

COUNTY OF MIDDLESEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

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COUNTY OF MIDDLESEX, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|-----------------------|-----------------------------------|---------------------------|
| Lud H. Kimbrough, III | Wayne H. Jessie, Sr., Chairperson | Reginald A. Williams, Sr. |
| Peter W. Mansfield | John Koontz, Vice Chairperson | |

COUNTY SCHOOL BOARD

| | | |
|-------------------|---|----------------|
| James W. Goforth | Claudia H. Soucek, Chairperson | Elliot W. Reed |
| Garland M. Harrow | Dr. Richard J. Shores, Vice Chairperson | |

COUNTY WELFARE BOARD

| | | |
|-------------|----------------------------------|---------------|
| Lou Belcher | Mary Ellen Caldwell, Chairperson | George Snead |
| Nora Wilson | | Ellen Carneal |

OTHER OFFICIALS

| | |
|---|------------------------|
| Judge of the Circuit Court | Jeffrey W. Shaw |
| Clerk of the Circuit Court | Lynn L. Dunlevy |
| Judge of the General District Court | Stephanie E. Merritt |
| Judge of Juvenile & Domestic Relations District Court | Holly B. Smith |
| Commonwealth's Attorney | Michael T. Hurd |
| Commissioner of the Revenue | E Mae Burke |
| Treasurer | Kathy Thrift |
| Sheriff | David P. Bushey |
| Superintendent of Schools | Peter M. Gretz, Ed. D. |
| Director of Department of Social Services | Rebecca J. Morgan |
| Clerk of the School Board | Peggy W. Jordan |
| County Administrator | Matt Walker |

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Independent Auditors' Report

To the Honorable Members of the Board of Supervisors
County of Middlesex
Saluda, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex, Virginia, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 75, and 76-88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of County of Middlesex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Middlesex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Middlesex, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
November 18, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

To the Honorable Members of the Board of Supervisors
To the Citizens of Middlesex County
County of Middlesex, Virginia

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2020.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$19,023,703 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources over expenditures and other financing uses in the amount of \$442,577 (Exhibit 5) after making contributions totaling \$10,212,244 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,530,440, an increase of \$442,577 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,598,278, or 32% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,090,878 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner like a private-sector business.

The statement of net position presents information on all County assets and liabilities, with the difference between the two 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.

The statement of activities presents information showing how the County's net assets changed during the most recent 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Middlesex, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Middlesex, Virginia is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

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 of Middlesex Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All County funds can be divided into two categories: governmental funds and fiduciary funds.

Overview of the Financial Statements (Continued)

Governmental funds - *Governmental funds* are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has two major governmental funds - the General Fund and the County Capital Projects Fund.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All County fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit - School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$19,023,703 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

| <u>County of Middlesex, Virginia's Net Position</u> | | |
|---|--------------------------------|-----------------------------|
| | <u>Governmental Activities</u> | |
| | <u>2020</u> | <u>2019</u> |
| Current and other assets | \$ 23,041,791 | \$ 21,952,185 |
| Capital assets | <u>23,803,237</u> | <u>25,561,017</u> |
| Total assets | \$ <u>46,845,028</u> | \$ <u>47,513,202</u> |
| Deferred outflows of resources | \$ <u>494,182</u> | \$ <u>148,817</u> |
| Current liabilities | \$ 1,281,154 | \$ 406,020 |
| Long-term liabilities outstanding | <u>19,987,929</u> | <u>22,078,807</u> |
| Total liabilities | \$ <u>21,269,083</u> | \$ <u>22,484,827</u> |
| Deferred inflows of resources | \$ <u>7,046,424</u> | \$ <u>7,125,278</u> |
| Net position: | | |
| Net investment in capital assets | \$ 5,624,414 | \$ 5,229,265 |
| Unrestricted | <u>13,399,289</u> | <u>12,822,649</u> |
| Total net position | \$ <u><u>19,023,703</u></u> | \$ <u><u>18,051,914</u></u> |

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$971,789 during the current fiscal year. The following table summarizes the County's Statement of Activities:

| County of Middlesex, Virginia's Changes in Net Position | | |
|---|-------------------------|---------------|
| | Governmental Activities | |
| | 2020 | 2019 |
| Charges for services | \$ 356,709 | \$ 482,958 |
| Operating grants and contributions | 3,319,757 | 3,385,147 |
| General property taxes | 17,621,392 | 16,739,818 |
| Other local taxes | 2,993,537 | 2,823,035 |
| Grants and other contributions not restricted | 1,147,089 | 1,141,057 |
| Other general revenues | 442,252 | 312,761 |
| Total revenues | \$ 25,880,736 | \$ 24,884,776 |
| General government administration | \$ 2,088,093 | \$ 1,905,557 |
| Judicial administration | 1,088,721 | 1,018,531 |
| Public safety | 4,487,862 | 3,838,704 |
| Public works | 1,838,319 | 3,114,624 |
| Health and welfare | 2,679,413 | 2,419,854 |
| Education | 11,252,505 | 11,038,834 |
| Parks, recreation, and cultural | 257,793 | 250,640 |
| Community development | 669,348 | 613,121 |
| Interest and other fiscal charges | 546,893 | 683,153 |
| Total expenses | \$ 24,908,947 | \$ 24,883,018 |
| Change in net position | \$ 971,789 | \$ 1,758 |
| Net position, beginning of year | 18,051,914 | 18,050,156 |
| Net position, end of year | \$ 19,023,703 | \$ 18,051,914 |

Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. Particularly, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$12,530,440, an increase of \$442,577. Approximately 69% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources exceeded General Fund budgetary estimates in the amount of \$467,039. Expenditures and other financing uses were less than budgetary estimates by \$2,371,216, resulting in a positive variance of \$2,838,255.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2020 amounted to \$23,803,237 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$19,432,142. Of this amount, \$1,650,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, leases, and notes).

The County's debt decreased by \$2,138,379 during the current fiscal year.

Additional information on the County of Middlesex, Virginia's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indices.

All these factors were considered in preparing the County's budget for the 2021 fiscal year.

The fiscal year 2021 budget decreased by approximately 1.4 percent. There were no tax rate increases.

Requests for Information

This financial report is designed to provide a general overview of the County of Middlesex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 877 General Puller Highway, Post Office Box 428, Saluda, Virginia 23149.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Statement of Net Position
As of June 30, 2020

| | Primary Government | | |
|--|----------------------------|-----------------------|-------------------|
| | Governmental Activities | Component Units | |
| | | School Board | EDA |
| ASSETS | | | |
| Cash and cash equivalents | \$ 11,064,784 | \$ 2,563,888 | \$ 418,010 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 8,395,169 | - | - |
| Accounts receivable | 100,635 | - | - |
| Note receivable | - | - | 60,000 |
| Due from other governmental units | 1,166,396 | 307,401 | - |
| Net pension asset | 1,061,488 | - | - |
| Restricted assets: | | | |
| Bond construction funds | 1,253,319 | - | - |
| Capital assets (net of accumulated depreciation): | | | |
| Land and land improvements | 2,437,256 | 248,545 | 11,155 |
| Buildings and improvements | 17,061,465 | 5,882,438 | - |
| Intangibles | 414,000 | - | - |
| Equipment | 3,578,493 | 861,211 | - |
| Construction in progress | 312,023 | - | - |
| Total assets | <u>\$ 46,845,028</u> | <u>\$ 9,863,483</u> | <u>\$ 489,165</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related items | \$ 427,817 | \$ 4,233,366 | \$ - |
| OPEB related items | 66,365 | 562,074 | - |
| Total deferred outflows of resources | <u>\$ 494,182</u> | <u>\$ 4,795,440</u> | <u>\$ -</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 57,984 | \$ 142 | \$ - |
| Accrued liabilities | 27,189 | 1,588,243 | - |
| Accrued interest payable | 272,742 | - | - |
| Due to other governmental units | - | 496,417 | - |
| Unearned revenue | 923,239 | - | - |
| Long-term liabilities: | | | |
| Due within one year | 2,183,138 | 9,793 | - |
| Due in more than one year | 17,804,791 | 17,181,454 | - |
| Total liabilities | <u>\$ 21,269,083</u> | <u>\$ 19,276,049</u> | <u>\$ -</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | \$ 6,852,767 | \$ - | \$ - |
| Pension related items | 176,821 | 1,353,046 | - |
| OPEB related items | 16,836 | 75,056 | - |
| Total deferred inflows of resources | <u>\$ 7,046,424</u> | <u>\$ 1,428,102</u> | <u>\$ -</u> |
| NET POSITION | | | |
| Net investment in capital assets | \$ 5,624,414 | \$ 6,992,194 | \$ 11,155 |
| Unrestricted | 13,399,289 | (13,037,422) | 478,010 |
| Total net position | <u>\$ 19,023,703</u> | <u>\$ (6,045,228)</u> | <u>\$ 489,165</u> |

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

County of Middlesex, Virginia
Statement of Activities
For the Year Ended June 30, 2020

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|------------------|-------------------------|-----------------------------|--|--|-----------------|-------------|
| | Expenses | Charges for Services | Operating | | Primary Governmental Activities | Component Units | |
| | | | Grants and Contributions | Capital Grants and Contributions | | School Board | EDA |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government administration | \$ 2,088,093 | \$ 3,465 | \$ 240,231 | \$ - | \$ (1,844,397) | | |
| Judicial administration | 1,088,721 | 22,286 | 410,457 | - | (655,978) | | |
| Public safety | 4,487,862 | 172,847 | 873,180 | - | (3,441,835) | | |
| Public works | 1,838,319 | - | 4,883 | - | (1,833,436) | | |
| Health and welfare | 2,679,413 | - | 1,761,748 | - | (917,665) | | |
| Education | 11,252,505 | - | - | - | (11,252,505) | | |
| Parks, recreation, and cultural | 257,793 | 38,733 | 4,500 | - | (214,560) | | |
| Community development | 669,348 | 119,378 | 24,758 | - | (525,212) | | |
| Interest on long-term debt | 546,893 | - | - | - | (546,893) | | |
| Total governmental activities | \$ 24,908,947 | \$ 356,709 | \$ 3,319,757 | \$ - | \$ (21,232,481) | | |
| Total primary government | \$ 24,908,947 | \$ 356,709 | \$ 3,319,757 | \$ - | | | |
| COMPONENT UNITS: | | | | | | | |
| School Board | \$ 17,369,778 | \$ 134,472 | \$ 6,455,901 | \$ - | \$ (10,779,405) | \$ - | \$ - |
| Economic Development Authority | 73,643 | 39,151 | - | - | - | - | (34,492) |
| Total component unit | \$ 17,443,421 | \$ 173,623 | \$ 6,455,901 | \$ - | \$ (10,779,405) | \$ (10,779,405) | \$ (34,492) |
| General revenues: | | | | | | | |
| General property taxes | | | | | \$ 17,621,392 | \$ - | \$ - |
| Other local taxes: | | | | | | | |
| Local sales and use taxes | | | | | 1,274,255 | - | - |
| Motor vehicle licenses | | | | | 285,123 | - | - |
| Meals tax | | | | | 391,954 | - | - |
| Other local taxes | | | | | 1,042,205 | - | - |
| Unrestricted revenues from use of money and property | | | | | 211,528 | 27,949 | 2,735 |
| Miscellaneous | | | | | 230,724 | 234,167 | - |
| Contributions from Middlesex County | | | | | - | 10,758,012 | 100,000 |
| Grants and contributions not restricted to specific programs | | | | | 1,147,089 | - | - |
| Total general revenues | | | | | \$ 22,204,270 | \$ 11,020,128 | \$ 102,735 |
| Change in net position | | | | | \$ 971,789 | \$ 240,723 | \$ 68,243 |
| Net position - beginning | | | | | 18,051,914 | (6,285,951) | 420,922 |
| Net position - ending | | | | | \$ 19,023,703 | \$ (6,045,228) | \$ 489,165 |

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

FUND FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2020

| | <u>General</u> | <u>County Capital Projects</u> | <u>Total</u> |
|--|----------------------|--|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 9,340,688 | \$ 1,724,096 | \$ 11,064,784 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 8,395,169 | - | 8,395,169 |
| Accounts receivable | 100,635 | - | 100,635 |
| Due from other governmental units | 1,166,396 | - | 1,166,396 |
| Restricted assets: | | | |
| Bond construction funds | - | 1,253,319 | 1,253,319 |
| Total assets | <u>\$ 19,002,888</u> | <u>\$ 2,977,415</u> | <u>\$ 21,980,303</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 57,984 | \$ - | \$ 57,984 |
| Accrued liabilities | 27,189 | - | 27,189 |
| Unearned revenue | 923,239 | - | 923,239 |
| Total liabilities | <u>\$ 1,008,412</u> | <u>\$ -</u> | <u>\$ 1,008,412</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue-property taxes | \$ 8,441,451 | \$ - | \$ 8,441,451 |
| Total deferred inflows of resources | <u>\$ 8,441,451</u> | <u>\$ -</u> | <u>\$ 8,441,451</u> |
| FUND BALANCES: | | | |
| Restricted | \$ - | \$ 1,253,319 | \$ 1,253,319 |
| Committed | 44,676 | 1,724,096 | 1,768,772 |
| Assigned | 910,071 | - | 910,071 |
| Unassigned | 8,598,278 | - | 8,598,278 |
| Total fund balances | <u>\$ 9,553,025</u> | <u>\$ 2,977,415</u> | <u>\$ 12,530,440</u> |

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

County of Middlesex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
As of June 30, 2020

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

| | | |
|--|----|------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 12,530,440 |
|--|----|------------|

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

| | | |
|--------------------------|---------------------|------------|
| Capital assets, cost | \$ 42,559,012 | |
| Accumulated depreciation | <u>(18,755,775)</u> | 23,803,237 |

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

| | | |
|--------------------------------------|------------------|-----------|
| Unavailable revenue - property taxes | \$ 1,588,684 | |
| Net pension asset | <u>1,061,488</u> | 2,650,172 |

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

| | | |
|-----------------------|---------------|---------|
| Pension related items | \$ 427,817 | |
| OPEB related items | <u>66,365</u> | 494,182 |

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

| | | |
|--------------------------|------------------|--------------|
| Capital leases | \$ (273,042) | |
| General obligation bonds | (1,650,000) | |
| Lease revenue bonds | (17,509,100) | |
| Compensated absences | (291,356) | |
| Net OPEB liability | (264,431) | |
| Accrued interest payable | <u>(272,742)</u> | (20,260,671) |

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

| | | |
|-----------------------|-----------------|-----------|
| Pension related items | \$ (176,821) | |
| OPEB related items | <u>(16,836)</u> | (193,657) |

| | | |
|---|----|--------------------------|
| Net position of governmental activities | \$ | <u><u>19,023,703</u></u> |
|---|----|--------------------------|

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

County of Middlesex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

| | <u>General</u> | <u>County Capital Projects</u> | <u>Total</u> |
|--|----------------|--|---------------|
| REVENUES | | | |
| General property taxes | \$ 17,418,932 | \$ - | \$ 17,418,932 |
| Other local taxes | 2,993,537 | - | 2,993,537 |
| Permits, privilege fees, and regulatory licenses | 157,283 | - | 157,283 |
| Fines and forfeitures | 7,479 | - | 7,479 |
| Revenue from the use of money and property | 196,207 | 15,321 | 211,528 |
| Charges for services | 191,947 | - | 191,947 |
| Miscellaneous | 180,724 | 50,000 | 230,724 |
| Recovered costs | 297,944 | - | 297,944 |
| Intergovernmental: | | | |
| Commonwealth | 3,627,588 | - | 3,627,588 |
| Federal | 839,258 | - | 839,258 |
| Total revenues | \$ 25,910,899 | \$ 65,321 | \$ 25,976,220 |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 1,672,592 | \$ - | \$ 1,672,592 |
| Judicial administration | 889,991 | - | 889,991 |
| Public safety | 4,126,582 | - | 4,126,582 |
| Public works | 1,456,000 | - | 1,456,000 |
| Health and welfare | 2,663,999 | - | 2,663,999 |
| Education | 10,219,007 | - | 10,219,007 |
| Parks, recreation, and cultural | 280,075 | - | 280,075 |
| Community development | 601,135 | - | 601,135 |
| Capital projects | - | 904,864 | 904,864 |
| Debt service: | | | |
| Principal retirement | 2,138,379 | - | 2,138,379 |
| Interest and other fiscal charges | 581,019 | - | 581,019 |
| Total expenditures | \$ 24,628,779 | \$ 904,864 | \$ 25,533,643 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 1,282,120 | \$ (839,543) | \$ 442,577 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ 6,500 | \$ 962,000 | \$ 968,500 |
| Transfers out | (962,000) | (6,500) | (968,500) |
| Total other financing sources (uses) | \$ (955,500) | \$ 955,500 | \$ - |
| Net change in fund balances | \$ 326,620 | \$ 115,957 | \$ 442,577 |
| Fund balances - beginning | 9,226,405 | 2,861,458 | 12,087,863 |
| Fund balances - ending | \$ 9,553,025 | \$ 2,977,415 | \$ 12,530,440 |

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

County of Middlesex, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 442,577 |
|--|----|---------|

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

| | | |
|---|------------------|-------------|
| Capital asset additions | \$ 364,900 | |
| Depreciation expense | (1,576,912) | |
| Activity related to joint tenancy assets of Component Unit and Primary Government | <u>(545,768)</u> | (1,757,780) |

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

| | | |
|---|--|---------|
| Increase (decrease) in unavailable property taxes | | 202,460 |
|---|--|---------|

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

| | | |
|---|------------------|-----------|
| Principal retired on capital leases | \$ 175,679 | |
| Principal retired on general obligation bonds | 165,000 | |
| Principal retired on lease revenue bonds | <u>1,797,700</u> | 2,138,379 |

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.

