425,296
Plan fiduciary net position - ending	26,528,023	25,786,912	26,750,192	21,609,932	22,179,296	21,577,598	20,751,943	18,869,090	18,940,398	18,664,856
Net pension liability - ending	\$ 3,269,736	\$ 2,630,165	\$ 1,335,865	\$ 5,110,616	\$ 4,053,608	\$ 4,595,149	\$ 4,019,436	\$ 5,787,507	\$ 4,313,636	\$ 3,585,231
Plan fiduciary net position as a percentage of total pension liability	89%	91%	95%	81%	85%	82%	84%	77%	81%	84%
Covered payroll	\$ 4,964,288	\$ 4,827,890	\$ 4,929,309	\$ 4,630,528	\$ 4,527,696	\$ 4,486,110	\$ 5,837,677	\$ 5,764,299	\$ 5,195,195	\$ 5,113,521
Net pension liability as a percentage of covered payroll	66%	54%	27%	110%	90%	102%	69%	100%	83%	70%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2024

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2024	\$ 3,455,044	\$ 3,455,044	\$ -	\$ 25,877,268	13.35%
2023	3,087,993	3,087,993	-	23,592,240	13.09%
2022	2,473,791	2,473,791	-	20,767,525	11.91%
2021	2,504,631	2,504,631	-	20,164,227	12.42%
2020	1,980,117	1,980,117	-	19,971,700	9.91%
2019	1,916,017	1,916,017	-	19,201,224	9.98%
2018	1,994,931	1,994,931	-	17,882,222	11.16%
2017	2,008,210	2,008,210	-	17,508,356	11.47%
2016	2,277,881	2,277,881	-	17,375,145	13.11%
2015	2,204,416	2,204,416	-	16,814,775	13.11%
Schools - Nonprofessional Employees					
2024	\$ 480,685	\$ 480,685	\$ -	\$ 5,433,808	8.85%
2023	446,143	446,143	-	4,964,288	8.99%
2022	458,903	458,903	-	4,827,890	9.51%
2021	471,007	471,007	-	4,929,309	9.56%
2020	415,739	415,739	-	4,630,528	8.98%
2019	410,048	410,048	-	4,527,696	9.06%
2018	455,431	455,431	-	4,486,110	10.15%
2017	610,621	610,621	-	5,837,677	10.46%
2016	501,494	501,494	-	5,764,299	8.70%
2015	451,982	451,982	-	5,195,195	8.70%

The Public Service Authority is a cost-sharing entity, therefore, it is included in the primary government information above.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2024

Plan Year	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.6804 %	\$ 68,773,464	\$ 67,701,329	101.58 %	82.45 %
2022	0.7010	66,736,540	65,265,430	102.25	82.61
2021	0.6696	51,982,812	59,062,085	88.01	85.46
2020	0.6610	96,195,769	57,949,425	166.00	71.47
2019	0.6344	83,491,961	53,151,904	157.08	73.51
2018	0.6385	75,093,000	51,539,673	145.70	74.81
2017	0.6297	77,443,000	49,544,236	156.31	72.92
2016	0.6208	87,003,000	45,839,476	189.80	68.28
2015	0.6211	78,178,000	44,501,414	175.68	70.68
2014	0.6271	75,783,000	43,163,352	175.57	70.88

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year (i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report).

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

VRS TEACHER RETIREMENT PLAN

June 30, 2024

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2024	\$ 10,968,037	\$ 10,968,037	\$ -	\$ 69,710,191	15.73 %
2023	10,741,177	10,741,177	-	67,701,329	15.87
2022	10,403,180	10,403,180	-	65,265,430	15.94
2021	9,462,900	9,462,900	-	59,062,085	16.02
2020	8,783,764	8,783,764	-	57,949,425	15.16
2019	8,130,177	8,130,177	-	53,151,904	15.30
2018	8,258,372	8,258,372	-	51,539,673	16.02
2017	7,263,185	7,263,185	-	49,544,236	14.66
2016	6,646,724	6,646,724	-	45,839,476	14.50
2015	6,452,705	6,452,705	-	44,501,414	14.50

The Notes to Required Supplementary Information are an integral part of this statement.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN
 June 30, 2024

	Plan Year 2023		Plan Year 2022		Plan Year 2021		Plan Year 2020		Plan Year 2019		Plan Year 2018		Plan Year 2017	
	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools
	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Schools Local Plan
Total OPEB Liability														
Service cost	\$ 119,237	\$ 515,495	\$ 114,822	\$ 562,824	\$ 150,318	\$ 545,360	\$ 136,935	\$ 448,699	\$ 126,884	\$ 313,834	\$ 121,389	\$ 277,465	\$ 124,771	\$ 284,444
Interest on total OPEB liability	112,708	329,738	102,148	303,259	69,549	203,763	68,117	205,714	104,027	241,773	90,284	255,600	80,069	230,841
Changes in benefit terms	4,062,167	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic/Demographic gains or losses	34,627	(236,713)	-	-	54,787	(589,763)	-	-	415,296	624,399	-	-	-	-
Changes in assumptions	(645,719)	(279,259)	85,436	206,007	(468,862)	(403,112)	17,212	30,939	(48,415)	1,730,386	85,027	198,610	(82,745)	(198,574)
Benefit payments	(105,069)	(500,752)	(103,890)	(613,401)	(105,660)	(669,462)	(90,450)	(644,318)	(74,464)	(643,132)	(81,781)	(289,441)	(65,440)	(311,743)
Net change in total OPEB liability	3,577,951	(171,491)	198,516	458,689	(299,868)	(913,214)	131,814	41,034	523,328	2,267,260	214,919	442,234	56,655	4,968
Total OPEB liability - beginning	<u>3,020,719</u>	<u>8,766,537</u>	<u>2,822,203</u>	<u>8,307,848</u>	<u>3,122,071</u>	<u>9,221,062</u>	<u>2,990,257</u>	<u>9,180,028</u>	<u>2,466,929</u>	<u>6,912,768</u>	<u>2,252,010</u>	<u>6,470,534</u>	<u>2,195,355</u>	<u>6,465,566</u>
Total OPEB liability - ending	<u>\$ 6,598,670</u>	<u>\$ 8,595,046</u>	<u>\$ 3,020,719</u>	<u>\$ 8,766,537</u>	<u>\$ 2,822,203</u>	<u>\$ 8,307,848</u>	<u>\$ 3,122,071</u>	<u>\$ 9,221,062</u>	<u>\$ 2,990,257</u>	<u>\$ 9,180,028</u>	<u>\$ 2,466,929</u>	<u>\$ 6,912,768</u>	<u>\$ 2,252,010</u>	<u>\$ 6,470,534</u>
Covered-employee payroll	<u>\$ 27,133,950</u>	<u>\$ 68,356,989</u>	<u>\$ 21,959,132</u>	<u>\$ 75,578,627</u>	<u>\$ 21,959,132</u>	<u>\$ 70,763,150</u>	<u>\$ 21,169,114</u>	<u>\$ 68,382,124</u>	<u>\$ 21,169,114</u>	<u>\$ 58,706,713</u>	<u>\$ 19,234,823</u>	<u>\$ 54,449,438</u>	<u>\$ 19,234,823</u>	<u>\$ 54,449,438</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>24.32%</u>	<u>12.57%</u>	<u>13.76%</u>	<u>11.60%</u>	<u>12.85%</u>	<u>11.74%</u>	<u>14.75%</u>	<u>13.48%</u>	<u>14.13%</u>	<u>15.64%</u>	<u>12.83%</u>	<u>12.70%</u>	<u>11.71%</u>	<u>11.88%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

There are no assets accumulated in a trust to pay related benefits for the local OPEB plan.

The Public Service Authority is a cost-sharing entity, therefore, it is included in the primary government above.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2024

Plan Year	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2023	0.68038%	\$ 8,242,242	\$ 67,841,329	12.15%	17.90%
2022	0.69908%	8,731,834	65,163,671	13.40%	15.08%
2021	0.66785%	8,572,317	59,062,085	14.51%	13.15%
2020	0.66101%	8,622,985	57,949,426	14.88%	9.95%
2019	0.63363%	8,295,000	53,147,159	15.61%	8.97%
2018	0.63726%	8,092,000	51,539,673	15.70%	8.08%
2017	0.62778%	7,964,000	49,682,607	16.03%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2023	0.10021%	1,201,832	23,603,151	5.09%	69.30%
2022	0.09607%	1,156,775	20,871,683	5.54%	67.21%
2021	0.09770%	1,137,493	20,171,727	5.64%	67.45%
2020	0.09663%	1,612,597	19,980,763	8.07%	52.64%
2019	0.09756%	1,588,000	19,203,741	8.27%	52.00%
2018	0.09424%	1,431,000	18,088,728	7.91%	51.22%
2017	0.09528%	1,434,000	17,669,318	8.12%	48.86%
Virginia Retirement System - Group Life Insurance - School Professionals					
2023	0.28838%	3,458,580	67,928,118	5.09%	69.30%
2022	0.29984%	3,610,363	65,230,883	5.53%	67.21%
2021	0.28647%	3,335,288	59,146,890	5.64%	67.45%
2020	0.28162%	4,699,777	57,958,575	8.11%	52.64%
2019	0.27133%	4,415,000	53,189,711	8.30%	52.00%
2018	0.27123%	4,119,000	51,535,678	7.99%	51.22%
2017	0.26902%	4,049,000	49,760,995	8.14%	48.86%
Virginia Retirement System - Group Life Insurance - School Nonprofessionals					
2023	0.02107%	252,695	4,964,288	5.09%	69.30%
2022	0.02217%	266,948	4,832,783	5.52%	67.21%
2021	0.02390%	278,261	4,929,309	5.65%	67.45%
2020	0.02247%	374,988	4,633,728	8.09%	52.64%
2019	0.02284%	372,000	4,527,696	8.22%	52.00%
2018	0.02359%	358,000	4,488,162	7.98%	51.22%
2017	0.03165%	476,000	5,837,706	8.15%	48.86%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

Schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS

June 30, 2024

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2024	\$ 846,573	\$ 846,573	\$ -	\$ 69,964,691	1.21%
2023	820,880	820,880	-	67,841,329	1.21%
2022	788,422	788,422	-	65,163,671	1.21%
2021	714,653	714,653	-	59,062,085	1.21%
2020	695,400	695,400	-	57,949,426	1.20%
2019	637,770	637,770	-	53,147,159	1.20%
2018	633,915	633,915	-	51,539,673	1.23%
Virginia Retirement System - Group Life Insurance - General Employees					
2024	139,852	139,852	-	25,898,649	0.54%
2023	127,458	127,458	-	23,603,151	0.54%
2022	112,706	112,706	-	20,871,683	0.54%
2021	108,926	108,926	-	20,171,727	0.54%
2020	103,762	103,762	-	19,980,763	0.52%
2019	99,431	99,431	-	19,203,741	0.52%
2018	93,189	93,189	-	18,088,728	0.52%
Virginia Retirement System - Group Life Insurance - School Professionals					
2024	378,302	378,302	-	70,055,914	0.54%
2023	366,812	366,812	-	67,928,118	0.54%
2022	352,207	352,207	-	65,230,883	0.54%
2021	319,395	319,395	-	59,146,890	0.54%
2020	301,381	301,381	-	57,958,575	0.52%
2019	276,586	276,586	-	53,189,711	0.52%
2018	268,814	268,814	-	51,535,678	0.52%
Virginia Retirement System - Group Life Insurance - School Nonprofessionals					
2024	29,391	29,391	-	5,442,849	0.54%
2023	26,807	26,807	-	4,964,288	0.54%
2022	26,034	26,034	-	4,832,783	0.54%
2021	26,619	26,619	-	4,929,309	0.54%
2020	24,046	24,046	-	4,633,728	0.52%
2019	23,545	23,545	-	4,527,696	0.52%
2018	23,328	23,328	-	4,488,162	0.52%
Virginia Retirement System - Health Insurance Credit - School Nonprofessionals					
2024	36,950	36,950	-	5,433,808	0.68%
2023	33,757	33,757	-	4,964,288	0.68%
2022	31,801	31,801	-	4,818,275	0.66%
2021	32,564	32,564	-	4,933,880	0.66%

Schedule is intended to show information for 10 years. Since plan year 2018 is the first year for this presentation for Health Insurance - Teachers, Group Life Insurance - General Employees, School Professionals, and School Nonprofessionals and plan year 2020 is the first year for this presentation for Health Insurance - School Nonprofessionals, no earlier data is available. However, additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year - i.e., the covered payroll on which required contributions were based for the same year.

The Public Service Authority is a cost-sharing entity, therefore, it is included in the primary government above.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
SCHOOLS - NONPROFESSIONAL EMPLOYEES
June 30, 2024

	Plan Year			
	2023	2022	2021	2020
Total OPEB Liability				
Service cost	\$ 3,186	\$ 4,542	\$ 5,150	\$ -
Interest on total OPEB liability	35,343	29,082	26,581	-
Changes in benefit terms	-	-	-	393,796
Difference between expected and actual experience	(222,339)	(21,556)	-	-
Changes in assumptions	-	96,309	7,999	-
Benefit payments, including refunds of employee contributions	(14,116)	(14,438)	-	-
Net change in total OPEB liability	(197,926)	93,939	39,730	393,796
Total HIC OPEB liability - beginning	<u>527,465</u>	<u>433,526</u>	<u>393,796</u>	<u>-</u>
Total HIC OPEB liability - ending	<u>329,539</u>	<u>527,465</u>	<u>433,526</u>	<u>393,796</u>
Plan Fiduciary Net Position				
Contributions - employer	33,757	31,787	32,564	-
Net investment income (loss)	4,257	(224)	4,694	-
Benefit payments, including refunds of employee contributions	(14,116)	(14,438)	-	-
Administrative expenses	(118)	(105)	(146)	-
Other	18	325	-	-
Net change in plan fiduciary net position	23,798	17,345	37,112	-
Plan fiduciary net position - beginning	<u>54,457</u>	<u>37,112</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u>78,255</u>	<u>54,457</u>	<u>37,112</u>	<u>-</u>
Net HIC OPEB liability - ending	<u>\$ 251,284</u>	<u>\$ 473,008</u>	<u>\$ 396,414</u>	<u>\$ 393,796</u>
Plan fiduciary net position as a percentage of total HIC OPEB liability	<u>24%</u>	<u>10%</u>	<u>9%</u>	<u>0%</u>
Covered payroll	<u>\$ 4,964,288</u>	<u>\$ 4,818,275</u>	<u>\$ 4,933,880</u>	<u>\$ 4,901,296</u>
Net HIC OPEB liability as a percentage of covered payroll	<u>5%</u>	<u>10%</u>	<u>8%</u>	<u>8%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2023 information was presented in the entity's fiscal year 2024 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2021 (plan year 2020) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (the “System”) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2024

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better-fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better-fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better-fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better-fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

THIS PAGE INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

DISCRETELY PRESENTED
COMPONENT UNIT – PUBLIC SERVICE AUTHORITY

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – PUBLIC SERVICE AUTHORITY

June 30, 2024

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,593,899	\$ 1,444,512	\$ 4,038,411
Accounts receivables, net	617,413	366,843	984,256
Due from County	105,895	8,358	114,253
Inventories	138,993	35,027	174,020
Total current assets	<u>3,456,200</u>	<u>1,854,740</u>	<u>5,310,940</u>
Noncurrent assets:			
Cash and cash equivalents, restricted	60,050	43,070	103,120
Capital assets:			
Non-depreciable	9,535,508	-	9,535,508
Depreciable, net	11,916,567	4,839,598	16,756,165
Total noncurrent assets	<u>21,512,125</u>	<u>4,882,668</u>	<u>26,394,793</u>
Total assets	<u>24,968,325</u>	<u>6,737,408</u>	<u>31,705,733</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	106,460	93,442	199,902
Deferred outflows related to other postemployment benefits	21,184	24,037	45,221
Total deferred outflows	<u>127,644</u>	<u>117,479</u>	<u>245,123</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,012,788	85,534	1,098,322
Accrued payroll and related liabilities	33,662	27,606	61,268
Accrued interest payable	87,695	1,213	88,908
Due to County	15,021	-	15,021
Current portion of noncurrent liabilities	267,618	186,599	454,217
Total current liabilities	<u>1,416,784</u>	<u>300,952</u>	<u>1,717,736</u>
Noncurrent liabilities:			
Net pension liability	300,828	264,046	564,874
Net other postemployment benefit liability	348,239	319,656	667,895
Customer deposits	60,050	43,070	103,120
Due in more than one year	7,655,271	1,083,323	8,738,594
Total noncurrent liabilities	<u>8,364,388</u>	<u>1,710,095</u>	<u>10,074,483</u>
Total liabilities	<u>9,781,172</u>	<u>2,011,047</u>	<u>11,792,219</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred outflows related to pensions	43,293	38,000	81,293
Deferred outflows related to other postemployment benefits	48,042	43,844	91,886
	<u>91,335</u>	<u>81,844</u>	<u>173,179</u>
NET POSITION			
Net investments in capital assets	13,622,449	3,651,243	17,273,692
Unrestricted	1,601,013	1,110,753	2,711,766
Total net position	<u>\$ 15,223,462</u>	<u>\$ 4,761,996</u>	<u>19,985,458</u>
Reconciliation with Public Service Authority activities in the statement of net position (Exhibit 1)			
Long-term membership fee payable to other New River Valley Regional Water Authority legally due from the County but financed by enterprise fund revenues			<u>(1,038,099)</u>
Net position of Public Service Authority			<u>\$ 18,947,359</u>

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – PUBLIC SERVICE AUTHORITY

For the Year Ended June 30, 2024

	Water	Wastewater	Total
OPERATING REVENUES			
Charges for services	\$ 2,871,409	\$ 1,740,608	\$ 4,612,017
Penalty and reconnection charges	62,451	22,891	85,342
Fees	351,842	158,373	510,215
Miscellaneous	61,019	10,767	71,786
Total operating revenues	3,346,721	1,932,639	5,279,360
OPERATING EXPENSES			
Salaries and wages	659,965	537,346	1,197,311
Employee benefits	417,089	363,416	780,505
Utilities and telephone	56,936	107,965	164,901
Water and wastewater services	1,157,112	574,221	1,731,333
Operating supplies, fees, and permits	15,474	37,932	53,406
Professional services	237,439	48,956	286,395
Repairs and maintenance	195,801	100,990	296,791
Insurance	23,025	21,085	44,110
Vehicle supplies and miscellaneous	51,065	26,947	78,012
Bad debts	3,000	-	3,000
Office supplies and miscellaneous	38,980	3,957	42,937
Membership fees	47,523	-	47,523
Depreciation	484,786	427,568	912,354
Total operating expenses	3,388,195	2,250,383	5,638,578
Operating loss	(41,474)	(317,744)	(359,218)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	2,322,762	-	2,322,762
Investment earnings	112,499	-	112,499
Facility fees	420,414	483,000	903,414
Gain on disposal of capital assets	15,568	-	15,568
Interest expense	(109,390)	(30,669)	(140,059)
Total non-operating revenues	2,761,853	452,331	3,214,184
Income before contributions	2,720,379	134,587	2,854,966
CAPITAL CONTRIBUTIONS			
VRA loan forgiveness	565,500	-	565,500
Federal	481,101	-	481,101
Montgomery County	9,082	-	9,082
Total contributed capital	1,055,683	-	1,055,683
Change in net position	3,776,062	134,587	3,910,649
Total net position – beginning, as restated (Note 21)	11,447,400	4,627,409	16,074,809
Total net position – ending	<u>\$ 15,223,462</u>	<u>\$ 4,761,996</u>	<u>\$ 19,985,458</u>
Reconciliation with Public Service Authority in the statement of activities:			
Change in net position			\$ 3,910,649
Principal repayment of initial membership fee to New River Valley Regional Water Authority			
legally due from County but financed ultimately by enterprise fund revenues.			26,236
Change in net position of Public Service Authority			<u>\$ 3,936,885</u>