The following is a summary of items supporting this adjustment:

| | | |
|---|---------------|----------|
| Decrease (increase) in compensated absences | \$ (16,070) | |
| Change in pension related items | (68,665) | |
| Change in OPEB related items | 8,532 | |
| Decrease (increase) in accrued interest payable | <u>22,356</u> | (53,847) |

| | | |
|---|----|-----------------------|
| Change in net position of governmental activities | \$ | <u><u>971,789</u></u> |
|---|----|-----------------------|

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

County of Middlesex, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2020

| | Agency <u>Funds</u> |
|--|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 120,258 |
| | <u><u>120,258</u></u> |
| LIABILITIES | |
| Amounts held for others | \$ 113,071 |
| Amounts held for social services clients | 7,187 |
| Total liabilities | <u><u>\$ 120,258</u></u> |

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements As of June 30, 2020

Note 1—Summary of Significant Accounting Policies:

The County of Middlesex, Virginia (the "County") is governed by an elected five-member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of Middlesex, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Middlesex (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2020.

Discretely Presented Component Units. The School Board members are elected by the citizens of Middlesex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County can approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2020.

The Middlesex County Economic Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2020. The Authority does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

None

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real estate and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

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

In the fund financial statements, financial transactions and accounts of the County are organized based on funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General and County Capital Project Funds as major governmental funds.

General Fund - The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

Capital Projects Fund - The County Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

- 2. Fiduciary Funds - (Trust and Agency Funds)** - Account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds which consists of the Special Welfare Fund and Chesapeake Bay Governor's School Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund presentation but have no measurement focus. Fiduciary funds are not included in the government-wide financial statements.

E. 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 the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Note 1—Summary of Significant Accounting Policies: (Continued)**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$35,156 on June 30, 2020 and was comprised of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

| | <u>Real Property</u> | <u>Personal Property</u> |
|-----------|--------------------------------------|--------------------------|
| Levy | January 1 | January 1 |
| Due Date | June 5/December 5 (50% each date) | December 5 |
| Lien Date | January 1 | January 1 |

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Buildings | 20-40 |
| Buildings and Improvements | 10-40 |
| Infrastructure | 7 |
| Furniture, Vehicles, Office and Computer Equipment | 5-20 |
| Intangibles | 5 |
| Buses | 12 |

Note 1—Summary of Significant Accounting Policies: (Continued)

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for non-vesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Use of Estimates

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

K. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund).
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Note 1—Summary of Significant Accounting Policies: (Continued)**K. Fund Balance (Continued)**

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

| | General Fund | County Capital Projects | Total |
|--|---------------------|-------------------------------|----------------------|
| Fund Balances: | | | |
| Restricted: | | | |
| Bond construction funds | \$ - | \$ 1,253,319 | \$ 1,253,319 |
| Total Restricted | \$ - | \$ 1,253,319 | \$ 1,253,319 |
| Committed: | | | |
| Capital Projects | \$ - | \$ 1,724,096 | \$ 1,724,096 |
| Proffers | 41,371 | - | 41,371 |
| Forfeited Assets - Commonwealth's Attorney | 3,305 | - | 3,305 |
| Total Committed | \$ 44,676 | \$ 1,724,096 | \$ 1,768,772 |
| Assigned: | | | |
| Dredge funding | \$ 750,000 | \$ - | \$ 750,000 |
| Unsafe structure removal | 40,000 | - | 40,000 |
| Election equipment | 30,071 | - | 30,071 |
| Reassessment | 90,000 | - | 90,000 |
| Total Assigned Fund Balance | \$ 910,071 | \$ - | \$ 910,071 |
| Unassigned | \$ 8,598,278 | \$ - | \$ 8,598,278 |
| Total Fund Balances | \$ 9,553,025 | \$ 2,977,415 | \$ 12,530,440 |

L. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Net Position (Continued)

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

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

O. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

Note 1—Summary of Significant Accounting Policies: (Continued)

P. Deferred Outflows/Inflows of Resources

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund on June 30, 2020.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits more than 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2020 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The County’s investment policy has an emphasis on safety and liquidity of investments. The County’s policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

| County's Rated Debt Investments' Values | |
|---|-------------------------|
| Rated Debt Investments | Fair Quality Ratings |
| | AAAm |
| Local Government Investment Pool | \$ 17,688 |
| U.S Government Obligations | 1,253,319 |
| Total | <u>\$ 1,271,007</u> |

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

The County invests in diversified, low risk, high liquidity investments with maturity dates not to exceed five years.

| Investment Maturities (in years) | | |
|----------------------------------|---------------------|-----------------------------|
| <u>Investment Type</u> | | |
| | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
| Local Government Investment Pool | \$ 17,688 | \$ 17,688 |
| U.S. Government Obligations | <u>1,253,319</u> | <u>1,253,319</u> |
| Total | <u>\$ 1,271,007</u> | <u>\$ 1,271,007</u> |

External Investment Pools

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 4—Due to/from Other Governments:

At June 30, 2020, the County has receivables due from other governments as follows:

| | Primary Government | Component Unit School Board |
|---------------------------------------|-----------------------|-----------------------------------|
| Other Local Governments: | | |
| Middlesex County Public Schools | \$ 496,417 | \$ - |
| Commonwealth of Virginia: | | |
| Local sales tax | 258,097 | - |
| Rental tax | 278 | - |
| State Sales Tax | - | 180,685 |
| Constitutional officer reimbursements | 107,691 | - |
| Mobile home titling tax | 3,644 | - |
| Communications tax | 59,708 | - |
| Children's services act | 130,015 | - |
| Wireless funds | 7,625 | - |
| Welfare | 40,667 | - |
| Rolling stock tax | 539 | - |
| Federal Government: | | |
| School fund grants | - | 126,716 |
| Victim/witness | - | - |
| Welfare | 61,715 | - |
| Total due from other governments | <u>\$ 1,166,396</u> | <u>\$ 307,401</u> |

At June 30, 2020, amounts due to other governmental units are as follows:

| | | |
|-------------------------------|-------------|-------------------|
| Other Local Governments: | | |
| County of Middlesex, Virginia | <u>\$ -</u> | <u>\$ 496,417</u> |

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|-------------------------|----------------|--------------|--------------------------|
| <i>Primary Government:</i> | | | | |
| <i>Governmental Activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 2,437,256 | \$ - | \$ - | \$ 2,437,256 |
| Construction in progress | 17,423 | 294,600 | - | 312,023 |
| Total capital assets not subject to depreciation | \$ 2,454,679 | \$ 294,600 | \$ - | \$ 2,749,279 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 13,438,807 | \$ - | \$ - | \$ 13,438,807 |
| Equipment | 6,652,141 | 70,300 | 166,324 | 6,556,117 |
| Infrastructure | 16,170 | - | - | 16,170 |
| Intangibles | 690,000 | - | - | 690,000 |
| Jointly owned assets | 20,068,750 | - | 960,111 | 19,108,639 |
| Total capital assets subject to depreciation | \$ 40,865,868 | \$ 70,300 | \$ 1,126,435 | \$ 39,809,733 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 6,393,958 | \$ 352,825 | \$ - | \$ 6,746,783 |
| Equipment | 2,550,591 | 593,357 | 166,324 | 2,977,624 |
| Infrastructure | 16,170 | - | - | 16,170 |
| Intangibles | 138,000 | 138,000 | - | 276,000 |
| Jointly owned assets | 8,660,811 | 492,730 | 414,343 | 8,739,198 |
| Total accumulated depreciation | \$ 17,759,530 | \$ 1,576,912 | \$ 580,667 | \$ 18,755,775 |
| Total capital assets subject to depreciation, net | \$ 23,106,338 | \$ (1,506,612) | \$ 545,768 | \$ 21,053,958 |
| Governmental activities capital assets, net | \$ 25,561,017 | \$ (1,212,012) | \$ 545,768 | \$ 23,803,237 |

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|-------------------------|--------------|--------------|--------------------------|
| <i>Component Unit-School Board:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 248,545 | \$ - | \$ - | \$ 248,545 |
| Total capital assets not subject to depreciation | \$ 248,545 | \$ - | \$ - | \$ 248,545 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 1,409,332 | \$ 154,072 | \$ - | \$ 1,563,404 |
| Equipment | 3,192,354 | 175,321 | - | 3,367,675 |
| Jointly owned assets | 8,417,649 | - | (960,111) | 9,377,760 |
| Total capital assets subject to depreciation | \$ 13,019,335 | \$ 329,393 | \$ (960,111) | \$ 14,308,839 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 711,029 | \$ 58,847 | \$ - | \$ 769,876 |
| Equipment | 2,248,250 | 258,214 | - | 2,506,464 |
| Jointly owned assets | 3,632,695 | 241,812 | (414,343) | 4,288,850 |
| Total accumulated depreciation | \$ 6,591,974 | \$ 558,873 | \$ (414,343) | \$ 7,565,190 |
| Total capital assets subject to depreciation, net | \$ 6,427,361 | \$ (229,480) | \$ (545,768) | \$ 6,743,649 |
| Component unit school board capital assets, net | \$ 6,675,906 | \$ (229,480) | \$ (545,768) | \$ 6,992,194 |
| | | | | |
| | Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 |
| <i>Component Unit-Economic Development Authority:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 11,155 | \$ - | \$ - | \$ 11,155 |
| Component unit economic development authority capital assets, net | \$ 11,155 | \$ - | \$ - | \$ 11,155 |

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

| | |
|-----------------------------------|---------------------|
| Primary Government: | |
| Governmental activities: | |
| General government administration | \$ 254,395 |
| Judicial administration | 183,656 |
| Public safety | 605,803 |
| Public works | 33,693 |
| Education | 492,730 |
| Parks, recreation and cultural | <u>6,635</u> |
| Total Governmental activities | <u>\$ 1,576,912</u> |
| Component Unit School Board | <u>\$ 558,873</u> |

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Middlesex, Virginia for the year ended June 30, 2020, is that school financed assets in the amount of \$10,369,441 are reported in the Primary Government for financial reporting purposes.

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2020 consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ 6,500 | \$ 962,000 |
| County Capital Projects Fund | <u>962,000</u> | <u>6,500</u> |
| Total | <u>\$ 968,500</u> | <u>\$ 968,500</u> |

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2020:

Primary Government:

| | Balance at July 1, 2019 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2020 | Amounts Due Within One Year |
|---|----------------------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|
| Governmental Activities Obligations: | | | | | |
| Incurred by County: | | | | | |
| Compensated absences | | | | | |
| (payloadable by General Fund) | \$ 275,286 | \$ 43,599 | \$ 27,529 | \$ 291,356 | \$ 29,136 |
| Net OPEB liabilities | 233,000 | 78,820 | 47,389 | 264,431 | - |
| Capital leases | 448,721 | - | 175,679 | 273,042 | 134,802 |
| Direct borrowings and placements: | | | | | |
| Lease revenue bonds | 9,713,860 | - | 924,202 | 8,789,658 | 948,608 |
| Total incurred by County | <u>\$ 10,670,867</u> | <u>\$ 122,419</u> | <u>\$ 1,174,799</u> | <u>\$ 9,618,487</u> | <u>\$ 1,112,546</u> |
| Incurred by School Board: | | | | | |
| Direct borrowings and placements: | | | | | |
| General obligation bonds | \$ 1,815,000 | \$ - | \$ 165,000 | \$ 1,650,000 | \$ 175,000 |
| Lease revenue bonds | 9,592,940 | - | 873,498 | 8,719,442 | 895,592 |
| Total incurred by School Board | <u>\$ 11,407,940</u> | <u>\$ -</u> | <u>\$ 1,038,498</u> | <u>\$ 10,369,442</u> | <u>\$ 1,070,592</u> |
| Total Governmental Activities Obligations | <u>\$ 22,078,807</u> | <u>\$ 122,419</u> | <u>\$ 2,213,297</u> | <u>\$ 19,987,929</u> | <u>\$ 2,183,138</u> |

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

| Year Ending June 30, | County Obligations | | | |
|-------------------------|----------------------------------|---------------------|-------------------|------------------|
| | Direct borrowings and placements | | | |
| | Lease Revenue Bonds | | Capital Leases | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 948,608 | \$ 204,687 | \$ 134,802 | \$ 6,963 |
| 2022 | 970,836 | 183,172 | 138,240 | 3,525 |
| 2023 | 984,657 | 161,320 | - | - |
| 2024 | 1,008,299 | 138,847 | - | - |
| 2025 | 941,998 | 116,784 | - | - |
| 2026 | 970,517 | 95,114 | - | - |
| 2027 | 447,452 | 72,908 | - | - |
| 2028 | 397,387 | 61,211 | - | - |
| 2029 | 398,915 | 50,700 | - | - |
| 2030 | 411,907 | 39,997 | - | - |
| 2031 | 424,134 | 28,961 | - | - |
| 2032 | 435,597 | 17,613 | - | - |
| 2033 | 449,351 | 5,933 | - | - |
| Total | <u>\$ 8,789,658</u> | <u>\$ 1,177,247</u> | <u>\$ 273,042</u> | <u>\$ 10,488</u> |

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

| Year Ending June 30, | School Obligations | | | |
|-------------------------|----------------------------------|-------------------|---------------------|---------------------|
| | Direct borrowings and placements | | | |
| | General Obligation Bonds | | Lease Revenue Bonds | |
| | Principal | Interest | Principal | Interest |
| 2021 | \$ 175,000 | \$ 71,906 | \$ 895,592 | \$ 238,114 |
| 2022 | 180,000 | 62,943 | 927,364 | 214,836 |
| 2023 | 190,000 | 53,600 | 949,943 | 190,742 |
| 2024 | 200,000 | 43,753 | 977,301 | 165,881 |
| 2025 | 210,000 | 33,400 | 1,015,102 | 140,058 |
| 2026 | 225,000 | 22,416 | 1,042,683 | 113,255 |
| 2027 | 230,000 | 13,228 | 1,079,548 | 85,474 |
| 2028 | 240,000 | 4,860 | 265,913 | 66,582 |
| 2029 | - | - | 278,385 | 56,861 |
| 2030 | - | - | 295,193 | 46,539 |
| 2031 | - | - | 312,466 | 35,536 |
| 2032 | - | - | 330,303 | 23,826 |
| 2033 | - | - | 349,649 | 11,365 |
| Total | <u>\$ 1,650,000</u> | <u>\$ 306,106</u> | <u>\$ 8,719,442</u> | <u>\$ 1,389,069</u> |

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

| | Interest Rates | Date Issued | Final Maturity Date | Amount of Original Issue | Balance Governmental Activities | Amount Due Within One Year |
|--|-------------------|----------------|---------------------------|--------------------------------|---------------------------------------|----------------------------------|
| Incurred by the County: | | | | | | |
| Compensated absences (payable from the General Fund) | | | | | \$ 291,356 | \$ 29,136 |
| Net OPEB liabilities (payable from the General Fund) | | | | | \$ 264,431 | \$ - |
| Direct borrowings and placements: | | | | | | |
| <u>Lease Revenue Bonds:</u> | | | | | | |
| Public Facility Lease Revenue Bond | 2.125% - 5.125% | 4/30/2012 | 10/1/2026 | \$ 630,000 | \$ 350,000 | \$ 45,000 |
| Public Facility Lease Revenue Refunding Bond | 2.64% | 5/1/2017 | 8/1/2032 | 5,987,585 | 5,011,658 | 328,608 |
| Public Facility Lease Revenue Refunding Bond | 2.35% | 7/8/2015 | 12/30/2026 | 638,000 | 334,000 | 81,000 |
| Public Facility Lease Revenue Bond | 1.74% | 3/29/2016 | 2/1/2026 | 5,000,000 | 3,094,000 | 494,000 |
| Total Lease Revenue Bonds | | | | | \$ 8,789,658 | \$ 948,608 |
| Other long-term debt: | | | | | | |
| <u>Capital Leases:</u> | | | | | | |
| Capital Lease, Communication System. No collateral | 2.55% | 1/8/2018 | 1/8/2022 | 532,674 | \$ 273,042 | \$ 134,802 |
| Total Capital Leases | | | | | \$ 273,042 | \$ 134,802 |
| Total long-term obligations incurred by the County | | | | | \$ 9,618,487 | \$ 1,112,546 |
| Incurred by the School Board: | | | | | | |
| Direct borrowings and placements: | | | | | | |
| <u>General Obligation Bond:</u> | | | | | | |
| VPSPA Bond Outstanding | 2.55% - 5.05% | 5/10/2012 | 7/15/2027 | \$ 2,555,000 | \$ 1,650,000 | \$ 175,000 |
| <u>Revenue Bonds:</u> | | | | | | |
| Public Facility Lease Revenue Refunding Bond | 2.64% | 5/1/2017 | 8/1/2032 | 1,847,451 | 1,546,342 | 101,392 |
| Public Facility Lease Revenue Refunding Bond | 2.35% | 7/8/2015 | 12/30/2026 | 6,627,000 | 5,399,000 | 718,000 |
| Equipment Lease/Purchase Revenue Bond | 4.52% | 10/28/2013 | 10/15/2032 | 2,092,700 | 1,774,100 | 76,200 |
| Total Direct Borrowings and Placements | | | | | \$ 10,369,442 | \$ 1,070,592 |
| Total long-term obligations incurred by School Board, payable from the General Fund | | | | | \$ 10,369,442 | \$ 1,070,592 |
| Total outstanding debt - governmental activities | | | | | \$ 19,987,929 | \$ 2,183,138 |