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT – PUBLIC SERVICE AUTHORITY
For the Year Ended June 30, 2024

	Water	Wastewater	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 3,243,007	\$ 1,895,307	\$ 5,138,314
Payments to suppliers	(1,981,898)	(966,118)	(2,948,016)
Payments to employees	(952,590)	(751,260)	(1,703,850)
Payments to County for financial services	(75,999)	-	(75,999)
Net cash provided by operating activities	<u>232,520</u>	<u>177,929</u>	<u>410,449</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Receipts from federal grants	2,813,529	-	2,813,529
Acquisition and construction of capital assets	(5,725,250)	-	(5,725,250)
Facility fee payments from customers	420,414	483,000	903,414
Proceeds from issuance of long-term debt	2,969,375	-	2,969,375
Proceeds from loan forgiveness	565,000	-	565,000
Proceeds from the sale of capital assets	17,001	-	17,001
Principal payments on long-term debt	(197,442)	(126,371)	(323,813)
Interest payments on debt	(48,118)	(30,798)	(78,916)
Net cash provided by capital and related financing activities	<u>814,509</u>	<u>325,831</u>	<u>1,140,340</u>
INVESTING ACTIVITIES			
Interest received	<u>112,500</u>	<u>-</u>	<u>112,500</u>
Net increase in cash and cash equivalents	1,159,529	503,760	1,663,289
CASH AND CASH EQUIVALENTS			
Beginning at July 1	1,494,420	983,822	2,478,242
Ending at June 30	<u>\$ 2,653,949</u>	<u>\$ 1,487,582</u>	<u>\$ 4,141,531</u>
RECONCILIATION TO EXHIBIT 1			
Cash and cash equivalents	\$ 2,593,899	\$ 1,444,512	\$ 4,038,411
Cash and cash equivalents, restricted	60,050	43,070	103,120
	<u>\$ 2,653,949</u>	<u>\$ 1,487,582</u>	<u>\$ 4,141,531</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (41,474)	\$ (317,744)	\$ (359,218)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	484,786	427,568	912,354
Pension expense net of employer contributions	(39,295)	(32,180)	(71,475)
Other postemployment benefit expense net of employer contributions	200,209	179,033	379,242
(Increase) decrease in:			
Accounts receivable	(104,154)	(39,602)	(143,756)
Due from County	(97,298)	(639)	(97,937)
Inventories	(16,412)	1,742	(14,670)
(Decrease) increase in:			
Accounts payable and accrued expenses	(129,669)	(45,168)	(174,837)
Due to County	8,837	-	8,837
Accrued payroll and related liabilities and compensated absences	(36,450)	2,649	(33,801)
Customer deposits	3,440	2,270	5,710
Net cash provided by operating activities	<u>\$ 232,520</u>	<u>\$ 177,929</u>	<u>\$ 410,449</u>
SCHEDULE OF NON-CASH ACTIVITIES			
Contributions of capital assets	\$ 490,183	\$ -	\$ 490,183
Loan forgiveness	<u>\$ 565,500</u>	<u>\$ -</u>	<u>\$ 565,500</u>

THIS PAGE INTENTIONALLY LEFT BLANK

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Special Revenue Funds – Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The component unit – School Board has the following special revenue funds.

School Operating Fund – This fund accounts for the operations of the elementary, middle, and high schools.

School Cafeteria Fund – This fund accounts for the operations of the centralized cafeterias.

School Activity Fund – This fund accounts for the operations of the elementary, middle, and high school activity funds.

COUNTY OF MONTGOMERY, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2024

	School Operating	School Cafeteria	School Activity	Endowment Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,180,486	\$ 929,204	\$ 2,359,836	\$ -	\$ 4,469,526
Cash, restricted	-	-	-	1,084,778	1,084,778
Due from primary government	6,320,399	-	-	-	6,320,399
Due from other governmental units	5,365,154	527,944	-	-	5,893,098
Inventories	-	99,498	-	-	99,498
Total assets	<u>\$ 12,866,039</u>	<u>\$ 1,556,646</u>	<u>\$ 2,359,836</u>	<u>\$ 1,084,778</u>	<u>\$ 17,867,299</u>
LIABILITIES					
Liabilities					
Accounts payable and accrued expenses	\$ 2,282,841	\$ 3,210	\$ -	\$ -	\$ 2,286,051
Accrued payroll and related liabilities	9,146,725	153,040	-	-	9,299,765
Compensated absences	255,987	-	-	-	255,987
Unearned revenues	-	65,533	-	-	65,533
Total liabilities	<u>11,685,553</u>	<u>221,783</u>	<u>-</u>	<u>-</u>	<u>11,907,336</u>
FUND BALANCES					
Nonspendable	-	99,498	-	-	99,498
Restricted	-	-	-	1,084,778	1,084,778
Committed	256,938	-	-	-	256,938
Assigned	1,032,490	1,235,365	2,359,836	-	4,627,691
Unassigned	(108,942)	-	-	-	(108,942)
Total fund balances	<u>1,180,486</u>	<u>1,334,863</u>	<u>2,359,836</u>	<u>1,084,778</u>	<u>5,959,963</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,866,039</u>	<u>\$ 1,556,646</u>	<u>\$ 2,359,836</u>	<u>\$ 1,084,778</u>	<u>\$ 17,867,299</u>
Adjustments for the Statement of Net Position (Exhibit 1)					
Total fund balances					\$ 5,959,963
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.					49,897,085
Right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					368,226
Certain amounts are recognized as expenditures when paid in the fund statements, but are capitalized and recorded in future periods for governmental activities.					205
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.					
Deferred outflows related to pensions					24,258,288
Deferred outflows related to other postemployment benefit plans					3,511,042
Deferred inflows related to pensions					(9,331,492)
Deferred inflows related to other postemployment benefit plans					(2,486,356)
Net pension liability					(72,043,200)
Net other postemployment benefit liability					(20,799,847)
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.					(4,667,372)
Net position of governmental activities					<u>\$ (25,333,458)</u>

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2024

	School Operating	School Cafeteria	School Activity	Endowment Fund	Total Governmental Funds
REVENUES					
Revenue from use of money and property	\$ 5,807	\$ 48,578	\$ -	\$ 51,697	\$ 106,082
Charges for services	104,095	1,991,343	3,506,013	-	5,601,451
Recovered costs	1,057,394	-	-	-	1,057,394
Intergovernmental	139,960,697	3,646,142	-	-	143,606,839
Total revenues	141,127,993	5,686,063	3,506,013	51,697	150,371,766
EXPENDITURES					
Instruction	110,300,762	-	3,601,376	-	113,902,138
Administration, attendance, and health	5,884,678	-	-	-	5,884,678
Pupil transportation	6,518,399	-	-	-	6,518,399
Operations and maintenance	18,410,525	-	-	-	18,410,525
Non-instructional	303,127	-	-	-	303,127
School nutrition	-	5,263,522	-	-	5,263,522
Debt service	-	-	-	-	-
Principal retirement	340,865	-	-	-	340,865
Interest	5,968	-	-	-	5,968
Total expenditures	141,764,324	5,263,522	3,601,376	-	150,629,222
Excess (deficiency) of revenues over expenditures	(636,331)	422,541	(95,363)	51,697	(257,456)
OTHER FINANCING SOURCES					
Inception of leases	395,327	-	-	-	395,327
Total other financing sources	395,327	-	-	-	395,327
Net change in fund balances	(241,004)	422,541	(95,363)	51,697	137,871
FUND BALANCE AT JULY 1	1,421,490	912,322	2,455,199	1,033,081	5,822,092
FUND BALANCE AT JUNE 30	\$ 1,180,486	\$ 1,334,863	\$ 2,359,836	\$ 1,084,778	\$ 5,959,963

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balances – total governmental funds \$ 137,871

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 and amortization expense. That is the amount by which capital outlay (\$7,530,669) exceeded depreciation and amortization (\$3,031,904). 4,498,765

In the statement of activities, only the *gain or loss* on the sale or disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the *net book value* of the property sold or disposed of. (58,226)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions 11,448,722
Pension expense (7,551,710)

Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefits expense.

Employer other postemployment benefit contributions 1,291,216
Other postemployment benefit expense (1,398,707)

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.

13,398

Change in net position of governmental activities

\$ 8,381,329

COUNTY OF MONTGOMERY, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – CASH BASIS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2024**

	School Operating				School Cafeteria			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from use of money and property	\$ 50,000	\$ 50,000	\$ 5,807	\$ (44,193)	\$ -	\$ -	\$ 48,578	\$ 48,578
Charges for services	25,000	25,000	103,071	78,071	2,236,586	2,236,586	1,985,668	(250,918)
Recovered costs	657,438	865,675	1,058,418	192,743	-	-	-	-
Intergovernmental	134,208,235	144,931,753	139,449,677	(5,482,076)	2,968,424	3,667,796	3,118,199	(549,597)
Total revenues	134,940,673	145,872,428	140,616,973	(5,255,455)	5,205,010	5,904,382	5,152,445	(751,937)
EXPENDITURES								
Instruction	104,336,355	112,311,882	109,782,396	2,529,486	-	-	-	-
Administration, attendance, and health	6,254,283	6,417,300	5,878,253	539,047	-	-	-	-
Pupil transportation	5,827,776	7,158,543	6,781,360	377,183	-	-	-	-
Operations and maintenance	18,201,824	18,673,196	18,114,452	558,744	-	-	-	-
Non-instructional	320,435	1,311,507	301,516	1,009,991	-	-	-	-
School nutrition	-	-	-	-	5,205,010	5,904,382	5,837,765	66,617
Total expenditures	134,940,673	145,872,428	140,857,977	5,014,451	5,205,010	5,904,382	5,837,765	66,617
Deficit of expenditures over revenues	\$ -	\$ -	\$ (241,004)	\$ (241,004)	\$ -	\$ -	\$ (685,320)	\$ (685,320)

THIS PAGE INTENTIONALLY LEFT BLANK

SUPPORTING SCHEDULE

SCHEDULE 1

**COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024**

Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title	Federal Assistance Listing Number	Pass-through Payments to Subrecipients	Cluster Amounts	Federal Expenditures
<u>Department of Agriculture:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Social Services:</u>				
SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	\$ 956,812	
<u>Department of Agriculture and Consumer Services</u>				
Child Nutrition Cluster				
National School Lunch Program	10.555	-	380,786	
<u>Department of Education:</u>				
Child Nutrition Cluster				
School Breakfast Program	10.553	-	749,163	
National School Lunch Program	10.555	-	1,750,108	
SNP SCA Funds	10.555	-	188,426	
Total Child Nutrition Cluster				<u>3,068,483</u>
Child and Adult Care Food Program	10.558	-		36,278
COVID-19 Pandemic EBT Administrative costs	10.649	-		3,256
Total Department of Agriculture				<u>4,064,829</u>
<u>Department Of Homeland Security:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Emergency Management:</u>				
2023 Emergency Management Performance Grant	97.042	-		14,757
2022 State Homeland Security Program (SHSP)	97.067	-		<u>57,311</u>
Total Department of Homeland Security				<u>72,068</u>
<u>Department Of Justice:</u>				
<u>Direct Payments:</u>				
Equitable Sharing Program	16.922	-		11,104
<u>Pass-through Payments:</u>				
<u>Department of Criminal Justice Services:</u>				
Crime Victim Assistance	16.575	-		<u>137,149</u>
Total Department of Justice				<u>148,253</u>
<u>Department of Transportation:</u>				
<u>Department of Motor Vehicles:</u>				
Highway Safety Cluster - State and Community Highway Safety	20.600	-	<u>23,185</u>	<u>23,185</u>
Total Department of Transportation				<u>23,185</u>
<u>Department of the Treasury:</u>				
<u>Pass-through Payments:</u>				
<u>Virginia Department of Criminal Justice Services</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		330,938
<u>Virginia Department of Health, Office of Drinking Water</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		2,322,762
<u>Virginia Department of Social Services</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		7,923
<u>Virginia Tourism Corporation</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		90,000
<u>Direct Payments:</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2,000,000		2,448,280
Local Assistance and Tribal Consistency Fund	21.032	-		<u>38,249</u>
Total Department of the Treasury				<u>5,238,152</u>

SCHEDULE 1

**COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024**

Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title	Federal Assistance Listing Number	Pass-through Payments to Subrecipients	Cluster Amounts	Federal Expenditures
<u>Department of Education:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Education:</u>				
Title I: State Agency Program for Neglected and Delinquent Children	84.013	-		\$ 16,590
Career and Technical Education - Basic Grants to States	84.048	-		136,851
English Language Acquisition State Grants	84.365	-		46,852
Improving Teacher Quality State Grants	84.367	-		293,143
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	-		153,812
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	-		572,894
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	-		3,790,732
Title I: Grants to Local Educational Agencies	84.010	-		1,959,830
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	-	2,213,817	
COVID-19 - ARP Act Special Education - Grants to States	84.027	-	248,196	
Special Education - Preschool Grants	84.173	-	70,706	
COVID-19 - ARP Act Special Education - Preschool Grants	84.173	-	<u>8,591</u>	
Total Special Education Cluster (IDEA)				2,541,310
<u>School of Education at William and Mary:</u>				
Education for Homeless Children and Youth Program	84.196	-		<u>83,644</u>
Total Department of Education				<u>9,595,658</u>
<u>Department of Health and Human Services:</u>				
<u>Direct Payments:</u>				
Medicaid Cluster – Medical Assistance Program	93.778	-	<u>646,803</u>	646,803
<u>Pass-through Payments:</u>				
<u>Department of Social Services:</u>				
Guardianship Assistance	93.090	-		669
Title IV-E Prevention Program	93.472	-		11,519
Promoting Safe and Stable Families	93.556	-		37,348
Temporary Assistance to Needy Families	93.558	-		495,037
Refugee and Entrant Assistance	93.566	-		2,247
Low-Income Home Energy Assistance	93.568	-		115,114
Chafee Education and Training Vouchers Program	93.599	-		2,476
Adoption and Legal Guardianship Incentive Payments Program	93.603	-		1,985
Child Welfare Services - State Grants	93.645	-		464
Foster Care - Title IV-E	93.658	-		313,619
Adoption Assistance	93.659	-		658,054
Social Service Block Grant	93.667	-		527,007
Chafee Foster Care Independence Program	93.674	-		10,883
Elder Abuse Prevention Interventions Program	93.747	-		70,540
Children's Health Insurance Program	93.767	-		8,014
Medicaid Cluster – Medical Assistance Program	93.778	-	<u>721,960</u>	721,960
Total Medicaid Cluster – Medical Assistance Program			1,368,763	
CCDF Cluster – Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund	93.596	-	109,971	<u>109,971</u>
Total Department of Health and Human Services				<u>3,733,710</u>

SCHEDULE 1

**COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2024**

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Payments to Subrecipients</u>	<u>Cluster Amounts</u>	<u>Federal Expenditures</u>
<u>Environmental Protection Agency</u>				
<u>Pass-through Payments:</u>				
<u>Virginia Resource Authority</u>				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	-	-	<u>\$ 3,502,221</u>
Total Environmental Protection Agency				<u>3,502,221</u>
Total Expenditures of Federal Awards				<u>\$ 26,378,076</u>

Note 1. Basis of Accounting

This schedule was prepared on the budgetary (cash) basis.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2024, the School Board had food commodities totaling \$380,786 in inventory.

Note 3: De Minimis Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

Note 4: Outstanding Loan Balances

At June 30, 2024, the County had no outstanding loan balances requiring continuing disclosure.

At June 30, 2024, the PSA had an outstanding Drinking Water State Revolving Fund loan balance of \$5,972,985.

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

This part of the County of Montgomery's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5-8
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	9-11
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	12-13
Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services it provides and the activities it performs.	14-15

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

County of Montgomery, Virginia
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Governmental activities										
Net investments in capital assets	\$ 185,232,661	\$ 170,679,705	\$ 156,974,193	\$ 140,830,627	\$ 130,388,031	\$ 120,380,197	\$ 108,865,524	\$ 101,103,840	\$ 106,790,331	\$ 99,224,847
Restricted	10,212,323	11,576,966	3,184,309	3,650,985	4,386,150	4,290,781	2,653,992	3,422,137	3,370,622	9,057,768
Unrestricted	88,246,385	77,329,209	59,951,765	55,022,693	56,030,003	50,833,284	46,583,071	41,482,649	21,079,416	8,962,437
Total governmental activities net position	<u>\$ 283,691,369</u>	<u>\$ 259,585,880</u>	<u>\$ 220,110,267</u>	<u>\$ 199,504,305</u>	<u>\$ 190,804,184</u>	<u>\$ 175,504,262</u>	<u>\$ 158,102,587</u>	<u>\$ 146,008,626</u>	<u>\$ 131,240,369</u>	<u>\$ 117,245,052</u>

* GASB Statement No. 75 was adopted in fiscal year 2018. Information for previous years presented is unavailable.