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2020:

| | Balance at July 1, 2019 | Increases | Decreases | Balance at June 30, 2020 | Amounts Due Within One Year |
|-----------------------------------|----------------------------|---------------------|---------------------|-----------------------------|-----------------------------------|
| Component Unit-School Board: | | | | | |
| Compensated absences | \$ 87,554 | \$ 19,134 | \$ 8,755 | \$ 97,933 | \$ 9,793 |
| Net pension liability | 11,765,369 | 6,261,415 | 3,471,030 | 14,555,754 | - |
| Net OPEB liabilities | 2,189,987 | 670,976 | 323,403 | 2,537,560 | - |
| Total Component Unit-School Board | <u>\$ 14,042,910</u> | <u>\$ 6,951,525</u> | <u>\$ 3,803,188</u> | <u>\$ 17,191,247</u> | <u>\$ 9,793</u> |

Note 8—Capital Leases:

The County has entered into various lease agreements as lessee for financing the acquisition of vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | Primary Government Incurred by County |
|--------------------------------|---|
| Asset: | |
| Equipment | \$ 844,389 |
| Less: accumulated depreciation | (311,322) |
| Total | <u>\$ 533,067</u> |

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020 were as follows:

| Year Ended June 30 | Primary Government |
|---|-----------------------|
| | Incurred by County |
| 2021 | \$ 141,765 |
| 2022 | 141,765 |
| Total minimum lease payments | \$ 283,530 |
| Less: amount representing interest | (10,488) |
| Present value of minimum lease payments | \$ 273,042 |

Note 9—Unearned and Deferred/Unavailable Revenue:

Unearned and deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis of accounting, assessments for future periods are deferred. Unearned and deferred/unavailable revenue is comprised of the following:

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$8,441,451 (including 2nd half tax billings of \$6,545,146 not due until December 5) on June 30, 2020.

Prepaid Property Taxes - Property taxes due after June 30, 2020 but paid in advance by the taxpayers totaled \$307,621 on June 30, 2020.

Deferred Revenue - Deferred revenue representing prepaid taxes due after June 30, 2020 totaling \$307,621 and \$6,545,146 of 2nd half tax billing levied in current year but due in FY2020 totaled \$6,852,767.

Unearned Revenue - Other unearned revenue items totaled \$923,239 on June 30, 2020, which consisted of unused COVID-19 grant funds to be used in FY 2021.

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Note 10—Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component unit participate were audited in accordance with the provisions of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Litigation:

On June 30, 2020, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12—Risk Management:

The County, the Component Unit School Board, and the Component Unit - EDA are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries insurance.

The County and the School Board are members of the Virginia Association of Counties Risk Pool Group Self Insurance (VACORP) for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay, and discharge any liability. The County and School Board pay VACORP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of VACORP and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, VACORP may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County, School Board, and Economic Development Authority also participates with other localities in a public entity risk pool for their coverage of general liability auto insurance and public officials' liability with VACORP. The County and School Board pay an annual premium to the pools for general insurance through member premiums. The County and School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13—Pension Plans:

Plan Description

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

Benefit Structures

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

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

Note 13—Pension Plans: (Continued)**Average Final Compensation and Service Retirement Multiplier**

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Primary Government | Component Unit School Board (Nonprofessional) |
|--|-----------------------|---|
| Inactive members or their beneficiaries currently receiving benefits | 53 | 37 |
| Inactive members: | | |
| Vested inactive members | 14 | 7 |
| Non-vested inactive members | 19 | 9 |
| Inactive members active elsewhere in VRS | 50 | 13 |
| Total inactive members | 83 | 29 |
| Active members | 66 | 24 |
| Total covered employees | 202 | 90 |

Note 13—Pension Plans: (Continued)**Contributions**

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

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 4.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$122,258 and \$118,251 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 12.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$57,819 and \$58,835 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that employer's total pension liability/asset determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

Note 13—Pension Plans: (Continued)**Actuarial Assumptions - General Employees (Continued)**

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 13—Pension Plans: (Continued)

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

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Note 13—Pension Plans: (Continued)**Long-Term Expected Rate of Return**

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|-------------------|--|---|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.63% |

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly,

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 13—Pension Plans: (Continued)

Discount Rate (Continued)

which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

| | Primary Government | | |
|---|--------------------------------------|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Balances at June 30, 2018 | \$ 10,435,489 | \$ 11,990,767 | \$ (1,555,278) |
| Changes for the year: | | | |
| Service cost | \$ 346,768 | \$ - | \$ 346,768 |
| Interest | 715,335 | - | 715,335 |
| Assumption changes | 316,710 | - | 316,710 |
| Differences between expected and actual experience | 177,466 | - | 177,466 |
| Contributions - employer | - | 118,251 | (118,251) |
| Contributions - employee | - | 152,646 | (152,646) |
| Net investment income | - | 799,985 | (799,985) |
| Benefit payments, including refunds | (432,834) | (432,834) | - |
| Administrative expenses | - | (7,889) | 7,889 |
| Other changes | - | (504) | 504 |
| Net changes | \$ 1,123,445 | \$ 629,655 | \$ 493,790 |
| Balances at June 30, 2019 | \$ 11,558,934 | \$ 12,620,422 | \$ (1,061,488) |

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2020

Note 13—Pension Plans: (Continued)

Changes in Net Pension Liability

| | Component School Board (Nonprofessional) | | |
|---|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2018 | \$ 3,022,972 | \$ 2,594,603 | \$ 428,369 |
| Changes for the year: | | | |
| Service cost | \$ 44,102 | \$ - | \$ 44,102 |
| Interest | 205,068 | - | 205,068 |
| Assumption changes | 72,237 | - | 72,237 |
| Differences between expected and actual experience | 37,061 | - | 37,061 |
| Contributions - employer | - | 58,835 | (58,835) |
| Contributions - employee | - | 23,422 | (23,422) |
| Net investment income | - | 169,313 | (169,313) |
| Benefit payments, including refunds | (186,860) | (186,860) | - |
| Administrative expenses | - | (1,744) | 1,744 |
| Other changes | - | (106) | 106 |
| Net changes | \$ 171,608 | \$ 62,860 | \$ 108,748 |
| Balances at June 30, 2019 | \$ 3,194,580 | \$ 2,657,463 | \$ 537,117 |

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Note 13—Pension Plans: (Continued)***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

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

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's | | | |
| Net Pension Liability (Asset) | \$ 340,551 | \$ (1,061,488) | \$ (2,183,615) |
| Component Unit School Board's (Nonprofessional) | | | |
| Net Pension Liability (Asset) | \$ 862,580 | \$ 537,117 | \$ 273,381 |

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

For the year ended June 30, 2020, the County and Component Unit School Board (Nonprofessional) recognized pension expense of \$190,923 and \$127,328, respectively. On June 30, 2020, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Unit School Board (Nonprofessional) | |
|--|--------------------------------|-------------------------------|---|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 109,731 | \$ 66,173 | \$ 11,502 | \$ - |
| Changes of assumptions | 195,828 | - | 22,418 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 110,648 | - | 22,956 |
| Employer contributions subsequent to the measurement date | 122,258 | - | 57,819 | - |
| Total | \$ 427,817 | \$ 176,821 | \$ 91,739 | \$ 22,956 |

Note 13—Pension Plans: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$122,258 and \$57,819 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (Nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | <u>Primary Government</u> | <u>Component Unit School Board (nonprofessional)</u> |
|---------------------------|-------------------------------|--|
| 2021 | \$ 118,751 | \$ 34,230 |
| 2022 | 6,760 | (24,455) |
| 2023 | (3,456) | (526) |
| 2024 | 6,683 | 1,715 |
| 2025 | - | - |
| Thereafter | - | - |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)***Plan Description***

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,386,732 and \$1,408,868 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 13—Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

On June 30, 2020, the school division reported a liability of \$14,018,637 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the school division's proportion was 0.10652% as compared to 0.09640% on June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$1,708,202. 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.

On June 30, 2020, the school division 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 | \$ - | \$ 897,673 |
| Change of assumptions | 1,388,174 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 307,816 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,366,721 | 124,601 |
| Employer contributions subsequent to the measurement date | <u>1,386,732</u> | <u>-</u> |
| Total | <u>\$ 4,141,627</u> | <u>\$ 1,330,090</u> |

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$1,386,732 reported as deferred outflows of resources related to pensions resulting from the school division's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|------------|
| 2021 | \$ 259,678 |
| 2022 | 7,103 |
| 2023 | 423,514 |
| 2024 | 517,314 |
| 2025 | 217,196 |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | | Teacher Employee Retirement Plan |
|---|----|-------------------------------------|
| Total Pension Liability | \$ | 49,683,336 |
| Plan Fiduciary Net Position | | 36,522,769 |
| Employers' Net Pension Liability (Asset) | \$ | 13,160,567 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 73.51% |

Note 13—Pension Plans: (Continued)**Component Unit School Board (professional) (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.

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

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

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

| | Rate | | |
|--|---------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| School Board's proportionate share of the VRS Teacher Employee Retirement Plan | | | |
| Net Pension Liability (Asset) | \$ 21,104,139 | \$ 14,018,637 | \$ 8,160,239 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 13—Pension Plans: (Continued)

Primary Government and Component Unit School Board

Aggregate Pension Information

| | Primary Government | | | | Component Unit School Board | | | |
|------------------------------|--------------------|-------------------|-------------------------------|-------------------|-----------------------------|---------------------|-------------------------------|---------------------|
| | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense | Deferred Outflows | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| VRS Pension Plans: | | | | | | | | |
| Primary Government | \$ 427,817 | \$ 176,821 | \$ (1,061,488) | \$ 190,923 | \$ - | \$ - | \$ - | \$ - |
| School Board Nonprofessional | - | - | - | - | 91,739 | 22,956 | 537,117 | 127,328 |
| School Board Professional | - | - | - | - | 4,141,627 | 1,330,090 | 14,018,637 | 1,708,202 |
| Totals | <u>\$ 427,817</u> | <u>\$ 176,821</u> | <u>\$ (1,061,488)</u> | <u>\$ 190,923</u> | <u>\$ 4,233,366</u> | <u>\$ 1,353,046</u> | <u>\$ 14,555,754</u> | <u>\$ 1,835,530</u> |

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Benefit Amounts**

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all the employer's contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the County were \$17,503 and \$16,566 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$47,774 and \$46,649 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$2,532 and \$2,546 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

On June 30, 2020, the County reported a liability of \$264,431 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$744,637 and \$40,682, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the County's proportion was 0.01625% as compared to 0.01534% on June 30, 2018. On June 30, 2019, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.04576% and 0.00250%, respectively as compared to 0.04105% and 0.00241% respectively at June 30, 2018.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$8,958. For the year ended June 30, 2020, the Component Unit School Board Professional group recognized GLI OPEB expense of \$32,190. For the year ended June 30, 2020, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of \$1,167. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Primary Government | | Component School Board (Professional) | | Component School Board (Nonprofessional) | |
|---|--------------------------------------|-------------------------------------|--|-------------------------------------|---|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 17,586 | \$ 3,430 | \$ 49,523 | \$ 9,660 | \$ 2,706 | \$ 527 |
| Net difference between projected and actual earnings on GLI OPEB plan investments | - | 5,432 | - | 15,295 | - | 836 |
| Change in assumptions | 16,695 | 7,974 | 47,012 | 22,454 | 2,568 | 1,227 |
| Changes in proportion | 14,581 | - | 76,676 | - | 1,201 | - |
| Employer contributions subsequent to the measurement date | 17,503 | - | 47,774 | - | 2,532 | - |
| Total | \$ 66,365 | \$ 16,836 | \$ 220,985 | \$ 47,409 | \$ 9,007 | \$ 2,590 |

\$17,503, \$47,774 and \$2,532, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| | Primary Government | Component Unit School Board (professional) | Component Unit School Board (nonprofessional) |
|-----------------------|-----------------------|--|---|
| Year Ended June 30 | | | |
| 2021 | \$ 3,783 | \$ 17,617 | \$ 371 |
| 2022 | 3,784 | 17,617 | 371 |
| 2023 | 6,084 | 24,095 | 725 |
| 2024 | 8,184 | 30,008 | 1,048 |
| 2025 | 7,929 | 28,311 | 1,062 |
| Thereafter | 2,262 | 8,154 | 308 |

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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

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

Mortality Rates - Teachers**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Actuarial Assumptions (Continued)****Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Mortality Rates - Non-Largest Ten Locality Employers - General Employees**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees****Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan'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, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

| | | GLI OPEB Plan |
|--|----|------------------|
| Total GLI OPEB Liability | \$ | 3,390,238 |
| Plan Fiduciary Net Position | | 1,762,972 |
| Employers' Net GLI OPEB Liability (Asset) | \$ | 1,627,266 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | | 52.00% |

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**NET GLI OPEB Liability (Continued)**

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

Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|-------------------|--|---|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.63% |

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (5.75%) | Current Discount (6.75%) | 1% Increase (7.75%) |
| County's proportionate share of the GLI Plan Net OPEB Liability | \$ 347,389 | \$ 264,431 | \$ 197,154 |
| Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability | \$ 978,247 | \$ 744,637 | \$ 555,186 |
| Component School Board (nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability | \$ 53,445 | \$ 40,682 | \$ 30,332 |

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$110,248 and \$107,651 for the years ended June 30, 2020 and June 30, 2019, respectively.

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB**

On June 30, 2020, the school division reported a liability of \$1,400,079 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.10695% as compared to 0.09652% on June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$137,128. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 7,929 |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 88 | - |
| Change in assumptions | 32,586 | 9,729 |
| Change in proportion | 147,809 | 7,399 |
| Employer contributions subsequent to the measurement date | 110,248 | - |
| Total | \$ 290,731 | \$ 25,057 |

\$110,248 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|--------------------|-----------|
| 2021 | \$ 23,227 |
| 2022 | 23,225 |
| 2023 | 23,839 |
| 2024 | 23,634 |
| 2025 | 24,865 |
| Thereafter | 36,636 |

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**Actuarial Assumptions**

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Plan was based on an actuarial valuation as of June 30, 2018, 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, 2019.

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

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

Mortality Rates - Teachers**Pre-Retirement:**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**Actuarial Assumptions (Continued)****Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

| | | Teacher Employee HIC OPEB Plan |
|---|----|--------------------------------------|
| Total Teacher Employee HIC OPEB Liability | \$ | 1,438,114 |
| Plan Fiduciary Net Position | | 129,016 |
| Teacher Employee net HIC OPEB Liability (Asset) | \$ | 1,309,098 |

Plan Fiduciary Net Position as a Percentage
of the Total Teacher Employee HIC OPEB Liability 8.97%

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return* |
|--------------------------------------|-------------------|--|---|
| Public Equity | 34.00% | 5.61% | 1.91% |
| Fixed Income | 15.00% | 0.88% | 0.13% |
| Credit Strategies | 14.00% | 5.13% | 0.72% |
| Real Assets | 14.00% | 5.27% | 0.74% |
| Private Equity | 14.00% | 8.77% | 1.23% |
| MAPS - Multi-Asset Public Strategies | 6.00% | 3.52% | 0.21% |
| PIP - Private Investment Partnership | 3.00% | 6.29% | 0.19% |
| Total | 100.00% | | 5.13% |
| | | Inflation | 2.50% |
| | | Expected arithmetic nominal return* | 7.63% |

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

| | Rate | | |
|---|--------------|------------------|--------------|
| | 1% Decrease | Current Discount | 1% Increase |
| | (5.75%) | (6.75%) | (7.75%) |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan | | | |
| Net HIC OPEB Liability | \$ 1,566,927 | \$ 1,400,079 | \$ 1,258,343 |

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan):**School Board*****Plan Description***

In addition to the pension and OPEB benefits described in Notes 13-15, the School Board administers a single-employer defined benefit healthcare plan, The Middlesex County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Vision insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses, and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Note 16—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan): (Continued)**School Board: (Continued)*****Plan Membership***

On June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

| | |
|--------------------------------------|-------------------|
| Total active employees with coverage | 163 |
| Total retirees with coverage | <u>1</u> |
| Total | <u><u>164</u></u> |

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2020 was \$7,147.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The measurement date is the Schools' fiscal year end, June 30, 2020. Plan assets (Fiduciary Net Position) are measured as of this date. The Total OPEB Liability (TOL) as of this date is based on an actuarial valuation as of January 1, 2020, with adjustments made for the six months difference.

| | |
|------------------|--|
| Inflation | 2.50% per year |
| Salary Increases | 3.00% per year |
| Discount Rate | 3.13% for accounting and funding disclosures as of June 30, 2019 2.45% for accounting and funding disclosures as of June 30, 2020 |
| Mortality rates | Not available |

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a 20-year municipal bond Aa index as of June 30, 2020.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 16—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

Changes in Total OPEB Liability

| | | Component Unit School Board Total OPEB Liability |
|---|----|--|
| Balances at June 30, 2018 | \$ | 304,987 |
| Changes for the year: | | |
| Service cost | | 10,774 |
| Interest | | 9,772 |
| Difference between expected and actual experience | | 14,282 |
| Changes in assumptions | | 19,494 |
| Benefit payments | | (7,147) |
| Net changes | \$ | 47,175 |
| Balances at June 30, 2019 | \$ | 352,162 |

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.45%) or one percentage point higher (3.45%) than the current discount rate:

| Rate | | |
|------------------------|----------------------------------|------------------------|
| 1% Decrease (1.45%) | Current Discount Rate (2.45%) | 1% Increase (3.45%) |
| \$ 381,225 | \$ 352,162 | \$ 325,336 |

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 3.50%/3.25%) or one percentage point higher (7.00% decreasing to an ultimate rate of 5.50%/5.25%) than the current healthcare cost trend rates:

| Rates | | |
|---|--|---|
| 1% Decrease (5.00% decreasing to 3.50%/3.25%) | Healthcare Cost Trend (6.00% decreasing to 4.50%/4.25%) | 1% Increase (7.00% decreasing to 5.50%/5.25%) |
| \$ 315,283 | \$ 352,162 | \$ 395,972 |

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 16—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

For the year ended June 30, 2020, the School Board recognized OPEB expense in the amount of \$24,163. On June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 13,183 | \$ - |
| Changes in actuarial assumptions | 28,168 | - |
| Total | <u>\$ 41,351</u> | <u>\$ -</u> |

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

Year Ended June 30

| | |
|------------|----------|
| 2021 | \$ 3,617 |
| 2022 | 3,617 |
| 2023 | 3,617 |
| 2024 | 3,617 |
| Thereafter | 26,883 |

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

Note 17—Summary of Other Postemployment Benefit Plans:

| | Primary Government | | | | Component Unit School Board | | | |
|---|----------------------|---------------------|-----------------------|-----------------|-----------------------------|---------------------|-----------------------|-------------------|
| | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense | Deferred Outflows | Deferred Inflows | Net OPEB Liability | OPEB Expense |
| VRS OPEB Plans: | | | | | | | | |
| Group Life Insurance Program (Note 14): | | | | | | | | |
| County | \$ 66,365 | \$ 16,836 | \$ 264,431 | \$ 8,958 | \$ - | \$ - | \$ - | \$ - |
| School Board Nonprofessional | - | - | - | - | 9,007 | 2,590 | 40,682 | 1,167 |
| School Board Professional | - | - | - | - | 220,985 | 47,409 | 744,637 | 32,190 |
| Teacher Health Insurance Credit Program (Note 15) | - | - | - | - | 290,731 | 25,057 | 1,400,079 | 137,128 |
| School Stand-Alone Plan (Note 16) | - | - | - | - | 41,351 | - | 352,162 | 24,163 |
| Totals | <u>\$ 66,365</u> | <u>\$ 16,836</u> | <u>\$ 264,431</u> | <u>\$ 8,958</u> | <u>\$ 562,074</u> | <u>\$ 75,056</u> | <u>\$ 2,537,560</u> | <u>\$ 194,648</u> |

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2020

Note 18—Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources.

Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The County has the following recurring fair value measurements as of June 30, 2020:

| Investment type | Balance June 30, 2020 | Fair Value Measurement Using | | |
|----------------------------|--------------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Primary Government | | | | |
| Debt Securities: | | | | |
| U.S Government Obligations | \$ 1,253,319 | \$ 1,253,319 | \$ - | \$ - |
| | \$ 1,253,319 | \$ 1,253,319 | \$ - | \$ - |

Note 19—Surety Bonds:

| | Amount |
|---|------------|
| Division of Risk Management Surety Bond: | |
| Commonwealth Funds | |
| Lynn L. Dunlevy, Clerk of the Circuit Court | \$ 103,000 |
| Kathy Thrift, Treasurer | 400,000 |
| E Mae Burke, Commissioner of the Revenue | 3,000 |
| David P. Bushey, Sheriff | 30,000 |
| VACo Risk Management Programs: | |
| All County, School Board and EDA Employees-blanket bond | 250,000 |
| Western Surety Company-Surety: | |
| All Social Services Employees-blanket bond | 100,000 |

Note 20 - Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2020 was \$42,114.

Note 21—Upcoming Pronouncements:

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

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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

Note 21—Upcoming Pronouncements: (Continued)

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

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

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

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

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

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

Note 22—Subsequent Events:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Middlesex, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

Note 22—Subsequent Events: (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds on June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Middlesex, Virginia, received the second round of CRF funds in the amount of \$923,239 on August 26, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Middlesex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|------------------|----------------|---------------|---|
| | Original | Final | Amounts | |
| REVENUES | | | | |
| General property taxes | \$ 17,185,715 | \$ 17,185,715 | \$ 17,418,932 | \$ 233,217 |
| Other local taxes | 2,773,000 | 2,773,000 | 2,993,537 | 220,537 |
| Permits, privilege fees, and regulatory licenses | 141,500 | 141,500 | 157,283 | 15,783 |
| Fines and forfeitures | 30,000 | 30,000 | 7,479 | (22,521) |
| Revenue from the use of money and property | 168,860 | 168,860 | 196,207 | 27,347 |
| Charges for services | 252,100 | 277,478 | 191,947 | (85,531) |
| Miscellaneous | 116,000 | 215,692 | 180,724 | (34,968) |
| Recovered costs | 189,000 | 216,816 | 297,944 | 81,128 |
| Intergovernmental: | | | | |
| Commonwealth | 4,381,636 | 4,441,299 | 3,627,588 | (813,711) |
| Federal | - | - | 839,258 | 839,258 |
| Total revenues | \$ 25,237,811 | \$ 25,450,360 | \$ 25,910,899 | \$ 460,539 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,763,039 | \$ 1,780,107 | \$ 1,672,592 | \$ 107,515 |
| Judicial administration | 888,593 | 905,948 | 889,991 | 15,957 |
| Public safety | 4,183,019 | 4,471,488 | 4,126,582 | 344,906 |
| Public works | 2,261,608 | 2,327,080 | 1,456,000 | 871,080 |
| Health and welfare | 2,529,592 | 2,537,132 | 2,663,999 | (126,867) |
| Education | 11,082,317 | 11,098,652 | 10,219,007 | 879,645 |
| Parks, recreation, and cultural | 251,856 | 275,245 | 280,075 | (4,830) |
| Community development | 639,379 | 669,665 | 601,135 | 68,530 |
| Debt service: | | | | |
| Principal retirement | 2,138,379 | 2,138,379 | 2,138,379 | - |
| Interest and other fiscal charges | 395,029 | 395,029 | 581,019 | (185,990) |
| Total expenditures | \$ 26,132,811 | \$ 26,598,725 | \$ 24,628,779 | \$ 1,969,946 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (895,000) | \$ (1,148,365) | \$ 1,282,120 | \$ 2,430,485 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 6,500 | \$ 6,500 |
| Transfers out | (962,000) | (1,363,270) | (962,000) | 401,270 |
| Total other financing sources (uses) | \$ (962,000) | \$ (1,363,270) | \$ (955,500) | \$ 407,770 |
| Net change in fund balances | \$ (1,857,000) | \$ (2,511,635) | \$ 326,620 | \$ 2,838,255 |
| Fund balances - beginning | 1,857,000 | 2,511,635 | 9,226,405 | 6,714,770 |
| Fund balances - ending | \$ - | \$ - | \$ 9,553,025 | \$ 9,553,025 |

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Total pension liability | | | | | | |
| Service cost | \$ 346,768 | \$ 319,227 | \$ 323,719 | \$ 313,001 | \$ 308,501 | \$ 313,075 |
| Interest | 715,335 | 693,866 | 663,628 | 641,382 | 622,514 | 586,951 |
| Changes of assumptions | 316,710 | - | (10,415) | - | - | - |
| Differences between expected and actual experience | 177,466 | (263,707) | (92,300) | (206,116) | (263,473) | - |
| Benefit payments | (432,834) | (452,539) | (452,774) | (408,167) | (387,841) | (396,113) |
| Net change in total pension liability | \$ 1,123,445 | \$ 296,847 | \$ 431,858 | \$ 340,100 | \$ 279,701 | \$ 503,913 |
| Total pension liability - beginning | 10,435,489 | 10,138,642 | 9,706,784 | 9,366,684 | 9,086,983 | 8,583,070 |
| Total pension liability - ending (a) | <u>\$ 11,558,934</u> | <u>\$ 10,435,489</u> | <u>\$ 10,138,642</u> | <u>\$ 9,706,784</u> | <u>\$ 9,366,684</u> | <u>\$ 9,086,983</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 118,251 | \$ 125,630 | \$ 121,680 | \$ 212,076 | \$ 207,393 | \$ 212,738 |
| Contributions - employee | 152,646 | 184,677 | 134,500 | 131,401 | 133,042 | 132,588 |
| Net investment income | 799,985 | 836,732 | 1,244,950 | 176,194 | 448,360 | 1,337,763 |
| Benefit payments | (432,834) | (452,539) | (452,774) | (408,167) | (387,841) | (396,113) |
| Administrator charges | (7,889) | (7,212) | (7,244) | (6,298) | (6,102) | (7,194) |
| Other | (504) | (744) | (1,105) | (75) | (96) | 71 |
| Net change in plan fiduciary net position | \$ 629,655 | \$ 686,544 | \$ 1,040,007 | \$ 105,131 | \$ 394,756 | \$ 1,279,853 |
| Plan fiduciary net position - beginning | 11,990,767 | 11,304,223 | 10,264,216 | 10,159,085 | 9,764,329 | 8,484,476 |
| Plan fiduciary net position - ending (b) | <u>\$ 12,620,422</u> | <u>\$ 11,990,767</u> | <u>\$ 11,304,223</u> | <u>\$ 10,264,216</u> | <u>\$ 10,159,085</u> | <u>\$ 9,764,329</u> |
| County's net pension liability (asset) - ending (a) - (b) | \$ (1,061,488) | \$ (1,555,278) | \$ (1,165,581) | \$ (557,432) | \$ (792,401) | \$ (677,346) |
| Plan fiduciary net position as a percentage of the total pension liability | 109.18% | 114.90% | 111.50% | 105.74% | 108.46% | 107.45% |
| Covered payroll | \$ 3,185,785 | \$ 2,917,276 | \$ 2,776,413 | \$ 2,690,989 | \$ 2,594,531 | \$ 2,548,301 |
| County's net pension liability (asset) as a percentage of covered payroll | -33.32% | -53.31% | -41.98% | -20.71% | -30.54% | -26.58% |

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

Schedule of Changes in Net Pension Liability and Related Ratios

Component Unit School Board (nonprofessional)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | |
| Service cost | \$ 44,102 | \$ 45,026 | \$ 42,574 | \$ 43,323 | \$ 49,097 | \$ 43,610 |
| Interest | 205,068 | 203,159 | 205,984 | 197,952 | 189,776 | 184,049 |
| Changes of assumptions | 72,237 | - | (20,804) | - | - | - |
| Differences between expected and actual experience | 37,061 | (26,426) | (82,281) | 45,772 | 40,934 | - |
| Benefit payments | (186,860) | (202,104) | (169,576) | (175,034) | (150,966) | (140,720) |
| Net change in total pension liability | \$ 171,608 | \$ 19,655 | \$ (24,103) | \$ 112,013 | \$ 128,841 | \$ 86,939 |
| Total pension liability - beginning | 3,022,972 | 3,003,317 | 3,027,420 | 2,915,407 | 2,786,566 | 2,699,627 |
| Total pension liability - ending (a) | <u>\$ 3,194,580</u> | <u>\$ 3,022,972</u> | <u>\$ 3,003,317</u> | <u>\$ 3,027,420</u> | <u>\$ 2,915,407</u> | <u>\$ 2,786,566</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 58,835 | \$ 59,997 | \$ 58,868 | \$ 65,602 | \$ 63,953 | \$ 41,513 |
| Contributions - employee | 23,422 | 21,595 | 21,208 | 33,066 | 20,699 | 22,563 |
| Net investment income | 169,313 | 184,219 | 280,512 | 40,128 | 106,195 | 324,512 |
| Benefit payments | (186,860) | (202,104) | (169,576) | (175,034) | (150,966) | (140,720) |
| Administrator charges | (1,744) | (1,656) | (1,673) | (1,503) | (1,498) | (1,798) |
| Other | (106) | (161) | (248) | (17) | (20) | 17 |
| Net change in plan fiduciary net position | \$ 62,860 | \$ 61,890 | \$ 189,091 | \$ (37,758) | \$ 38,363 | \$ 246,087 |
| Plan fiduciary net position - beginning | 2,594,603 | 2,532,713 | 2,343,622 | 2,381,380 | 2,343,017 | 2,096,930 |
| Plan fiduciary net position - ending (b) | <u>\$ 2,657,463</u> | <u>\$ 2,594,603</u> | <u>\$ 2,532,713</u> | <u>\$ 2,343,622</u> | <u>\$ 2,381,380</u> | <u>\$ 2,343,017</u> |
| School Division's net pension liability - ending (a) - (b) | \$ 537,117 | \$ 428,369 | \$ 470,604 | \$ 683,798 | \$ 534,027 | \$ 443,549 |
| Plan fiduciary net position as a percentage of the total pension liability | 83.19% | 85.83% | 84.33% | 77.41% | 81.68% | 84.08% |
| Covered payroll | \$ 489,637 | \$ 457,583 | \$ 447,922 | \$ 455,317 | \$ 466,832 | \$ 448,656 |
| School Division's net pension liability as a percentage of covered payroll | 109.70% | 93.62% | 105.06% | 150.18% | 114.39% | 98.86% |

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

County of Middlesex, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 0.10652% | 0.09640% | 0.09286% | 0.09425% | 0.09504% | 0.09589% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$ 14,018,637 | \$ 11,337,000 | \$ 11,420,000 | \$ 13,208,000 | \$ 11,962,000 | \$ 11,588,000 |
| Employer's Covered Payroll | 8,970,888 | 7,805,956 | 7,356,335 | 7,186,194 | 7,066,046 | 7,012,136 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 156.27% | 145.24% | 155.24% | 183.80% | 169.29% | 165.26% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.51% | 74.81% | 72.92% | 68.28% | 70.68% | 70.88% |