TABLE 2

County of Montgomery, Virginia
Change in Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses										
Governmental activities										
General government	\$ 10,374,054	\$ 10,006,390	\$ 10,111,221	\$ 8,976,105	\$ 7,019,625	\$ 6,955,344	\$ 7,026,591	\$ 6,710,269	\$ 6,628,073	\$ 7,355,412
Judicial administration	5,032,770	4,318,127	4,302,290	4,243,226	3,706,338	3,163,636	3,180,741	3,284,719	3,085,442	2,972,436
Public safety	24,328,560	22,099,229	20,156,558	19,811,620	16,539,064	15,445,214	14,979,387	15,607,399	16,501,276	16,075,298
Public works	13,743,061	8,941,900	8,522,510	8,963,313	9,837,708	8,295,391	7,771,908	7,043,062	6,588,634	6,183,132
Parks, recreation, and cultural	5,211,498	4,429,596	4,416,474	3,734,939	3,552,501	3,295,659	3,261,183	3,161,901	2,923,681	3,004,779
Health and welfare	12,961,726	10,375,127	10,977,546	23,797,257	9,429,593	7,714,872	7,261,426	7,601,479	7,450,377	7,260,389
Community development	4,688,535	2,386,315	2,637,527	3,796,932	4,152,985	3,822,635	6,481,797	2,257,677	2,147,334	2,029,561
Education	68,309,949	61,871,535	61,141,885	73,671,919	61,673,348	58,425,059	61,309,632	53,783,649	50,296,987	47,892,943
Interest on long-term debt	11,365,572	10,224,645	7,866,056	6,964,508	7,633,847	7,004,860	7,551,364	8,170,978	9,487,012	10,224,163
Total governmental activities	<u>\$ 156,015,725</u>	<u>\$ 134,652,864</u>	<u>\$ 130,132,067</u>	<u>\$ 153,959,819</u>	<u>\$ 123,545,009</u>	<u>\$ 114,122,670</u>	<u>\$ 118,824,029</u>	<u>\$ 107,621,133</u>	<u>\$ 105,108,816</u>	<u>\$ 102,998,113</u>
Program Revenues										
Governmental activities										
Charges for services										
Public Safety	\$ 703,769	\$ 1,754,462	\$ 950,241	\$ 994,527	\$ 880,994	\$ 707,011	\$ 845,614	\$ 675,191	\$ 831,545	\$ 554,537
Public Works	336,899	339,024	303,709	287,462	292,859	167,080	380,295	346,642	534,602	365,211
Other Activities	1,597,624	1,395,861	1,489,371	1,269,679	1,770,296	2,215,560	1,519,573	1,990,012	2,458,491	2,346,584
Operating grants and contributions	27,373,699	30,683,800	17,414,075	19,199,625	14,789,956	14,757,121	15,670,719	13,223,745	13,291,638	13,163,435
Total governmental activities program revenues	<u>\$ 30,011,991</u>	<u>\$ 34,173,147</u>	<u>\$ 20,157,396</u>	<u>\$ 21,751,293</u>	<u>\$ 17,734,105</u>	<u>\$ 17,846,772</u>	<u>\$ 18,416,201</u>	<u>\$ 16,235,590</u>	<u>\$ 17,116,276</u>	<u>\$ 16,429,767</u>
Net Expenses										
Governmental activities	<u>\$ (126,003,734)</u>	<u>\$ (100,479,717)</u>	<u>\$ (109,974,671)</u>	<u>\$ (132,208,526)</u>	<u>\$ (105,810,904)</u>	<u>\$ (96,275,898)</u>	<u>\$ (100,407,828)</u>	<u>\$ (91,385,543)</u>	<u>\$ (87,992,540)</u>	<u>\$ (86,568,346)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 113,350,014	\$ 107,305,431	\$ 105,361,429	\$ 101,706,526	\$ 99,496,494	\$ 93,371,101	\$ 88,892,123	\$ 86,548,199	\$ 83,468,082	\$ 80,635,361
Sales taxes	13,567,931	13,057,494	12,510,891	10,996,811	10,021,532	9,781,761	9,275,276	9,101,542	8,904,969	8,579,451
Other taxes	2,688,330	2,721,155	2,846,476	2,490,169	2,452,667	1,985,345	2,106,997	1,842,352	1,922,210	1,719,851
Utility taxes	1,506,205	1,540,937	1,568,651	1,594,161	1,676,285	1,688,319	1,829,801	1,765,984	1,790,892	1,824,174
Intergovernmental revenue not restricted	5,415,089	5,440,333	5,525,751	22,582,396	5,388,449	5,441,726	5,235,422	5,236,670	5,266,575	5,300,522
Investment earnings	11,148,624	7,814,915	1,356,782	1,538,584	2,075,399	1,409,321	6,776,236	1,659,053	635,129	408,393
Other	2,433,030	2,075,065	1,410,653	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 150,109,223</u>	<u>\$ 139,955,330</u>	<u>\$ 130,580,633</u>	<u>\$ 140,908,647</u>	<u>\$ 121,110,826</u>	<u>\$ 113,677,573</u>	<u>\$ 114,115,855</u>	<u>\$ 106,153,800</u>	<u>\$ 101,987,857</u>	<u>\$ 98,467,752</u>
Changes in Net Position										
Governmental activities	<u>\$ 24,105,489</u>	<u>\$ 39,475,613</u>	<u>\$ 20,605,962</u>	<u>\$ 8,700,121</u>	<u>\$ 15,299,922</u>	<u>\$ 17,401,675</u>	<u>\$ 13,708,027</u>	<u>\$ 14,768,257</u>	<u>\$ 13,995,317</u>	<u>\$ 11,899,406</u>

TABLE 3

County of Montgomery, Virginia
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Post-GASB 54 Implementation	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Fund										
Nonspendable	\$ 6,027,757	\$ 6,148,920	\$ 6,148,464	\$ 6,148,406	\$ 6,149,003	\$ 6,154,603	\$ 7,147,881	\$ 6,392,736	\$ 6,392,736	\$ 6,392,736
Restricted	10,212,323	11,576,966	1,733,337	2,382,193	2,164,627	1,600,823	2,163,916	1,440,932	1,405,595	633,493
Committed	3,226,126	4,783,222	7,305,763	5,268,298	5,182,438	5,099,192	4,869,635	4,295,900	2,997,137	2,629,271
Assigned	8,804,980	6,767,648	10,593,255	9,720,016	11,730,604	11,601,203	10,895,212	8,883,210	10,686,220	8,006,468
Unassigned	44,719,550	38,780,670	38,756,489	39,002,348	31,769,425	33,988,214	25,502,336	21,520,152	21,458,825	21,285,382
Total general fund	<u>\$ 72,990,736</u>	<u>\$ 68,057,426</u>	<u>\$ 64,537,308</u>	<u>\$ 62,521,261</u>	<u>\$ 56,996,097</u>	<u>\$ 58,444,035</u>	<u>\$ 50,578,980</u>	<u>\$ 42,532,930</u>	<u>\$ 42,940,513</u>	<u>\$ 38,947,350</u>
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	95,790,075	98,995,933	104,637,946	25,059,805	31,616,148	2,689,958	2,653,992	3,422,137	6,390,843	15,413,668
Committed	43,247,602	40,649,870	17,583,406	15,929,116	20,712,293	14,072,490	17,976,106	21,089,287	13,552,955	10,724,002
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 139,037,677</u>	<u>\$ 139,645,803</u>	<u>\$ 122,221,352</u>	<u>\$ 40,988,921</u>	<u>\$ 52,328,441</u>	<u>\$ 16,762,448</u>	<u>\$ 20,630,098</u>	<u>\$ 24,511,424</u>	<u>\$ 19,943,798</u>	<u>\$ 26,137,670</u>

TABLE 4

County of Montgomery, Virginia
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
Taxes	\$ 132,124,737	\$ 126,519,791	\$ 122,168,680	\$ 117,373,257	\$ 112,382,615	\$ 107,042,540	\$ 102,097,460	\$ 98,690,096	\$ 96,405,280	\$ 92,947,129
Permits, privilege fees, and licenses	246,416	1,273,127	618,948	759,117	557,011	566,058	713,849	579,676	608,481	803,833
Fines and forfeitures	50,110	35,120	48,728	33,996	51,232	66,488	45,564	31,116	59,412	122,265
Revenue from use of money and property	11,150,165	7,786,284	1,455,279	1,647,879	2,094,141	1,571,938	6,912,778	2,611,393	642,093	1,403,653
Charges for services	609,099	513,818	617,142	383,412	497,957	711,012	731,612	797,051	533,870	491,921
Other	2,235,956	2,029,984	1,507,504	1,375,142	1,837,949	1,746,093	1,254,457	1,604,002	2,622,875	1,236,464
Intergovernmental	32,788,790	36,124,133	22,939,827	41,782,021	20,178,406	20,198,848	20,906,141	18,460,415	18,558,211	18,463,956
Total revenues	179,205,273	174,282,257	149,356,108	163,354,824	137,599,311	131,902,977	132,661,861	122,773,749	119,430,222	115,469,221
Expenditures										
General government	10,346,135	10,817,139	9,712,687	9,038,058	7,803,246	8,161,757	7,854,280	7,577,451	7,258,386	8,143,965
Judicial administration	4,568,793	4,579,298	4,331,390	4,032,319	3,673,519	3,377,188	3,289,505	3,308,287	3,173,484	3,307,130
Public safety	24,601,981	21,374,486	19,830,140	18,752,283	17,234,566	15,827,848	15,131,067	15,251,116	16,261,029	15,518,087
Public works	7,571,822	6,854,820	6,967,845	7,396,971	6,026,622	5,628,434	4,990,527	4,799,802	4,528,292	4,364,754
Parks, recreation, and cultural	4,629,693	4,302,628	4,155,712	3,708,457	3,549,783	3,372,762	3,245,857	3,197,230	2,989,271	3,042,563
Health and welfare	12,311,539	10,437,486	10,889,400	24,869,118	9,327,813	8,066,229	7,575,530	7,677,724	7,627,835	7,456,915
Education	55,128,765	54,909,179	54,149,352	54,023,094	51,558,428	47,473,143	45,356,395	46,859,043	43,841,697	42,766,205
Community development	4,590,379	2,456,694	2,615,465	3,810,748	4,129,787	3,754,882	3,970,487	2,248,407	2,131,661	1,919,458
Capital projects	26,769,773	13,856,529	31,355,578	19,830,558	7,490,885	10,163,401	14,290,730	4,387,690	4,159,785	13,956,949
Debt service										
Principal	15,333,124	16,383,339	17,445,920	16,540,461	15,692,624	14,835,199	15,023,887	15,656,725	14,561,166	13,980,224
Interest and other costs	9,175,987	8,865,354	7,492,494	7,167,113	7,286,872	7,244,729	7,768,872	8,625,448	9,940,225	10,551,067
Total expenditures	175,027,991	154,836,952	168,945,983	169,169,180	133,774,145	127,905,572	128,497,137	119,588,923	116,472,831	125,007,317
Excess of revenues over (under) expenditures	4,177,282	19,445,305	(19,589,875)	(5,814,356)	3,825,166	3,997,405	4,164,724	3,184,826	2,957,391	(9,538,096)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	94,465,000	-	27,315,000	-	-	64,605,000	32,835,000	11,572,000
Bond premium	-	-	6,488,389	-	2,977,889	-	-	12,512,126	6,459,242	-
Inception of leases and subscriptions	147,902	1,499,264	1,884,964	-	-	-	-	-	-	-
Payments to bond escrow agents	-	-	-	-	-	-	-	(76,141,909)	(44,452,342)	(11,462,815)
Transfers in	16,353,709	24,001,211	11,604,874	8,353,625	12,699,724	6,214,420	10,325,691	8,897,271	3,938,560	3,579,323
Transfers out	(16,353,709)	(24,001,211)	(11,604,874)	(8,353,625)	(12,699,724)	(6,214,420)	(10,325,691)	(8,897,271)	(3,938,560)	(3,579,323)
Total other financing sources (uses)	147,902	1,499,264	102,838,353	-	30,292,889	-	-	975,217	(5,158,100)	109,185
Net change in fund balances	\$ 4,325,184	\$ 20,944,569	\$ 83,248,478	\$ (5,814,356)	\$ 34,118,055	\$ 3,997,405	\$ 4,164,724	\$ 4,160,043	\$ (2,200,709)	\$ (9,428,911)
Debt service as a percentage of noncapital expenditures	16.00%	18.00%	18.07%	14.91%	17.86%	18.15%	18.13%	21.11%	21.96%	22.43%