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

County of Middlesex, Virginia

Schedule of Employer Contributions

Pension Plans

For the Years Ended June 30, 2011 through June 30, 2020

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government | | | | | |
| 2020 | \$ 122,258 | \$ 122,258 | \$ - | \$ 3,346,229 | 3.65% |
| 2019 | 118,251 | 118,251 | - | 3,185,785 | 3.71% |
| 2018 | 125,920 | 125,920 | - | 2,917,276 | 4.32% |
| 2017 | 121,680 | 121,680 | - | 2,776,413 | 4.38% |
| 2016 | 217,163 | 217,163 | - | 2,690,989 | 8.07% |
| 2015 | 207,393 | 207,393 | - | 2,594,531 | 7.99% |
| 2014 | 213,548 | 213,548 | - | 2,548,301 | 8.38% |
| 2013 | 202,566 | 202,566 | - | 2,417,259 | 8.38% |
| 2012 | 138,873 | 138,873 | - | 2,239,888 | 6.20% |
| 2011 | 145,014 | 145,014 | - | 2,338,941 | 6.20% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2020 | \$ 57,819 | \$ 57,819 | \$ - | \$ 486,831 | 11.88% |
| 2019 | 58,835 | 58,835 | - | 489,637 | 12.02% |
| 2018 | 59,997 | 59,997 | - | 457,583 | 13.11% |
| 2017 | 58,868 | 58,868 | - | 447,922 | 13.14% |
| 2016 | 66,658 | 66,658 | - | 455,317 | 14.64% |
| 2015 | 63,953 | 63,953 | - | 466,832 | 13.70% |
| 2014 | 58,280 | 41,276 | 17,004 | 448,656 | 9.20% |
| 2013 | 53,988 | 38,236 | 15,752 | 415,614 | 9.20% |
| 2012 | 37,884 | 37,884 | - | 411,782 | 9.20% |
| 2011 | 65,779 | 65,779 | - | 714,990 | 9.20% |
| Component Unit School Board (professional) | | | | | |
| 2020 | \$ 1,386,732 | \$ 1,386,732 | \$ - | \$ 9,187,353 | 15.09% |
| 2019 | 1,408,868 | 1,408,868 | - | 8,970,888 | 15.70% |
| 2018 | 1,246,070 | 1,246,070 | - | 7,805,956 | 15.96% |
| 2017 | 1,056,000 | 1,056,000 | - | 7,356,335 | 14.35% |
| 2016 | 1,125,585 | 1,125,585 | - | 7,186,194 | 15.66% |
| 2015 | 1,024,577 | 1,024,577 | - | 7,066,046 | 14.50% |
| 2014 | 817,357 | 817,357 | - | 7,012,136 | 11.66% |
| 2013 | 811,103 | 811,103 | - | 7,060,778 | 11.49% |
| 2012 | Unavailable | Unavailable | Unavailable | 6,161,972 | Unavailable |
| 2011 | Unavailable | Unavailable | Unavailable | 6,280,777 | Unavailable |

County of Middlesex, Virginia

Notes to Required Supplementary Information

Pension Plans

For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Lowered rates at older ages and changed final retirement from 70 to 75 |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Lowered rates |
| Salary Scale | No change |
| Line of Duty Disability | Increased rate from 14.00% to 15.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

All Others (Non 10 Largest) - Hazardous Duty:

| | |
|---|---|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020 |
| Retirement Rates | Increased age 50 rates, and lowered rates at older ages |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | Adjusted rates to better fit experience |
| Salary Scale | No change |
| Line of Duty Disability | Decreased rate from 60.00% to 45.00% |
| Discount Rate | Decreased rate from 7.00% to 6.75% |

Component Unit School Board - Professional Employees

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

County of Middlesex, Virginia

Schedule of County's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2019

| Date | Employer's Proportion of the Net GLI OPEB Liability (Asset) | Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | Employer's Covered Payroll | Employer's | Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability |
|--|--|--|----------------------------------|--|--|
| | | | | Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5) | |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Primary Government: | | | | | |
| 2019 | 0.01625% \$ | 264,431 \$ | 3,185,785 | 8.30% | 52.00% |
| 2018 | 0.01534% | 233,000 | 2,917,276 | 7.99% | 51.22% |
| 2017 | 0.01505% | 227,000 | 2,776,413 | 8.18% | 48.86% |
| Component Unit School Board (nonprofessional): | | | | | |
| 2019 | 0.00250% \$ | 40,682 \$ | 489,637 | 8.31% | 52.00% |
| 2018 | 0.00241% | 37,000 | 457,583 | 8.09% | 51.22% |
| 2017 | 0.00243% | 37,000 | 447,922 | 8.26% | 48.86% |
| Component Unit School Board (professional): | | | | | |
| 2019 | 0.04576% \$ | 744,637 \$ | 8,970,888 | 8.30% | 52.00% |
| 2018 | 0.04105% | 623,000 | 7,805,956 | 7.98% | 51.22% |
| 2017 | 0.03988% | 600,000 | 7,356,335 | 8.16% | 48.86% |

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

County of Middlesex, Virginia

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2011 through June 30, 2020

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government: | | | | | |
| 2020 | \$ 17,503 | \$ 17,503 | \$ - | \$ 3,365,971 | 0.52% |
| 2019 | 16,566 | 16,566 | - | 3,185,785 | 0.52% |
| 2018 | 15,170 | 15,170 | - | 2,917,276 | 0.52% |
| 2017 | 14,437 | 14,437 | - | 2,776,413 | 0.52% |
| 2016 | 12,953 | 12,953 | - | 2,690,989 | 0.48% |
| 2015 | 12,476 | 12,476 | - | 2,594,531 | 0.48% |
| 2014 | 12,232 | 12,232 | - | 2,548,301 | 0.48% |
| 2013 | 11,603 | 11,603 | - | 2,417,259 | 0.48% |
| 2012 | 6,272 | 6,272 | - | 2,239,888 | 0.28% |
| 2011 | 6,549 | 6,549 | - | 2,338,941 | 0.28% |
| Component Unit School Board (nonprofessional): | | | | | |
| 2020 | \$ 2,532 | \$ 2,532 | \$ - | \$ 486,831 | 0.52% |
| 2019 | 2,546 | 2,546 | - | 489,637 | 0.52% |
| 2018 | 2,379 | 2,379 | - | 457,583 | 0.52% |
| 2017 | 2,329 | 2,329 | - | 447,922 | 0.52% |
| 2016 | 2,186 | 2,186 | - | 455,317 | 0.48% |
| 2015 | 2,241 | 2,241 | - | 466,832 | 0.48% |
| 2014 | 2,154 | 2,154 | - | 448,656 | 0.48% |
| 2013 | 1,995 | 1,995 | - | 415,614 | 0.48% |
| 2012 | 1,153 | 1,153 | - | 411,782 | 0.28% |
| 2011 | 2,002 | 2,002 | - | 714,990 | 0.28% |
| Component Unit School Board (professional): | | | | | |
| 2020 | \$ 47,774 | \$ 47,774 | \$ - | \$ 9,187,353 | 0.52% |
| 2019 | 46,649 | 46,649 | - | 8,970,888 | 0.52% |
| 2018 | 40,590 | 40,590 | - | 7,805,956 | 0.52% |
| 2017 | 38,253 | 38,253 | - | 7,356,335 | 0.52% |
| 2016 | 34,494 | 34,494 | - | 7,186,194 | 0.48% |
| 2015 | 33,917 | 33,917 | - | 7,066,046 | 0.48% |
| 2014 | 33,658 | 33,658 | - | 7,012,136 | 0.48% |
| 2013 | 33,892 | 33,892 | - | 7,060,778 | 0.48% |
| 2012 | 17,254 | 17,254 | - | 6,161,972 | 0.28% |
| 2011 | 17,586 | 17,586 | - | 6,280,777 | 0.28% |

County of Middlesex, Virginia

Notes to Required Supplementary Information
 Group Life Insurance (GLI) Plan
 For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Middlesex, Virginia

Schedule of School Board's Share of Net OPEB Liability

Teacher Employee Health Insurance Credit (HIC) Plan

For the Measurement Dates of June 30, 2017 through June 30, 2019

| Date | Employer's Proportion of the Net HIC OPEB Liability (Asset) | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) | Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability |
|------|--|--|----------------------------------|---|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2019 | 0.10695% | \$ 1,400,079 | \$ 8,970,888 | 15.61% | 8.97% |
| 2018 | 0.09652% | 1,225,000 | 7,805,956 | 15.69% | 8.08% |
| 2017 | 0.09321% | 1,182,000 | 7,356,335 | 16.07% | 7.04% |

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

County of Middlesex, Virginia

Schedule of Employer Contributions

Teacher Employee Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2011 through June 30, 2020

| Date | Contributions in Relation to | | | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|--|--|---|----------------------------------|--|
| | Contractually Required Contribution (1) | Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | | |
| 2020 | \$ 110,248 | \$ 110,248 | \$ - | \$ 9,187,353 | 1.20% |
| 2019 | 107,651 | 107,651 | - | 8,970,888 | 1.20% |
| 2018 | 96,014 | 96,014 | - | 7,805,956 | 1.23% |
| 2017 | 81,655 | 81,655 | - | 7,356,335 | 1.11% |
| 2016 | 76,174 | 76,174 | - | 7,186,194 | 1.06% |
| 2015 | 74,900 | 74,900 | - | 7,066,046 | 1.06% |
| 2014 | 77,835 | 77,835 | - | 7,012,136 | 1.11% |
| 2013 | 77,259 | 77,259 | - | 6,960,265 | 1.11% |
| 2012 | 36,972 | 36,972 | - | 6,161,972 | 0.60% |
| 2011 | 37,685 | 37,685 | - | 6,280,777 | 0.60% |

County of Middlesex, Virginia

Notes to Required Supplementary Information

Teacher Employee Health Insurance Credit (HIC) Plan

For the Year Ended June 30, 2020

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

County of Middlesex, Virginia

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Healthcare Plan

Component Unit School Board

For the Measurement Dates of June 30, 2018 through June 30, 2020

| | 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|
| Total OPEB liability | | | |
| Service cost | \$ 10,774 | \$ 10,460 | \$ 10,155 |
| Interest | 9,772 | 10,444 | 10,215 |
| Changes in assumptions | 19,494 | 12,210 | - |
| Differences between expected and actual experience | 14,282 | - | - |
| Benefit payments | (7,147) | (12,250) | (16,442) |
| Net change in total OPEB liability | \$ 47,175 | \$ 20,864 | \$ 3,928 |
| Total OPEB liability - beginning | 304,987 | 284,123 | 280,195 |
| Total OPEB liability - ending | <u>\$ 352,162</u> | <u>\$ 304,987</u> | <u>\$ 284,123</u> |
| Covered-employee payroll | \$ 9,662,613 | \$ 9,464,520 | \$ 8,224,832 |
| School's total OPEB liability (asset) as a percentage of covered employee payroll | 3.64% | 3.22% | 3.45% |

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

Notes to Required Supplementary Information - School OPEB - Healthcare Plan
For the Year Ended June 30, 2020

Valuation Date: 1/1/2020

Measurement Date: 6/30/2020

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

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------|---|
| Actuarial Cost Method | Entry age normal level % of salary |
| Discount Rate | 2.45% |
| Payroll increases | 3.00% |
| Inflation | 2.50% per year |
| Medical Trend Rate | The medical trend rate assumption starts at 6.00% in 2020 and gradually declines to 4.25% |

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2020

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|------------------|----------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>(Negative)</u> |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 15,321 | \$ 15,321 |
| Miscellaneous | - | - | 50,000 | 50,000 |
| Total revenues | \$ - | \$ - | \$ 65,321 | \$ 65,321 |
| EXPENDITURES | | | | |
| Capital projects | \$ 962,000 | \$ 1,363,270 | \$ 904,864 | \$ 458,406 |
| Total expenditures | \$ 962,000 | \$ 1,363,270 | \$ 904,864 | \$ 458,406 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (962,000) | \$ (1,363,270) | \$ (839,543) | \$ 523,727 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 962,000 | \$ 1,363,270 | \$ 962,000 | \$ (401,270) |
| Transfers out | - | - | (6,500) | (6,500) |
| Total other financing sources (uses) | \$ 962,000 | \$ 1,363,270 | \$ 955,500 | \$ (407,770) |
| Net change in fund balances | \$ - | \$ - | \$ 115,957 | \$ 115,957 |
| Fund balance - beginning | - | - | 2,861,458 | 2,861,458 |
| Fund balance - ending | \$ - | \$ - | \$ 2,977,415 | \$ 2,977,415 |

County of Middlesex, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2020

| | Agency Funds | | |
|--|----------------------------------|---------------|--------------|
| | Chesapeake Bay Governor's School | | |
| | Special <u>Welfare</u> | <u>School</u> | <u>Total</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 7,187 | \$ 113,071 | \$ 120,258 |
| LIABILITIES | | | |
| Amounts held for others | \$ - | \$ 113,071 | \$ 113,071 |
| Amounts held for social services clients | 7,187 | - | 7,187 |
| Total liabilities | \$ 7,187 | \$ 113,071 | \$ 120,258 |

County of Middlesex, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2020

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--|---------------------------------|--------------|--------------|---------------------------|
| Special Welfare: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,946 | \$ 31,290 | \$ 26,049 | \$ 7,187 |
| Liabilities: | | | | |
| Amounts held for social services clients | \$ 1,946 | \$ 31,290 | \$ 26,049 | \$ 7,187 |
| Chesapeake Bay Governor's School: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 56,556 | \$ 1,722,789 | \$ 1,666,274 | \$ 113,071 |
| Liabilities: | | | | |
| Amounts held for others | \$ 56,556 | \$ 1,722,789 | \$ 1,666,274 | \$ 113,071 |
| Totals -- All Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 58,502 | \$ 1,754,079 | \$ 1,692,323 | \$ 120,258 |
| Liabilities: | | | | |
| Amounts held for others | \$ 56,556 | \$ 1,722,789 | \$ 1,666,274 | \$ 113,071 |
| Amounts held for social services clients | 1,946 | 31,290 | 26,049 | 7,187 |
| Total liabilities | \$ 58,502 | \$ 1,754,079 | \$ 1,692,323 | \$ 120,258 |

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2020

| | School Operating Fund | School Special Revenue Fund | Total Governmental Funds |
|-----------------------------------|-----------------------------|--------------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,436,101 | 127,787 | \$ 2,563,888 |
| Due from other governmental units | 302,602 | 4,799 | 307,401 |
| Total assets | <u>\$ 2,738,703</u> | <u>\$ 132,586</u> | <u>\$ 2,871,289</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 142 | - | \$ 142 |
| Accrued liabilities | 1,588,243 | - | 1,588,243 |
| Due to other governmental units | 496,417 | - | 496,417 |
| Total liabilities | <u>\$ 2,084,802</u> | <u>\$ -</u> | <u>\$ 2,084,802</u> |
| FUND BALANCES | | | |
| Committed: | | | |
| School operating | \$ 653,901 | - | \$ 653,901 |
| School food | - | 132,586 | 132,586 |
| Total fund balances | <u>\$ 653,901</u> | <u>\$ 132,586</u> | <u>\$ 786,487</u> |

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

| | | |
|--|--------------------|------------------------------|
| Total fund balances per above | | \$ 786,487 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Capital assets cost | \$ 14,557,384 | |
| Accumulated depreciation | <u>(7,565,190)</u> | 6,992,194 |
| Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Pension related items | \$ 4,233,366 | |
| OPEB related items | <u>562,074</u> | 4,795,440 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Compensated absences | \$ (97,933) | |
| Net pension liability | (14,555,754) | |
| Net OPEB liabilities | <u>(2,537,560)</u> | (17,191,247) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Pension related items | \$ (1,353,046) | |
| OPEB related items | <u>(75,056)</u> | (1,428,102) |
| Net position of governmental activities | | <u><u>\$ (6,045,228)</u></u> |

County of Middlesex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

| | School Operating Fund | School Special Revenue Fund | Total Governmental Funds |
|---|-----------------------------|--------------------------------------|--------------------------------|
| REVENUES | | | |
| Revenue from the use of money and property | \$ 27,949 | \$ - | \$ 27,949 |
| Charges for services | 33,100 | 101,372 | 134,472 |
| Miscellaneous | 234,167 | - | 234,167 |
| Intergovernmental: | | | |
| Local government | 10,139,675 | 72,569 | 10,212,244 |
| Commonwealth | 5,277,865 | 52,853 | 5,330,718 |
| Federal | 815,622 | 309,561 | 1,125,183 |
| Total revenues | <u>\$ 16,528,378</u> | <u>\$ 536,355</u> | <u>\$ 17,064,733</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | \$ 15,724,049 | \$ 772,159 | \$ 16,496,208 |
| Capital projects | 170,641 | - | 170,641 |
| Total expenditures | <u>\$ 15,894,690</u> | <u>\$ 772,159</u> | <u>\$ 16,666,849</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 633,688</u> | <u>\$ (235,804)</u> | <u>\$ 397,884</u> |
| Net change in fund balances | \$ 433,688 | \$ (35,804) | \$ 397,884 |
| Fund balances - beginning | 220,213 | 168,390 | 388,603 |
| Fund balances - ending | <u>\$ 653,901</u> | <u>\$ 132,586</u> | <u>\$ 786,487</u> |

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

| | |
|--|------------|
| Net change in fund balances - total governmental funds - per above | \$ 397,884 |
|--|------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays and activity related to joint tenancy assets exceeded the depreciation in the current period. The following is a summary of items supporting this adjustment:

| | | |
|---|----------------|---------|
| Capital outlay | \$ 329,393 | |
| Depreciation expense | (558,873) | |
| Activity related to joint tenancy assets of Component Unit and Primary Government | <u>545,768</u> | 316,288 |

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.

| | | |
|---------------------------------|-----------------|-----------|
| Change in pension related items | \$ (434,477) | |
| Change in OPEB related items | (28,593) | |
| Changes in compensated absences | <u>(10,379)</u> | (473,449) |

| | |
|---|-------------------|
| Change in net position of governmental activities | <u>\$ 240,723</u> |
|---|-------------------|

County of Middlesex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2020

| | School Operating Fund | | | School Special Revenue Fund | | | Variance with |
|---|-----------------------|---------------|---------------|-----------------------------|--------------|--------------|---------------|
| | Budgeted Amounts | | Actual | Budgeted Amounts | | Actual | Final Budget |
| | Original | Final | | Original | Final | | Positive |
| | | | | | | | (Negative) |
| REVENUES | | | | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 27,949 | \$ - | \$ - | \$ - | \$ - |
| Charges for services | 25,000 | 25,000 | 33,100 | 173,581 | 173,580 | 101,372 | (72,208) |
| Miscellaneous | 159,060 | 176,374 | 234,167 | - | - | - | - |
| Intergovernmental: | | | | | | | |
| Local government | 10,998,985 | 11,015,320 | 10,139,675 | 72,569 | 72,569 | 72,569 | - |
| Commonwealth | 5,366,705 | 5,373,181 | 5,277,865 | 54,138 | 54,138 | 52,853 | (1,285) |
| Federal | 799,481 | 1,159,837 | 815,622 | 381,274 | 381,274 | 309,561 | (71,713) |
| Total revenues | \$ 17,349,231 | \$ 17,749,712 | \$ 16,528,378 | \$ 681,562 | \$ 681,561 | \$ 536,355 | \$ (145,206) |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| Education | \$ 16,552,231 | \$ 16,752,712 | \$ 15,724,049 | \$ 1,028,663 | \$ 1,019,849 | \$ 772,159 | \$ 247,690 |
| Capital projects | 797,000 | 797,000 | 170,641 | - | - | - | - |
| Total expenditures | \$ 17,349,231 | \$ 17,549,712 | \$ 15,894,690 | \$ 681,562 | \$ 1,019,849 | \$ 772,159 | \$ 247,690 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ 200,000 | \$ 633,688 | \$ - | \$ (338,288) | \$ (235,804) | \$ 102,484 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ 200,000 | \$ 200,000 | \$ - |
| Transfers out | - | (200,000) | (200,000) | - | - | - | - |
| Total other financing sources and uses | \$ - | \$ (200,000) | \$ (200,000) | \$ - | \$ 200,000 | \$ 200,000 | \$ - |
| Net change in fund balances | \$ - | \$ - | \$ 433,688 | \$ 433,688 | \$ - | \$ (35,804) | \$ 102,484 |
| Fund balances - beginning | - | - | 220,213 | 220,213 | - | 168,390 | 30,102 |
| Fund balances - ending | \$ - | \$ - | \$ 653,901 | \$ 653,901 | \$ - | \$ 132,586 | \$ 132,586 |

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
As of June 30, 2020

ASSETS

Current assets:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 418,010 |
| Note receivable | 60,000 |
| Total current assets | <u>\$ 478,010</u> |

Noncurrent assets:

Capital assets:

| | |
|-------------------------|-------------------|
| Land | \$ 11,155 |
| Total noncurrent assets | <u>\$ 11,155</u> |
| Total assets | <u>\$ 489,165</u> |

NET POSITION

| | |
|------------------------------|-------------------|
| Investment in capital assets | \$ 11,155 |
| Unrestricted | <u>478,010</u> |
| Total net position | <u>\$ 489,165</u> |

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

OPERATING REVENUES

Charges for services:

| | |
|--------------------------|------------------|
| Bond fees | \$ 39,151 |
| Total operating revenues | \$ <u>39,151</u> |

OPERATING EXPENSES

| | |
|--------------------------|--------------------|
| Grants | \$ 70,000 |
| Other charges | <u>3,643</u> |
| Total operating expenses | \$ <u>73,643</u> |
| Operating income (loss) | \$ <u>(34,492)</u> |

NONOPERATING REVENUES (EXPENSES)

| | |
|--|-------------------|
| Interest income | \$ 2,735 |
| Contribution from County of Middlesex | <u>100,000</u> |
| Total nonoperating revenues (expenses) | \$ <u>102,735</u> |
| Change in net position | \$ 68,243 |

| | |
|--------------------------------|--------------------------|
| Total net position - beginning | <u>420,922</u> |
| Total net position - ending | \$ <u><u>489,165</u></u> |

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Receipts from customers and users | \$ 39,151 |
| Payments for operating activities | (73,643) |
| Other receipts (payments) | (35,000) |
| Net cash provided by (used for) operating activities | \$ <u>(69,492)</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES

| | |
|---|------------------|
| Issuance of note receivable | \$ (20,000) |
| Contribution from County of Middlesex | 100,000 |
| Net cash provided by (used for) capital and related financing activities | \$ <u>80,000</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------------|
| Interest income | \$ 2,735 |
| Net cash provided by (used for) investing activities | \$ <u>2,735</u> |

Net increase (decrease) in cash and cash equivalents \$ 13,243

Cash and cash equivalents - beginning 404,767

Cash and cash equivalents - ending \$ 418,010

Reconciliation of operating income (loss) to net cash
provided by (used for) operating activities:

Operating income (loss) \$ (34,492)

Adjustments to reconcile operating income (loss) to net cash

provided by (used for) operating activities:

Increase (decrease) in accounts payable and accrued liabilities \$ (35,000)

Total adjustments \$ (35,000)

Net cash provided (used) by operating activities \$ (69,492)

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SUPPORTING SCHEDULES

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County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 1 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 13,382,544 | \$ 13,382,544 | \$ 13,785,485 | \$ 402,941 |
| Real and personal public service corporation taxes | 333,516 | 333,516 | 328,493 | (5,023) |
| Personal property taxes | 3,229,681 | 3,229,681 | 2,983,178 | (246,503) |
| Airplane taxes | 9,974 | 9,974 | 12,484 | 2,510 |
| Penalties | 115,000 | 115,000 | 162,655 | 47,655 |
| Interest | 115,000 | 115,000 | 146,637 | 31,637 |
| Total general property taxes | \$ 17,185,715 | \$ 17,185,715 | \$ 17,418,932 | \$ 233,217 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 1,100,000 | \$ 1,100,000 | \$ 1,274,255 | \$ 174,255 |
| Consumers' utility taxes | 231,000 | 231,000 | 214,667 | (16,333) |
| Consumption taxes | 45,000 | 45,000 | 44,333 | (667) |
| Business license taxes | 310,000 | 310,000 | 355,577 | 45,577 |
| Motor vehicle licenses | 298,000 | 298,000 | 285,123 | (12,877) |
| Bank stock taxes | 119,000 | 119,000 | 128,552 | 9,552 |
| Taxes on recordation and wills | 240,000 | 240,000 | 226,610 | (13,390) |
| Transient occupancy taxes | 70,000 | 70,000 | 72,466 | 2,466 |
| Meals tax | 360,000 | 360,000 | 391,954 | 31,954 |
| Total other local taxes | \$ 2,773,000 | \$ 2,773,000 | \$ 2,993,537 | \$ 220,537 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 10,500 | \$ 10,500 | \$ 3,845 | \$ (6,655) |
| Building permits | 82,000 | 82,000 | 93,367 | 11,367 |
| Permits and other licenses | 49,000 | 49,000 | 60,071 | 11,071 |
| Total permits, privilege fees, and regulatory licenses | \$ 141,500 | \$ 141,500 | \$ 157,283 | \$ 15,783 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 30,000 | \$ 30,000 | \$ 7,479 | \$ (22,521) |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 4,000 | \$ 4,000 | \$ 10,499 | \$ 6,499 |
| Revenue from use of property | 164,860 | 164,860 | 185,708 | 20,848 |
| Total revenue from use of money and property | \$ 168,860 | \$ 168,860 | \$ 196,207 | \$ 27,347 |
| Charges for services: | | | | |
| Charges for court services | \$ 18,550 | \$ 18,550 | \$ 14,207 | \$ (4,343) |
| Charges for Commonwealth's Attorney | 1,000 | 1,000 | 600 | (400) |
| Charges for Treasurer | 4,000 | 8,371 | 3,465 | (4,906) |
| Charges for other protection | 13,200 | 13,200 | 15,564 | 2,364 |
| Charges for planning and community development | 15,100 | 15,100 | 21,044 | 5,944 |
| Charges for parks and recreation | 20,250 | 41,257 | 38,733 | (2,524) |
| Charges for airport | 180,000 | 180,000 | 98,334 | (81,666) |
| Total charges for services | \$ 252,100 | \$ 277,478 | \$ 191,947 | \$ (85,531) |

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 2 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 116,000 | \$ 215,692 | \$ 180,724 | \$ (34,968) |
| Recovered costs: | | | | |
| Sheriff | \$ - | \$ 22,816 | \$ 45,750 | \$ 22,934 |
| Sheriff undercover | - | - | 3,196 | 3,196 |
| Middle Peninsula Juvenile Detention | - | - | 25,185 | 25,185 |
| Health department | - | - | 11,770 | 11,770 |
| Economic development | - | - | 35,000 | 35,000 |
| EMS fee for service | 189,000 | 189,000 | 172,043 | (16,957) |
| Education facilities | - | 5,000 | 5,000 | - |
| Total recovered costs | \$ 189,000 | \$ 216,816 | \$ 297,944 | \$ 81,128 |
| Total revenue from local sources | \$ 20,856,175 | \$ 21,009,061 | \$ 21,444,053 | \$ 434,992 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Auto rental tax | \$ 1,500 | \$ 1,500 | \$ 1,778 | \$ 278 |
| Rolling stock tax | 500 | 500 | 539 | 39 |
| Mobile home titling tax | 18,000 | 18,000 | 36,367 | 18,367 |
| Communications tax | 430,000 | 430,000 | 363,907 | (66,093) |
| State recordation tax | - | - | 34,862 | 34,862 |
| Personal property tax relief funds | 709,635 | 709,635 | 709,636 | 1 |
| Total noncategorical aid | \$ 1,159,635 | \$ 1,159,635 | \$ 1,147,089 | \$ (12,546) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 165,992 | \$ 165,992 | \$ 165,957 | \$ (35) |
| Sheriff | 741,387 | 741,387 | 728,487 | (12,900) |
| Commissioner of revenue | 108,173 | 108,173 | 104,129 | (4,044) |
| Treasurer | 91,902 | 91,902 | 87,581 | (4,321) |
| Registrar/electoral board | 40,000 | 40,000 | 48,335 | 8,335 |
| Clerk of the circuit court | 193,058 | 193,058 | 193,619 | 561 |
| Total shared expenses | \$ 1,340,512 | \$ 1,340,512 | \$ 1,328,108 | \$ (12,404) |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 1,407,093 | \$ 1,412,793 | \$ 497,642 | \$ (915,151) |
| Fire programs fund | - | 38,181 | 38,181 | - |
| Children's services act | 350,000 | 350,000 | 472,758 | 122,758 |
| Wireless funds | 45,000 | 45,000 | 44,962 | (38) |
| Victim-witness grant | 66,696 | 66,696 | 12,721 | (53,975) |
| Arts commission grant | 4,500 | 4,500 | 4,500 | - |
| Airport grant | - | 15,782 | 24,758 | 8,976 |

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 3 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Categorical aid: (Continued) | | | | |
| Other categorical aid: (Continued) | | | | |
| Litter control | \$ 6,200 | \$ 6,200 | \$ 4,883 | \$ (1,317) |
| Animal friendly plates | - | - | 186 | 186 |
| Other grants | 2,000 | 2,000 | 51,800 | 49,800 |
| Total other categorical aid | <u>\$ 1,881,489</u> | <u>\$ 1,941,152</u> | <u>\$ 1,152,391</u> | <u>\$ (788,761)</u> |
| Total categorical aid | <u>\$ 3,222,001</u> | <u>\$ 3,281,664</u> | <u>\$ 2,480,499</u> | <u>\$ (801,165)</u> |
| Total revenue from the Commonwealth | <u>\$ 4,381,636</u> | <u>\$ 4,441,299</u> | <u>\$ 3,627,588</u> | <u>\$ (813,711)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ - | \$ - | \$ 791,348 | \$ 791,348 |
| Justice assistance grant | - | - | 1,664 | 1,664 |
| Asset forfeiture | - | - | 586 | 586 |
| Victim-witness grant | - | - | 38,160 | 38,160 |
| Emergency services grants | - | - | 7,500 | 7,500 |
| Total categorical aid | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 839,258</u> | <u>\$ 839,258</u> |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 839,258</u> | <u>\$ 839,258</u> |
| Total General Fund | <u>\$ 25,237,811</u> | <u>\$ 25,450,360</u> | <u>\$ 25,910,899</u> | <u>\$ 460,539</u> |
| County Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,321</u> | <u>\$ 15,321</u> |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 50,000</u> | <u>\$ 50,000</u> |
| Total County Capital Projects Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 65,321</u> | <u>\$ 65,321</u> |
| Total Primary Government | <u>\$ 25,237,811</u> | <u>\$ 25,450,360</u> | <u>\$ 25,976,220</u> | <u>\$ 525,860</u> |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,949</u> | <u>\$ 27,949</u> |

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 4 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Charges for services: | | | | |
| Charges for education | \$ 25,000 | \$ 25,000 | \$ 33,100 | \$ 8,100 |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 159,060 | \$ 176,374 | \$ 234,167 | \$ 57,793 |
| Total revenue from local sources | \$ 184,060 | \$ 201,374 | \$ 295,216 | \$ 93,842 |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Middlesex | \$ 10,998,985 | \$ 11,015,320 | \$ 10,139,675 | \$ (875,645) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 1,384,360 | \$ 1,384,360 | \$ 1,421,214 | \$ 36,854 |
| Basic school aid | 2,243,159 | 2,243,159 | 2,135,079 | (108,080) |
| GED funding | 8,355 | 8,355 | 8,387 | 32 |
| English as a second language | 5,167 | 5,167 | 10,075 | 4,908 |
| Gifted and talented | 22,464 | 22,464 | 21,672 | (792) |
| Special education | 312,297 | 312,297 | 302,208 | (10,089) |
| Remedial education | 92,047 | 92,047 | 88,421 | (3,626) |
| Vocational education | 70,868 | 70,868 | 71,941 | 1,073 |
| Early reading intervention | 10,268 | 10,268 | 16,686 | 6,418 |
| School fringes | 440,295 | 440,295 | 424,767 | (15,528) |
| Mentor teacher program | 825 | 825 | 632 | (193) |
| At risk payments | 136,094 | 136,094 | 131,239 | (4,855) |
| Primary class size | 128,986 | 128,986 | 140,974 | 11,988 |
| Project graduation | 3,447 | 3,447 | 3,447 | - |
| SOL algebra readiness | 11,761 | 11,761 | 11,856 | 95 |
| School technology grant | 128,000 | 128,000 | 128,000 | - |
| Supplemental lottery | 161,224 | 161,224 | 158,642 | (2,582) |
| Compensation supplement | 136,912 | 136,912 | 133,717 | (3,195) |
| Virginia preschool | 56,934 | 56,934 | 56,934 | - |
| Other state funds | 13,242 | 19,718 | 11,974 | (7,744) |
| Total categorical aid | \$ 5,366,705 | \$ 5,373,181 | \$ 5,277,865 | \$ (95,316) |
| Total revenue from the Commonwealth | \$ 5,366,705 | \$ 5,373,181 | \$ 5,277,865 | \$ (95,316) |

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 1
Page 5 of 5

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| CARES Act | \$ - | \$ 295,177 | \$ - | \$ (295,177) |
| Categorical aid: | | | | |
| Title I | \$ 354,599 | \$ 396,813 | \$ 365,617 | \$ (31,196) |
| Title VI-B, special education flow-through | 302,671 | 282,390 | 303,439 | 21,049 |
| Vocational education | 27,181 | 28,812 | 27,766 | (1,046) |
| Title VI-B, special education pre-school | 10,421 | 10,565 | 10,565 | - |
| Title III - part A | 1,858 | 3,962 | 2,279 | (1,683) |
| Title V-rural | 23,073 | 43,318 | 17,462 | (25,856) |
| Title IV | 24,582 | 30,087 | 29,349 | (738) |
| Title II, part A | 55,096 | 68,713 | 59,145 | (9,568) |
| Total categorical aid | \$ 799,481 | \$ 864,660 | \$ 815,622 | \$ (49,038) |
| Total revenue from the federal government | \$ 799,481 | \$ 1,159,837 | \$ 815,622 | \$ (344,215) |
| Total School Operating Fund | \$ 17,349,231 | \$ 17,749,712 | \$ 16,528,378 | \$ (1,221,334) |
| School Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | \$ 173,581 | \$ 173,580 | \$ 101,372 | \$ (72,208) |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Middlesex, Virginia | \$ 72,569 | \$ 72,569 | \$ 72,569 | \$ - |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program | \$ 8,900 | \$ 8,900 | \$ 9,210 | \$ 310 |
| Textbook payments | 45,238 | 45,238 | 43,643 | (1,595) |
| Total categorical aid | \$ 54,138 | \$ 54,138 | \$ 52,853 | \$ (1,285) |
| Total revenue from the Commonwealth | \$ 54,138 | \$ 54,138 | \$ 52,853 | \$ (1,285) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program | \$ 350,000 | \$ 350,000 | \$ 278,287 | \$ (71,713) |
| Commodities | 31,274 | 31,274 | 31,274 | - |
| Total categorical aid | \$ 381,274 | \$ 381,274 | \$ 309,561 | \$ (71,713) |
| Total revenue from the federal government | \$ 381,274 | \$ 381,274 | \$ 309,561 | \$ (71,713) |
| Total School Special Revenue Fund | \$ 681,562 | \$ 681,561 | \$ 536,355 | \$ (145,206) |
| Total Discretely Presented Component Unit - School Board | \$ 18,030,793 | \$ 18,431,273 | \$ 17,064,733 | \$ (1,366,540) |