TABLE 5

**County of Montgomery, Virginia
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total Assessed Value	Total Direct Tax Rate *
2024	\$12,284,228,500	\$1,064,732,389	\$ 178,394,402	\$ -	\$ 318,379,000	\$ 13,845,734,291	\$ 5.12
2023	12,060,712,500	1,015,471,522	171,223,293	49,996,153	265,688,500	13,563,091,968	8.12
2022	9,130,475,400	939,976,428	174,101,515	48,564,788	273,030,766	10,566,148,897	8.31
2021	8,937,288,500	853,850,690	171,771,292	56,122,129	289,030,164	10,308,062,775	8.31
2020	8,775,035,200	833,858,782	170,149,272	47,984,352	288,419,400	10,115,447,006	8.31
2019	8,658,132,300	783,624,291	157,427,985	46,298,438	271,118,996	9,916,602,010	8.31
2018	7,918,750,500	760,903,050	148,340,969	43,636,444	264,526,997	9,136,157,960	8.31
2017	7,802,249,900	737,004,452	151,956,796	42,866,162	248,496,706	8,982,574,016	8.31
2016	7,677,904,800	664,804,040	129,605,659	41,233,623	251,993,438	8,765,541,560	8.31
2015	7,541,384,700	648,612,838	128,710,287	40,709,267	273,923,820	8,633,340,912	8.31

Notes: Property is assessed at full market value. Properties are reassessed once every four years.

* Per \$100 of assessed value.

Source: Assessor's Office

TABLE 6

**County of Montgomery, Virginia
Property Tax Rates
Last Ten Calendar Years**

Calendar Year	County of Montgomery Real Estate	Town of Christiansburg Real Estate	Town of Blacksburg Real Estate	Total Rate for Christiansburg Residents	Total Rate for Blacksburg Residents
2024	\$ 0.7500	\$ 0.1400	\$ 0.2600	\$ 0.8900	\$ 1.0100
2023	0.7000	0.1400	0.2600	0.8400	0.9600
2022	0.8900	0.1600	0.2600	1.0500	1.1500
2021	0.8900	0.1600	0.2600	1.0500	1.1500
2020	0.8900	0.1600	0.2600	1.0500	1.1500
2019	0.8900	0.1600	0.2600	1.0500	1.1500
2018	0.8900	0.1600	0.2600	1.0500	1.1500
2017	0.8900	0.1600	0.2500	1.0500	1.1400
2016	0.8900	0.1600	0.2500	1.0500	1.1400
2015	0.8900	0.1600	0.2500	1.0500	1.1400

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Merchants Capital	Total Direct Rate
2024	\$ 0.75	\$ 2.55	\$ 1.82	\$ -	\$ 5.12
2023	0.70	2.55	1.82	3.05	8.12
2022	0.89	2.55	1.82	3.05	8.31
2021	0.89	2.55	1.82	3.05	8.31
2020	0.89	2.55	1.82	3.05	8.31
2019	0.89	2.55	1.82	3.05	8.31
2018	0.89	2.55	1.82	3.05	8.31
2017	0.89	2.55	1.82	3.05	8.31
2016	0.89	2.55	1.82	3.05	8.31
2015	0.89	2.55	1.82	3.05	8.31

Rates are per \$100 of assessed value.

TABLE 7

County of Montgomery, Virginia
Comparison of Tax Rates for Montgomery County and Surrounding Localities
Prior Calendar Year

Locality	CY 2023		CY 2022		CY 2021		CY 2020		CY 2019		CY 2018		CY 2017	
	Real Estate Tax Rate	Personal Property Tax Rate	Real Estate Tax Rate	Personal Property Tax Rate	Real Estate Tax Rate	Personal Property Tax Rate	Real Estate Tax Rate	Personal Property Tax Rate	Real Estate Tax Rate	Personal Property Tax Rate	Real Estate Tax Rate	Personal Property Tax Rate	Real Estate Tax Rate	Personal Property Tax Rate
Montgomery County	\$0.70/\$100	\$2.55/\$100	\$0.89/\$100	\$2.55/\$100	\$0.89/\$100	\$2.55/\$100	\$0.89/\$100	\$2.55/\$100	\$0.89/\$100	\$2.55/\$100	\$0.89/\$100	\$2.55/\$100	\$0.89/\$100	\$2.55/\$100
Craig County	\$0.63/\$100	\$3.50/\$100	\$0.63/\$100	\$3.50/\$100	\$0.63/\$100	\$3.50/\$100	\$0.59/\$100	\$3.50/\$100	\$0.59/\$100	\$3.50/\$100	\$0.59/\$100	\$3.50/\$100	\$0.56/\$100	\$3.00/\$100
Roanoke County	\$1.06/\$100	\$3.40/\$100	\$1.09/\$100	\$3.50/\$100	\$1.09/\$100	\$3.50/\$100	\$1.09/\$100	\$3.50/\$100	\$1.09/\$100	\$3.50/\$100	\$1.09/\$100	\$3.50/\$100	\$1.09/\$100	\$3.50/\$100
Floyd County	\$0.65/\$100	\$3.20/\$100	\$0.65/\$100	\$3.20/\$100	\$0.63/\$100	\$3.20/\$100	\$0.60/\$100	\$2.95/\$100	\$0.60/\$100	\$2.95/\$100	\$0.60/\$100	\$2.95/\$100	\$0.55/\$100	\$2.95/\$100
Pulaski County	\$0.74/\$100	\$2.35/\$100	\$0.74/\$100	\$2.35/\$100	\$0.74/\$100	\$2.35/\$100	\$0.77/\$100	\$2.35/\$100	\$0.77/\$100	\$2.35/\$100	\$0.77/\$100	\$2.35/\$100	\$0.64/\$100	\$2.35/\$100
Giles County	\$0.68/\$100	\$2.05/\$100	\$0.68/\$100	\$2.05/\$100	\$0.65/\$100	\$2.02/\$100	\$0.67/\$100	\$2.02/\$100	\$0.67/\$100	\$2.02/\$100	\$0.63/\$100	\$1.98/\$100	\$0.63/\$100	\$1.98/\$100
City of Radford	\$0.84/\$100	\$2.44/\$100	\$0.84/\$100	\$2.44/\$100	\$0.78/\$100	\$2.44/\$100	\$0.78/\$100	\$2.44/\$100	\$0.82/\$100	\$2.44/\$100	\$0.76/\$100	\$2.44/\$100	\$0.76/\$100	\$2.44/\$100
City of Salem	\$1.20/\$100	\$3.40/\$100	\$1.20/\$100	\$3.40/\$100	\$1.20/\$100	\$3.40/\$100	\$1.20/\$100	\$3.40/\$100	\$1.18/\$100	\$3.25/\$100	\$1.18/\$100	\$3.25/\$100	\$1.18/\$100	\$3.25/\$100
City of Roanoke	\$1.22/\$100	\$3.45/\$100	\$1.22/\$100	\$3.45/\$100	\$1.22/\$100	\$3.45/\$100	\$1.22/\$100	\$3.45/\$100	\$1.22/\$100	\$3.45/\$100	\$1.22/\$100	\$3.45/\$100	\$1.22/\$100	\$3.45/\$100