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County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 1 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| General government administration: | | | | |
| Legislative: | | | | |
| Board of supervisors | \$ 88,638 | \$ 107,780 | \$ 100,851 | \$ 6,929 |
| General and financial administration: | | | | |
| County administrator | \$ 410,351 | \$ 400,860 | \$ 396,222 | \$ 4,638 |
| Legal services | 126,213 | 126,478 | 123,014 | 3,464 |
| Commissioner of revenue | 279,643 | 270,532 | 246,122 | 24,410 |
| Treasurer | 277,033 | 293,123 | 266,747 | 26,376 |
| Assessor | - | - | 9,850 | (9,850) |
| Data processing | 215,069 | 214,034 | 193,941 | 20,093 |
| Other general and financial administration | 168,500 | 168,500 | 160,308 | 8,192 |
| Total general and financial administration | \$ 1,476,809 | \$ 1,473,527 | \$ 1,396,204 | \$ 77,323 |
| Board of elections: | | | | |
| Registrar, electoral board and officials | \$ 197,592 | \$ 198,800 | \$ 175,537 | \$ 23,263 |
| Total general government administration | \$ 1,763,039 | \$ 1,780,107 | \$ 1,672,592 | \$ 107,515 |
| Judicial administration: | | | | |
| Courts: | | | | |
| General district court | \$ 8,300 | \$ 6,300 | \$ 3,794 | \$ 2,506 |
| Juvenile court | 4,000 | 4,000 | 2,339 | 1,661 |
| Sheriff | 206,407 | 204,672 | 206,601 | (1,929) |
| Court services unit | 89,160 | 111,860 | 111,167 | 693 |
| Special Magistrates | 600 | 600 | - | 600 |
| Victim Witness | 69,995 | 69,995 | 69,408 | 587 |
| Clerk of the circuit court | 277,577 | 278,637 | 268,407 | 10,230 |
| Total courts | \$ 656,039 | \$ 676,064 | \$ 661,716 | \$ 14,348 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 232,554 | \$ 229,884 | \$ 228,275 | \$ 1,609 |
| Total judicial administration | \$ 888,593 | \$ 905,948 | \$ 889,991 | \$ 15,957 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 1,735,565 | \$ 1,862,698 | \$ 1,690,413 | \$ 172,285 |
| School resource officers | 160,463 | 161,258 | 147,124 | 14,134 |
| Forfeited assets | - | - | 585 | (585) |
| Total law enforcement and traffic control | \$ 1,896,028 | \$ 2,023,956 | \$ 1,838,122 | \$ 185,834 |
| Fire and rescue services: | | | | |
| Volunteer fire departments | \$ 266,000 | \$ 304,181 | \$ 302,093 | \$ 2,088 |
| Volunteer rescue squads | 159,000 | 159,000 | 158,478 | 522 |
| Total fire and rescue services | \$ 425,000 | \$ 463,181 | \$ 460,571 | \$ 2,610 |

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 2 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Correction and detention: | | | | |
| Regional jail | \$ 726,578 | \$ 848,264 | \$ 848,264 | \$ - |
| Juvenile probation and detention | 101,926 | 101,926 | 103,679 | (1,753) |
| Total correction and detention | <u>\$ 828,504</u> | <u>\$ 950,190</u> | <u>\$ 951,943</u> | <u>\$ (1,753)</u> |
| Inspections: | | | | |
| Building | \$ 98,312 | \$ 98,077 | \$ 87,019 | \$ 11,058 |
| Other protection: | | | | |
| Animal control | \$ 131,494 | \$ 103,803 | \$ 101,351 | \$ 2,452 |
| Gloucester-Mathews Humane Society | 5,000 | 5,000 | 5,000 | - |
| Emergency services | 667,468 | 696,068 | 591,183 | 104,885 |
| Medical examiner | 2,200 | 2,200 | 1,080 | 1,120 |
| E-911 communications | 129,013 | 129,013 | 90,313 | 38,700 |
| Total other protection | <u>\$ 935,175</u> | <u>\$ 936,084</u> | <u>\$ 788,927</u> | <u>\$ 147,157</u> |
| Total public safety | <u>\$ 4,183,019</u> | <u>\$ 4,471,488</u> | <u>\$ 4,126,582</u> | <u>\$ 344,906</u> |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Convenience centers | \$ 105,677 | \$ 105,677 | \$ 100,333 | \$ 5,344 |
| Litter | 13,500 | 13,500 | 5,919 | 7,581 |
| Landfill maintenance | 9,650 | 9,650 | 2,849 | 6,801 |
| VPPSA | 623,313 | 680,150 | 680,150 | - |
| Total sanitation and waste removal | <u>\$ 752,140</u> | <u>\$ 808,977</u> | <u>\$ 789,251</u> | <u>\$ 19,726</u> |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 623,953 | \$ 657,588 | \$ 666,749 | \$ (9,161) |
| Capital outlay reserve | 885,515 | 860,515 | - | 860,515 |
| Total maintenance of general buildings and grounds | <u>\$ 1,509,468</u> | <u>\$ 1,518,103</u> | <u>\$ 666,749</u> | <u>\$ 851,354</u> |
| Total public works | <u>\$ 2,261,608</u> | <u>\$ 2,327,080</u> | <u>\$ 1,456,000</u> | <u>\$ 871,080</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 186,760 | \$ 186,760 | \$ 186,760 | \$ - |
| Other health contributions | 15,000 | 15,000 | 15,000 | - |
| Total health | <u>\$ 201,760</u> | <u>\$ 201,760</u> | <u>\$ 201,760</u> | <u>\$ -</u> |
| Mental health: | | | | |
| Community services board | \$ 41,257 | \$ 41,257 | \$ 41,257 | \$ - |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 1,606,280 | \$ 1,613,820 | \$ 1,431,521 | \$ 182,299 |
| Area agency on aging | 65,003 | 65,003 | 65,003 | - |
| Children's services act | 608,000 | 608,000 | 873,847 | (265,847) |
| Housing office | 2,292 | 2,292 | 2,292 | - |

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 3 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Health and welfare: (Continued) | | | | |
| Welfare: (Continued) | | | | |
| Vocational rehab center | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ - |
| Other welfare contributions | - | - | 43,319 | (43,319) |
| Total welfare | \$ 2,286,575 | \$ 2,294,115 | \$ 2,420,982 | \$ (126,867) |
| Total health and welfare | \$ 2,529,592 | \$ 2,537,132 | \$ 2,663,999 | \$ (126,867) |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Community Colleges | \$ 6,763 | \$ 6,763 | \$ 6,763 | \$ - |
| Contribution to Virginia School League | 4,000 | 4,000 | - | 4,000 |
| Contribution to County School Board | 11,071,554 | 11,087,889 | 10,212,244 | 875,645 |
| Total education | \$ 11,082,317 | \$ 11,098,652 | \$ 10,219,007 | \$ 879,645 |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Parks and recreation | \$ 62,356 | \$ 85,745 | \$ 92,350 | \$ (6,605) |
| Sports complex | 27,000 | 27,000 | 25,225 | 1,775 |
| YMCA | 47,500 | 47,500 | 47,500 | - |
| Total parks and recreation | \$ 136,856 | \$ 160,245 | \$ 165,075 | \$ (4,830) |
| Library: | | | | |
| Contribution to library | \$ 115,000 | \$ 115,000 | \$ 115,000 | \$ - |
| Total parks, recreation, and cultural | \$ 251,856 | \$ 275,245 | \$ 280,075 | \$ (4,830) |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning | \$ 179,123 | \$ 178,153 | \$ 168,971 | \$ 9,182 |
| Zoning administration | 56,720 | 56,720 | 51,904 | 4,816 |
| Board of zoning appeals | 4,428 | 4,428 | 1,872 | 2,556 |
| Economic development | 147,224 | 147,489 | 148,341 | (852) |
| Airport | 201,350 | 223,985 | 200,752 | 23,233 |
| Total planning and community development | \$ 588,845 | \$ 610,775 | \$ 571,840 | \$ 38,935 |
| Environmental management: | | | | |
| Contribution to soil and water conservation district | \$ 4,750 | \$ 4,750 | \$ 4,750 | \$ - |
| Wetlands | 15,798 | 15,798 | 12,617 | 3,181 |
| Forestry | 3,961 | 3,961 | 3,693 | 268 |
| Total environmental management | \$ 24,509 | \$ 24,509 | \$ 21,060 | \$ 3,449 |

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 4 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Community development: (Continued) | | | | |
| Cooperative extension program: | | | | |
| Extension office | \$ 26,025 | \$ 34,381 | \$ 8,235 | \$ 26,146 |
| Total community development | \$ 639,379 | \$ 669,665 | \$ 601,135 | \$ 68,530 |
| Debt service: | | | | |
| Principal retirement | \$ 2,138,379 | \$ 2,138,379 | \$ 2,138,379 | \$ - |
| Interest and other fiscal charges | 395,029 | 395,029 | 581,019 | (185,990) |
| Total debt service | \$ 2,533,408 | \$ 2,533,408 | \$ 2,719,398 | \$ (185,990) |
| Total General Fund | \$ 26,132,811 | \$ 26,598,725 | \$ 24,628,779 | \$ 1,969,946 |
| County Capital Projects Fund: | | | | |
| Public works: | | | | |
| Capital projects: | | | | |
| SCBA replacement | \$ - | \$ 90,000 | \$ 90,000 | \$ - |
| Water project | - | 226,270 | 226,270 | - |
| Broadband project | 60,000 | 95,000 | 95,000 | - |
| Water connections - county offices | 147,000 | - | - | - |
| Cooks Corner Water System | 100,000 | 297,000 | 265,126 | 31,874 |
| Voice over ip system | - | - | 54,600 | (54,600) |
| Building renovations | 50,000 | 50,000 | 44,394 | 5,606 |
| Cooks Corner Water System | 160,000 | 160,000 | - | 160,000 |
| EDA contribution | 100,000 | 100,000 | 100,000 | - |
| COCC renovations | 345,000 | 345,000 | 29,474 | 315,526 |
| Total capital projects | \$ 962,000 | \$ 1,363,270 | \$ 904,864 | \$ 458,406 |
| Total County Capital Projects Fund | \$ 962,000 | \$ 1,363,270 | \$ 904,864 | \$ 458,406 |
| Total Primary Government | \$ 27,094,811 | \$ 27,961,995 | \$ 25,533,643 | \$ 2,428,352 |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Operating Costs: | | | | |
| Administration, health, and attendance | \$ 1,240,904 | \$ 1,184,794 | \$ 1,116,804 | \$ 67,990 |
| Instruction costs | 11,655,891 | 11,599,182 | 11,242,153 | 357,029 |
| Districtwide technology | 891,634 | 1,245,296 | 930,751 | 314,545 |
| Pupil transportation | 1,427,694 | 1,376,465 | 1,307,958 | 68,507 |
| Operation and maintenance of school plant | 1,336,108 | 1,346,975 | 1,126,383 | 220,592 |
| Total operating costs | \$ 16,552,231 | \$ 16,752,712 | \$ 15,724,049 | \$ 1,028,663 |
| Total education | \$ 16,552,231 | \$ 16,752,712 | \$ 15,724,049 | \$ 1,028,663 |
| Capital projects: | | | | |
| Other school capital projects | \$ 797,000 | \$ 797,000 | \$ 170,641 | \$ 626,359 |
| Total School Operating Fund | \$ 17,349,231 | \$ 17,549,712 | \$ 15,894,690 | \$ 1,655,022 |

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Schedule 2
Page 5 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|----------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Special Revenue Fund: | | | | |
| Education: | | | | |
| Operating Costs: | | | | |
| Instruction costs | \$ 117,807 | \$ 220,174 | \$ 211,190 | \$ 8,984 |
| School food services | 532,481 | 768,401 | 529,695 | 238,706 |
| Commodities | 31,274 | 31,274 | 31,274 | - |
| Total School Special Revenue Fund | <u>\$ 681,562</u> | <u>\$ 1,019,849</u> | <u>\$ 772,159</u> | <u>\$ 247,690</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 18,030,793</u> | <u>\$ 18,569,561</u> | <u>\$ 16,666,849</u> | <u>\$ 1,902,712</u> |

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Table 1

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Parks, Recreation, and Cultural | Community Development | Interest on Long-Term Debt | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|---------------|
| | | | | | | | | | | |
| 2011 | \$ 1,522,660 | \$ 836,428 | \$ 3,106,856 | \$ 1,553,944 | \$ 2,020,487 | \$ 7,988,806 | \$ 232,105 | \$ 235,397 | \$ 1,267,491 | \$ 18,764,174 |
| 2012 | 1,291,402 | 829,480 | 2,872,445 | 1,477,432 | 1,603,094 | 7,837,679 | 252,265 | 237,812 | 1,564,059 | 17,965,668 |
| 2013 | 1,306,637 | 908,487 | 3,208,066 | 1,248,114 | 1,558,165 | 7,991,805 | 247,781 | 683,739 | 1,184,264 | 18,337,058 |
| 2014 | 1,366,993 | 926,453 | 3,538,517 | 1,197,655 | 1,781,157 | 8,067,078 | 248,044 | 649,809 | 941,072 | 18,716,778 |
| 2015 | 1,457,228 | 831,479 | 3,288,198 | 1,474,267 | 1,973,669 | 9,926,613 | 257,713 | 344,347 | 987,607 | 20,541,121 |
| 2016 | 1,464,481 | 860,162 | 3,618,446 | 1,366,155 | 1,857,896 | 9,040,534 | 243,763 | 528,592 | 1,038,037 | 20,018,066 |
| 2017 | 1,797,748 | 946,838 | 3,577,456 | 1,406,880 | 2,064,446 | 8,870,247 | 240,168 | 501,940 | 881,384 | 20,287,107 |
| 2018 | 1,733,324 | 975,887 | 4,143,619 | 1,423,763 | 2,278,175 | 9,423,629 | 207,669 | 576,281 | 622,266 | 21,384,613 |
| 2019 | 1,905,557 | 1,018,531 | 3,838,704 | 3,114,624 | 2,419,854 | 11,038,834 | 250,640 | 613,121 | 683,153 | 24,883,018 |
| 2020 | 2,088,093 | 1,088,721 | 4,487,862 | 1,838,319 | 2,679,413 | 11,252,505 | 257,793 | 669,348 | 546,893 | 24,908,947 |

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

| Fiscal Year | PROGRAM REVENUES | | | | GENERAL REVENUES | | | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|------|------------------------|-------------------|----------------------------------|---------------|---|---------------|--|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | General Property Taxes | Other Local Taxes | Unrestricted Investment Earnings | Miscellaneous | Contributions Not Restricted to Specific Programs | Total | |
| | | | | | | | | | | | |
| 2011 | \$ 320,826 | \$ 2,544,210 | \$ - | \$ - | \$ 12,984,605 | \$ 1,794,343 | \$ 55,765 | \$ - | \$ 1,111,883 | \$ 18,811,632 | |
| 2012 | 214,077 | 3,154,006 | - | - | 12,825,584 | 2,023,959 | 393,052 | 126,033 | 1,165,550 | 19,902,261 | |
| 2013 | 505,433 | 2,415,946 | - | - | 13,677,537 | 1,859,906 | 99,176 | 183,079 | 1,205,922 | 19,946,999 | |
| 2014 | 515,975 | 2,567,072 | - | - | 13,732,367 | 1,890,242 | 99,787 | 407,643 | 1,230,853 | 20,443,939 | |
| 2015 | 428,516 | 2,820,609 | - | - | 14,107,366 | 2,343,504 | 103,938 | 203,600 | 1,215,189 | 21,222,722 | |
| 2016 | 391,148 | 3,052,274 | - | - | 14,303,096 | 2,382,127 | 105,421 | 107,161 | 1,187,823 | 21,529,050 | |
| 2017 | 411,078 | 3,104,050 | - | - | 14,644,982 | 2,472,290 | 109,596 | 255,409 | 1,186,316 | 22,183,721 | |
| 2018 | 422,690 | 3,229,377 | - | - | 15,794,570 | 2,589,685 | 135,321 | 169,472 | 1,205,153 | 23,546,268 | |
| 2019 | 482,958 | 3,385,147 | - | - | 16,739,818 | 2,823,035 | 194,317 | 118,444 | 1,141,057 | 24,884,776 | |
| 2020 | 356,709 | 3,319,757 | - | - | 17,621,392 | 2,993,537 | 211,528 | 230,724 | 1,147,089 | 25,880,736 | |