TABLE 8

**County of Montgomery, Virginia
Principal Property Tax Payers
Current Year and Nine Years Ago**

Taxpayer	Fiscal Year 2024			Fiscal Year 2015		
	Real Estate Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Real Estate Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Jeannie Stosser	\$ 1,373,041,600	1	9.92%	\$ 124,077,300	1	1.44%
Foxridge Owner I LLC/Blacksburg I LLC	290,112,500	2	2.10%			
CAP IX BLACKSBURG LLC	249,388,000	3	1.80%			
Appalachian Power	177,068,688	4	1.28%	94,563,353	3	1.10%
Blacksburg Hunt LLC	115,459,300	5	0.83%			
GEDR Blacksburg LLC	81,800,000	6	0.59%			
Retreat at Blacksburg LLC	76,000,000	7	0.55%			
Shelor Properties	75,760,800	8	0.55%	68,453,600	5	0.79%
Related Properties I LLC	75,000,000	9	0.54%			
Highlands at Huckleberry/Fieldstone/Bluestone Land	68,934,000	10	0.50%			
Foxridge/Harry Hunt III				104,500,000	2	1.21%
MCS Virginia Tech LLC				76,000,000	4	0.88%
Roger Woody				63,893,600	6	0.74%
PF Financing (NRV Mall)				58,400,000	7	0.68%
Village at Bburg LLC (was SHP-The Village at Blacksburg LLC)				47,000,000	8	0.54%
Norfolk and Western				45,377,163	9	0.53%
Maple Ridge				34,085,700	10	0.39%
	<u>\$ 2,582,564,888</u>		<u>18.65%</u>	<u>\$ 716,350,716</u>		<u>8.30%</u>

TABLE 9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy *
2024	\$ 116,583,466	\$ 114,333,809	98.07%	\$ -	\$ 114,333,809	98.07%
2023	111,181,964	108,373,480	97.47%	-	108,373,480	97.47%
2022	106,875,324	104,792,176	98.05%	2,190,721	106,982,897	100.10%
2021	103,383,934	101,496,168	98.17%	2,840,252	104,336,420	100.92%
2020	101,236,828	98,326,734	97.13%	4,216,608	102,543,342	101.29%
2019	95,892,716	94,291,075	98.33%	2,575,294	96,866,369	101.02%
2018	91,294,308	89,655,298	98.20%	2,220,837	91,876,135	100.64%
2017	89,666,096	87,107,903	97.15%	2,949,625	90,057,528	100.44%
2016	86,189,045	84,989,258	98.61%	2,137,708	87,126,966	101.09%
2015	84,688,412	82,375,988	97.27%	2,023,678	84,399,666	99.66%

Note:

* Taxes Levied for the Fiscal Year reflect the original levy and do not include subsequent adjustments. Subsequent adjustments are included in Collections in Subsequent Years. This results in the Percent of Levy exceeding 100% in some years.

County of Montgomery, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds*	General Obligation Refunding Bonds*	Total General Bonded Debt	Lease Revenue Refunding Bonds*	Lease Revenue Bonds*	Literary Fund Loans	Lease Liability	Subscription Liability	Total Primary Government	Percentage of Personal Income	Per Capita
	(1)	(1)		(1)	(1)					(2)	(2)
2024	\$ 125,694,452	\$ 51,194,316	\$ 176,888,768	\$ 16,697,297	\$ 9,548,017	\$ -	\$ 784,283	\$ 339,057	\$ 204,257,422	3.89%	\$ 1,973
2023	129,435,199	59,101,324	188,536,523	20,209,989	10,643,056	-	1,266,674	802,789	221,459,031	4.40%	2,170
2022	133,130,946	65,968,332	199,099,278	23,534,866	12,539,392	-	1,496,028	-	236,669,564	5.14%	2,322
2021	47,919,697	72,775,340	120,695,037	28,462,896	3,610,023	250,000	-	-	153,017,956	3.38%	1,534
2020	56,273,309	73,557,347	129,830,656	35,155,057	4,952,684	500,000	-	-	170,438,397	3.87%	1,703
2019	33,560,079	74,339,355	107,899,434	42,265,513	6,240,933	750,000	-	-	157,155,880	3.80%	1,581
2018	39,633,154	75,121,363	114,754,517	50,479,370	7,476,976	1,000,000	-	-	173,710,863	4.47%	1,762
2017	45,386,023	75,903,371	121,289,394	54,639,117	12,449,589	1,250,000	-	-	189,628,100	5.00%	1,923
2016	115,914,753	-	115,914,753	59,707,545	17,406,657	1,500,000	-	-	194,528,955	5.36%	1,992
2015	129,541,482	-	129,541,482	19,330,973	63,447,580	1,750,000	-	-	214,070,035	6.06%	2,198

Details regarding the County's outstanding debt can be found in Note 9 to Financial Statements.

(1) includes issuance premiums

(2) See Table 13 for population and per capita personal income.

County of Montgomery, Virginia
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Population	Bonded Debt Per Capita	Per Capita Personal Income
	General Obligation Bonds*	General Obligation Refunding Bonds*	Total General Bonded Debt			
	(1)	(1)				
2024	\$ 125,694,452	\$ 51,194,316	\$ 176,888,768			
2023	129,435,199	59,101,324	188,536,523			
2022	133,130,946	65,968,332	199,099,278			
2021	47,919,697	72,775,340	120,695,037			
2020	56,273,309	73,557,347	129,830,656			
2019	33,560,079	74,339,355	107,899,434			
2018	39,633,154	75,121,363	114,754,517			
2017	45,386,023	75,903,371	121,289,394			
2016	115,914,753	-	115,914,753			
2015	129,541,482	-	129,541,482			

Fiscal Year	Total Taxable Assessed Value	Percentage of Estimated Actual Value of Taxable Property	Population	Bonded Debt Per Capita	Per Capita Personal Income
(2)			(3)		(3)
2024	\$ 13,845,734,291	1.28%	103,544	\$ 1,708	50,686
2023	13,563,091,968	1.39%	102,061	1,847	49,316
2022	10,566,148,897	1.88%	101,938	1,953	45,132
2021	10,308,062,775	1.17%	99,721	1,210	45,388
2020	10,115,447,006	1.28%	100,073	1,297	44,040
2019	9,916,602,010	1.09%	99,433	1,085	41,644
2018	9,136,157,960	1.26%	98,559	1,164	39,406
2017	8,982,574,016	1.35%	98,602	1,230	38,495
2016	8,765,541,560	1.32%	97,653	1,187	37,141
2015	8,633,340,912	1.50%	97,405	1,330	36,284

Details regarding the County's outstanding debt can be found in Note 9 to Financial Statements.

(1) includes issuance premiums

(2) See Table 5 for assessed value of personal property

(3) See Table 13 for population and per capita personal income.

TABLE 12

**County of Montgomery, Virginia
Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2024	\$	8,633,603	\$	5,591,055	\$ 3,042,548	\$ 323,813	\$ 78,916	7.55
2023		6,541,016		4,980,873	1,560,143	315,984	86,745	3.87
2022		5,193,384		3,965,797	1,227,587	344,286	95,482	2.79
2021		4,466,822		3,853,682	613,140	305,983	103,601	1.50
2020		4,241,466		3,602,663	638,803	298,482	111,103	1.56
2019		4,133,811		3,623,286	510,525	291,168	118,417	1.25
2018		4,644,378		3,056,795	1,587,583	284,033	125,553	3.88
2017		3,753,544		3,066,780	686,764	272,828	129,901	1.71
2016		3,836,886		3,143,413	693,473	266,231	136,497	1.72
2015		3,997,594		3,033,109	964,485	259,795	142,935	2.39

Beginning in fiscal year 2016, the Montgomery County Public Service Authority was disclosed as a discretely presented component unit instead of a blended component unit.

Notes: Details regarding the County's outstanding debt can be found in the Notes to Financial Statements.

TABLE 13

**County of Montgomery, Virginia
Demographic Statistics
Last Ten Fiscal Years**

Fiscal Year Ended	Population	Total Personal Income	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2024	103,544	5,248,210,000	50,686	9,693	3.60%
2023	102,061	5,033,263,000	49,316	9,447	2.80%
2022	101,938	4,600,702,000	45,132	9,466	2.60%
2021	99,721	4,526,103,000	45,388	9,465	4.20%
2020	100,073	4,407,184,860	44,040	9,761	7.70%
2019	99,433	4,140,756,000	41,644	9,703	3.30%
2018	98,559	3,883,843,000	39,406	9,637	3.50%
2017	98,602	3,795,651,000	38,495	9,487	4.20%
2016	97,653	3,626,967,000	37,141	9,488	4.30%
2015	97,405	3,534,206,000	36,284	9,427	5.50%

Note: Population, school enrollment, and unemployment figures are based on fiscal year ending June 30.
Per Capita Income is as of December 31.

Source: Population, personal income, and unemployment - Economic Development Department
Public school enrollment - School Board Administration

TABLE 14

**County of Montgomery, Virginia
Principal Employers
Current Year and Nine Years Ago**

Employer	Fiscal Year 2024		Fiscal Year 2015	
	Number of Employees	Rank	Number of Employees	Rank
Virginia Polytechnic Institute and State University	5,000 and over	1	5,000 and over	1
Virginia Tech Corporate Research Center	1,000 to 4,999	2	1,000 to 4,999	2
Montgomery County School Board	1,000 to 4,999	3	1,000 to 4,999	3
Alliant TechSystems (BAE)	1,000 to 4,999	4	1,000 to 4,999	-
Moog Inc	1,000 to 4,999	6	500 to 999	5
Carilion New River Valley Medical Center	1,000 to 4,999	5	500 to 999	4
Rowe Furniture Manufacturing	500 to 999	8	500 to 999	-
LewisGale Hospital Montgomery	500 to 999	9	1 to 499	-
Federal Mogul Corp	1 to 499	10	500 to 999	10
Corning Inc	1 to 499	11	1 to 499	-
BAE (Operator for Alliant Tech)	1 to 499	-	1 to 499	7
Dish Network	1 to 499	13	1 to 499	6
Torc Robotics	1 to 499	12	1 to 499	-
New River Valley Community Services	500 to 999	7	500 to 999	9
HCA Virginia Health System	500 to 999	-	500 to 999	8

TABLE 15

County of Montgomery, Virginia
Full-Time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General government										
County administration	42.80	28.00	18.00	15.00	14.00	13.00	13.50	13.50	13.50	13.50
Information management services	11.50	11.50	11.50	11.50	11.50	9.50	9.50	9.50	9.50	9.50
Finance	8.00	8.00	7.00	9.00	9.00	9.00	10.00	9.50	9.50	9.50
Purchasing	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Commissioner of Revenue	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00
Treasurer	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Other	7.00	7.00	6.00	6.00	6.00	6.00	7.50	7.50	7.50	7.50
Public Safety										
Sheriff	128.50	122.50	124.50	126.50	128.50	125.50	125.50	124.50	130.50	130.50
Animal control	4.00	4.00	4.00	4.00	3.75	3.75	4.25	4.25	4.25	4.25
Animal care and adoption center	10.50	9.50	8.50	8.50	8.50	7.50	7.00	-	-	-
Inspections	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Judicial	31.00	28.00	27.00	26.00	25.00	24.00	23.00	23.00	23.00	23.00
Refuse collection	8.60	8.60	9.80	9.80	9.80	10.40	14.00	14.00	14.60	14.60
Other public works										
Engineering	2.00	1.00	1.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00
Building and grounds	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Housekeeping	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00
Other	12.00	11.00	11.00	11.00	10.00	8.00	6.00	6.00	5.00	5.00
Parks, recreation, and cultural	13.00	12.00	11.00	11.00	11.00	11.00	11.00	9.00	9.00	8.00
Library	21.75	21.75	21.50	21.50	21.50	19.50	19.50	19.00	19.75	20.00
Water/Sewer	20.00	20.00	20.00	20.00	20.00	19.00	18.00	18.00	18.00	19.00
Health and welfare	74.50	73.50	72.50	72.50	72.50	68.50	67.50	67.50	67.50	67.50
Community development	11.60	11.00	11.00	11.00	11.00	10.00	10.00	9.00	9.00	9.00
Total	458.75	428.35	415.30	415.30	415.05	397.65	399.25	386.25	390.60	390.85
Source: County Approved Budget	438.75	408.35	395.30							

TABLE 16

County of Montgomery, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Government										
Fleet vehicles	272	279	272	266	255	250	259	245	247	245
Judicial Administration										
Sheriff										
Inmates Housed	27,595	26,405	24,589	28,966	32,743	32,439	32,188	31,808	31,113	32,823
Inmate Transports	4,105	3,828	2,817	2,248	4,100	4,189	3,262	2,814	2,833	3,258
Courts Worked	941	928	932	985	939	996	866	871	818	818
Public safety										
Sheriff										
Physical arrests	687	813	811	1,870	994	974	1,166	1,157	1,055	934
Traffic violations	1,532	4,387	1,101	942	1,168	1,469	1,085	1,041	3,643	4,475
Public works										
Refuse collection										
Refuse collected (pounds per day)	65,777	65,350	66,153	70,947	69,787	64,931	64,264	64,968	63,298	60,902
Recyclables collected (pounds per day)	6,178	6,417	7,052	6,053	5,821	5,906	5,974	5,916	6,032	5,846
* Parks, recreation, and cultural										
Parks and recreation										
Total programs	161	228	277	101	90	272	286	251	283	279
Total registrants	3,180	3,917	4,200	1,984	2,281	2,051	4,673	4,169	3,883	3,259
Joint programs	48	63	96	43	38	49	-	-	-	-
Joint participants	1,369	1,828	2,314	1,086	1,759	5,160	-	-	-	-
Pool patrons	27,185	13,957	15,688	5,703	11,103	16,379	-	-	-	-
Library										
Volumes in collection	206,548	218,909	216,607	208,205	201,249	211,970	217,814	237,227	237,603	236,904
Total volumes borrowed	623,297	517,411	602,041	472,330	529,677	674,538	672,417	666,681	675,317	709,250
Water										
Number of customer accounts	3,477	3,253	3,143	2,896	2,838	2,823	2,750	2,732	2,732	2,725
Miles of distribution lines	117	100	93	90	90	90	93	93	93	93
Average daily consumption	813,083	764,640	799,352	751,704	796,795	782,892	678,134	691,141	711,988	733,741
Sewer										
Number of customer accounts	2,014	1,840	1,737	1,704	1,674	1,650	1,544	1,525	1,512	1,503
Waste/Water treated (million gallons per year)	203	291	169	260	306	283	200	215	181	188
Average daily consumption	555,342	794,520	432,740	714,631	840,266	585,149	547,545	588,384	495,975	517,820

Source: County departments

* 2018 and prior excludes Pool participants and Multi-Jurisdictional programs.

TABLE 17

County of Montgomery, Virginia
Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Public safety										
Law enforcement vehicles	102	102	102	101	103	99	98	97	97	99
Fire and Rescue stations	9	9	10	10	10	10	10	10	10	10
Parks, recreation, and cultural										
Parks/athletic fields	11	11	11	11	11	11	11	10	8	8
Water and sewage										
Water mains (miles)	116.7	100	93	90	90	90	93	93	93	93
Sanitary sewers (miles)	71.8	64	64	64	64	64	64	64	64	63

Source: County departments

THIS PAGE INTENTIONALLY LEFT BLANK

COMPLIANCE SECTION

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

To the Honorable Members of the Board of Supervisors
County of Montgomery, 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*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia (the "County"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001, that we consider to be a material weakness.**



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

County of Montgomery's Response to Findings

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

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 12, 2024

Independent Auditor's 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 Montgomery, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Program

We have audited the County of Montgomery, Virginia's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2024. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.


Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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


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

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

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

Report on Internal Control over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

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

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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
December 12, 2024

County of Montgomery, Virginia

Summary of Compliance Matters

June 30, 2024

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Inmate Canteen Funds
Comprehensive Services Act
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements

Education
Social Services
Fire Programs Aid to Localities
Opioid Abatement Program

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

County of Montgomery, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness and no significant deficiencies** relating to the audit of the financial statements were reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** to the financial statements were disclosed.
4. **No significant deficiencies or material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major programs**.
7. The programs tested as major were:

Name of Program	Assistance Listing Number
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Drinking Water State Revolving Fund (DWSRF) Cluster	
Capitalization Grants for Drinking Water Funds	66.468
Education Stabilization Fund Programs	
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U
Medicaid Cluster – Medical Assistance Program	93.778

8. The threshold for distinguishing Type A and B programs was **\$791,342**.
9. The County was **not** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

2024-001: Segregation of Duties (Material Weakness)**Condition**

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, cash disbursements, and financial reporting. This exposes the County, Public Service Authority, School Board, and Economic Development Authority to a heightened risk of misappropriation.

County of Montgomery, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

Criteria

- Bank reconciliations for the Public Service Authority and Economic Development Authority are performed by someone who has the ability to make cash disbursements. We recommend that someone with no cash-related responsibilities perform bank reconciliations.
- Individuals who perform accounts payable functions including entering vouchers have responsibilities related to general accounting, purchasing, and receiving. We recommend that personnel in the payables function be independent of the general ledger functions. This should also include restrictions on vendor setup and maintenance in the system.
- The person charged with payroll processing also has the ability to distribute payroll checks and unclaimed payroll checks and W-2s are returned to this employee. We recommend that someone independent of payroll processing distribute the checks, retain custody of unclaimed paychecks, and W-2s that are returned or unclaimed.
- The person who processes payroll also has access to modify personnel information. We recommend that this ability be removed from the person processing payroll or that all changes performed by this person be reviewed and authorized by a responsible official.
- A payroll system master file change log is not reviewed. We recommend that a payroll system master file change log be reviewed regularly by a person with no access to change payroll information, in addition continued review of known changes to payroll information.
- The accounts receivable subsidiary ledger for the Public Service Authority is maintained by someone who has both access to cash and the collection functions and the general ledger control accounts. Additionally, the billing functions for the Public Service Authority are also handled by someone who also has responsibility for collections. We recommend that these functions be segregated so that the billing, cash collections, and ledger maintenance be handled by independent individuals.
- Capital asset ledgers are maintained by individuals who perform purchasing functions. We recommend that asset ledgers be maintained by individuals independent of the purchasing function.

Cause

The size of the County's, Public Service Authority's, School Boards, and Economic Development Authority's accounting staff prohibits complete adherence to segregation of duties.

Effect

Internal controls are designed to safeguard assets and detect losses from employee dishonestly or error.

County of Montgomery, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

Recommendation

Steps should be taken to eliminate performance of conflicting duties, where possible, or to implement effective compensating controls.

Views of Responsible Officials and Planned Corrective Action

Management concurs. The County, Public Service Authority, School Board, and Economic Development Authority have taken all steps deemed practical and cost beneficial to minimize conflicting duties.

C – Findings and Questioned Costs – Major Federal Award Program Audit

None noted.

D – Findings – Commonwealth of Virginia

None noted.

County of Montgomery, Virginia
Summary Schedule of Prior Audit Findings
June 30, 2024

2023-001: Segregation of Duties (Material Weakness)

Condition

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, cash disbursements, and financial reporting. This exposes the County and School Board to a heightened risk of misappropriation.

Recommendation

Steps should be taken to eliminate performance of conflicting duties, where possible, or to implement effective compensating controls.

Current Status

Condition still present. See finding 2024-001 in current year Schedule of Findings and Questioned Costs.