Table 3

County of Middlesex, Virginia
General Governmental Expenditures by Function (1, 3)
Last Ten Fiscal Years

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development | Debt Service | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| | | | | | | | | | | |
| 2011 | \$ 1,315,923 | \$ 626,717 | \$ 2,908,158 | \$ 1,524,750 | \$ 1,978,625 | \$ 12,600,085 | \$ 209,375 | \$ 227,835 | \$ 2,411,498 | \$ 23,802,966 |
| 2012 | 1,296,408 | 673,283 | 2,963,489 | 1,543,555 | 1,600,524 | 12,731,443 | 239,684 | 237,812 | 2,031,465 | 23,317,663 |
| 2013 | 1,260,285 | 698,583 | 3,198,712 | 1,218,921 | 1,557,764 | 12,878,820 | 234,652 | 683,403 | 2,159,196 | 23,890,336 |
| 2014 | 1,318,092 | 715,522 | 3,532,583 | 1,168,461 | 1,782,561 | 12,793,640 | 237,207 | 686,809 | 2,266,421 | 24,501,296 |
| 2015 | 1,351,926 | 644,723 | 3,498,446 | 1,452,943 | 2,005,405 | 13,308,328 | 257,691 | 607,904 | 2,252,437 | 25,379,803 |
| 2016 | 1,704,376 | 696,202 | 3,672,460 | 1,350,772 | 1,922,103 | 13,361,378 | 239,761 | 570,747 | 10,842,992 | 34,360,791 |
| 2017 | 1,642,283 | 763,391 | 3,633,593 | 1,370,717 | 2,114,163 | 14,008,388 | 235,035 | 554,697 | 10,425,475 | 34,747,742 |
| 2018 | 1,563,121 | 809,357 | 3,975,770 | 1,997,054 | 2,311,942 | 14,637,866 | 203,470 | 600,602 | 2,628,475 | 28,727,657 |
| 2019 | 1,629,217 | 867,493 | 4,039,782 | 2,053,212 | 2,479,942 | 16,560,907 | 247,699 | 667,918 | 2,738,873 | 31,285,043 |
| 2020 | 1,672,592 | 889,991 | 4,126,582 | 1,456,000 | 2,663,999 | 16,502,971 | 280,075 | 601,135 | 2,719,398 | 30,912,743 |

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

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

(3) Excludes Capital Projects funds.

County of Middlesex, Virginia
General Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| 2011 | \$ 12,902,699 | \$ 1,780,100 | \$ 99,613 | \$ 44,837 | \$ 131,821 | \$ 282,980 | \$ 198,821 | \$ 119,976 | \$ 8,344,413 | \$ 23,905,260 |
| 2012 | 12,937,272 | 2,023,959 | 118,879 | 34,674 | 3,110,547 | 265,248 | 18,567 | 278,232 | 4,883,972 | 23,671,350 |
| 2013 | 12,686,449 | 1,859,906 | 112,107 | 23,582 | 119,051 | 571,153 | 180,316 | 83,673 | 8,583,695 | 24,219,932 |
| 2014 | 13,593,810 | 1,890,242 | 98,445 | 33,149 | 124,046 | 573,957 | 169,002 | 127,847 | 8,721,423 | 25,331,921 |
| 2015 | 14,062,184 | 2,343,504 | 120,618 | 29,228 | 130,841 | 465,909 | 252,232 | 102,112 | 8,747,929 | 26,254,557 |
| 2016 | 14,226,581 | 2,382,127 | 131,186 | 13,042 | 130,957 | 440,126 | 189,990 | 147,682 | 8,928,986 | 26,590,677 |
| 2017 | 14,657,260 | 2,472,290 | 110,733 | 23,339 | 136,876 | 479,223 | 466,307 | 130,076 | 10,011,574 | 28,487,678 |
| 2018 | 15,742,745 | 2,589,685 | 140,759 | 20,121 | 141,859 | 437,277 | 353,376 | 192,427 | 10,349,299 | 29,967,548 |
| 2019 | 16,644,483 | 2,823,035 | 150,331 | 12,504 | 177,281 | 490,580 | 731,408 | 193,114 | 10,949,449 | 32,172,185 |
| 2020 | 17,418,932 | 2,993,537 | 157,283 | 7,479 | 224,156 | 326,419 | 414,891 | 297,944 | 10,922,747 | 32,763,388 |

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

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

(3) Excludes Capital Projects funds.

Table 5

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

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1,2,3) | Percent of Delinquent Taxes to Tax Levy |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|--------------------------------------|---|
| 2011 | \$ 13,477,221 | \$ 12,813,099 | 95.07% | \$ 633,646 | \$ 13,446,745 | 99.77% | \$ 337,788 | 2.51% |
| 2012 | 13,639,196 | 12,440,376 | 91.21% | 333,594 | 12,773,970 | 93.66% | 754,416 | 5.53% |
| 2013 | 13,191,416 | 12,276,557 | 93.06% | 510,798 | 12,787,355 | 96.94% | 975,833 | 7.40% |
| 2014 | 14,276,904 | 13,137,860 | 92.02% | 517,094 | 13,654,954 | 95.64% | 885,410 | 6.20% |
| 2015 | 14,628,063 | 13,646,589 | 93.29% | 918,876 | 14,565,465 | 99.57% | 1,023,362 | 7.00% |
| 2016 | 14,684,785 | 13,771,342 | 93.78% | 947,863 | 14,719,205 | 100.23% | 1,279,733 | 8.71% |
| 2017 | 15,456,814 | 14,137,344 | 91.46% | 979,136 | 15,116,480 | 97.80% | 1,011,338 | 6.54% |
| 2018 | 16,765,947 | 15,268,276 | 91.07% | 937,647 | 16,205,923 | 96.66% | 1,032,380 | 6.16% |
| 2019 | 17,394,537 | 16,092,676 | 92.52% | 1,002,403 | 17,095,079 | 98.28% | 1,399,618 | 8.05% |
| 2020 | 18,016,795 | 16,841,174 | 93.47% | 978,102 | 17,819,276 | 98.90% | 1,713,799 | 9.51% |

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(3) Includes Commonwealth's reimbursements for personal property taxes and balance outstanding.

Table 6

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

| Fiscal Year | Real Estate (1) | Personal | | | | | Public Service (2) | Total |
|-------------|------------------|---------------------------|---------------------|----------|------------|--|--------------------|------------------|
| | | Property and Mobile Homes | Machinery and Tools | Airplane | Watercraft | | | |
| 2011 | \$ 2,251,385,965 | \$ 80,205,876 | \$ 85,040 | \$ - | \$ - | | 32,479,070 | \$ 2,364,155,951 |
| 2012 | 2,122,059,100 | 102,463,279 | 267,677 | - | - | | 43,195,070 | 2,267,985,126 |
| 2013 | 2,133,216,900 | 102,463,279 | 267,677 | - | - | | 43,172,566 | 2,279,120,422 |
| 2014 | 2,139,783,400 | 100,037,169 | 119,065 | 324,365 | - | | 42,272,477 | 2,282,536,476 |
| 2015 | 2,143,324,547 | 94,292,585 | - | 253,529 | - | | 44,518,007 | 2,282,388,668 |
| 2016 | 2,149,138,406 | 96,238,818 | - | 242,229 | - | | 45,486,553 | 2,291,106,006 |
| 2017 | 2,179,327,400 | 70,867,986 | - | 264,939 | 99,355,563 | | 50,115,575 | 2,399,931,463 |
| 2018 | 2,185,941,200 | 134,907,015 | - | 257,088 | 94,510,070 | | 52,816,875 | 2,468,432,248 |
| 2019 | 2,192,832,479 | 174,541,523 | - | - | 50,769,687 | | 54,506,634 | 2,472,650,323 |
| 2020 | 2,215,209,879 | 188,160,470 | - | - | 52,044,898 | | 54,234,590 | 2,509,649,837 |

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

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

| Fiscal Year | Real Estate | Personal Property | Mobile Homes | Machinery and Tools | Airplane | Watercraft | Public Utility | |
|----------------|-------------|----------------------|-----------------|------------------------|----------|------------|----------------|----------------------|
| | | | | | | | Real Estate | Personal Property |
| 2011 | \$0.35/0.43 | \$ 3.50 | \$ 0.35 | \$ 1.75 | \$ - | \$ - | \$ 0.35 | \$ 3.50 |
| 2012 | 0.43 | 3.50 | 0.43 | 1.75 | - | - | 0.43 | 3.50 |
| 2013 | 0.46 | 3.50 | 0.46 | 1.75 | - | - | 0.46 | 3.50 |
| 2014 | 0.46/0.48 | 3.50 | 0.46 | 1.75 | - | - | 0.46 | 3.50 |
| 2015 | 0.48/0.53 | 3.50 | 0.48 | 1.75 | 3.50 | - | 0.48 | 3.50 |
| 2016 | 0.53 | 3.50 | 0.48 | - | 3.50 | - | 0.53 | 3.50 |
| 2017 | 0.53 | 3.50 | 0.53 | - | 3.50 | - | 0.53 | 3.50 |
| 2018 | 0.56 | 3.50 | 0.56 | - | 3.50 | 0.98 | 0.56 | 3.50 |
| 2019 | 0.62 | 3.50 | 0.61 | - | - | 0.98 | 0.61 | 3.50 |
| 2020 | 0.62 | 3.50 | 0.62 | - | - | 0.98 | 0.62 | 2.10 |

(1) Per \$100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|----------------|----------------|-----------------------|-----------------------------|--|-------------------------------------|
| 2011 | 10,959 | \$ 2,364,155,951 | \$ 21,936,641 | 0.009 | \$ 2,002 |
| 2012 | 10,959 | 2,267,985,126 | 24,227,984 | 0.011 | 2,211 |
| 2013 | 10,959 | 2,279,120,422 | 22,881,952 | 0.010 | 2,088 |
| 2014 | 10,959 | 2,282,536,476 | 23,795,965 | 0.010 | 2,171 |
| 2015 | 10,959 | 2,282,388,668 | 22,601,703 | 0.010 | 2,062 |
| 2016 | 10,959 | 2,291,106,006 | 26,539,479 | 0.012 | 2,422 |
| 2017 | 10,959 | 2,399,931,463 | 24,982,170 | 0.010 | 2,280 |
| 2018 | 10,959 | 2,468,432,248 | 23,031,500 | 0.009 | 2,102 |
| 2019 | 10,959 | 2,472,650,323 | 21,121,800 | 0.009 | 1,927 |
| 2020 | 10,959 | 2,509,649,837 | 19,159,100 | 0.008 | 1,748 |

(1) Bureau of Census

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, literary fund loans and lease/revenue bonds.
Excludes notes, capital leases and compensated absences.

COMPLIANCE

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

To the Honorable Members of the Board of Supervisors
County of Middlesex
Saluda, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Middlesex, Virginia's basic financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "D. F. Clark", followed by a long horizontal line extending to the right.

Richmond, Virginia
November 18, 2020



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

To the Honorable Members of the Board of Supervisors
County of Middlesex
Saluda, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Middlesex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Middlesex, Virginia's major federal programs for the year ended June 30, 2020. County of Middlesex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Middlesex, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Middlesex, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Middlesex, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Middlesex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line.

Richmond, Virginia
November 18, 2020

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Page 1 of 2

| Federal Grantor/State Pass - Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|-------------------------|
| Department of Health and Human Services: | | | |
| Pass Through Payments: | | | |
| <i>Department of Social Services:</i> | | | |
| Promoting Safe and Stable Families | 93.556 | 0950119/0950120 | \$ 12,685 |
| Temporary Assistance for Needy Families | 93.558 | 0400119/0400120 | 108,787 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500119/0500120 | 147 |
| Low-Income Home Energy Assistance | 93.568 | 0600419/0600420 | 19,496 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster) | 93.596 | 0760119/0760120 | 19,215 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 76500-469003 | 1,367 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900119/0900120 | 265 |
| Foster Care - Title IV-E | 93.658 | 1100119/1100120 | 65,816 |
| Adoption Assistance | 93.659 | 1130119/1130120 | 151,709 |
| Social Services Block Grant | 93.667 | 1000119/1000120 | 111,648 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood | 93.674 | 9150119/9150120 | 3,114 |
| Children's Health Insurance Program (CHIP) | 93.767 | 0540119/0540120 | 2,281 |
| Medical Assistance Program (Medicaid Cluster) | 93.778 | 1200119/1200120 | 148,599 |
| Total Department of Health and Human Services | | | <u>\$ 645,129</u> |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| <i>Department of Emergency Management:</i> | | | |
| Emergency Management Performance Grants | 97.042 | 77501-52743 | <u>\$ 7,500</u> |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| <i>Department of Criminal Justice Service:</i> | | | |
| Crime Victim Assistance | 16.575 | Unknown | \$ 38,160 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | Unknown | <u>1,664</u> |
| Total Department of Justice | | | <u>\$ 39,824</u> |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Child Nutrition Cluster: | | | |
| <i>Department of Agriculture:</i> | | | |
| Food Distribution | 10.555 | Unknown | \$ 31,274 |
| <i>Department of Education:</i> | | | |
| National School Lunch Program | 10.555 | 17901- 40623 | 166,059 |
| COVID-19 - National School Lunch Program | 10.555 | 17901- 40623 | 14,917 |
| Total CFDA 10.555 | | | <u>\$ 212,250</u> |
| School Breakfast Program | 10.553 | 17901- 40591 | \$ 63,424 |
| COVID-19 - School Breakfast Program | 10.553 | 17901- 40591 | 5,087 |
| Total CFDA 10.553 | | | <u>\$ 68,511</u> |
| COVID-19 - Summer Food Service Program for Children | 10.559 | Unknown | <u>\$ 28,800</u> |
| Total Child Nutrition Cluster | | | <u>\$ 309,561</u> |
| <i>Department of Social Services:</i> | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster) | 10.561 | 0010119/0010120 | 146,219 |
| Total Department of Agriculture | | | <u>\$ 455,780</u> |

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Page 2 of 2

| Federal Grantor/State Pass - Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|---------------------------|--|-------------------------|
| Department of Treasury: | | | |
| Pass Through Payments: | | | |
| <i>Office of the Attorney General:</i> | | | |
| Equitable Sharing | 21.016 | Unknown | \$ 586 |
| Department of Education: | | | |
| Pass Through Payments: | | | |
| <i>Department of Education:</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 17901- 42901 | \$ 365,617 |
| <i>Special Education Cluster:</i> | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 17901- 43071 | \$ 303,439 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 17901- 62521 | 10,565 |
| Total Special Education Cluster | | | \$ 314,004 |
| Career and Technical Education - Basic Grants to States | 84.048 | 17901- 61095 | 27,766 |
| Rural Education | 84.358 | 17901- 43481 | 17,462 |
| Supporting Effective Instruction State Grant | 84.367 | 17901- 61480 | 59,145 |
| Student Support and Academic Enrichment Program | 84.424 | 17901-60024 | 29,349 |
| English Language Acquisition State Grant | 84.365 | Unknown | 2,279 |
| Total Department of Education | | | \$ 815,622 |
| Total Expenditures of Federal Awards | | | \$ 1,964,441 |

See accompanying notes to schedule of expenditures of federal awards.

County of Middlesex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Middlesex, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note C - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received or disbursed.

Note D - Subrecipients

No awards were passed through to subrecipients.

Note E - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | |
|--------------|------------|
| General Fund | \$ 839,258 |
|--------------|------------|

Component Unit School Board:

| | |
|-----------------------|------------|
| School Operating Fund | \$ 815,622 |
|-----------------------|------------|

| | |
|-----------------------------|---------|
| School Special Revenue Fund | 309,561 |
|-----------------------------|---------|

| | |
|-----------------------------------|---------------------|
| Total component unit school board | <u>\$ 1,125,183</u> |
|-----------------------------------|---------------------|

| | |
|---|---------------------|
| Total expenditures of federal awards per basic financial statements | <u>\$ 1,964,441</u> |
|---|---------------------|

| | |
|---|---------------------|
| Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards | <u>\$ 1,964,441</u> |
|---|---------------------|

Note F - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes ✓ _____ no

Significant deficiency(ies) identified?

_____ yes ✓ _____ none reported

Noncompliance material to financial statements noted?

_____ yes ✓ _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes ✓ _____ no

Significant deficiency(ies) identified?

_____ yes ✓ _____ none reported

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

unmodified

Any findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)?

_____ yes ✓ _____ no

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559
84.010

Name of Federal Program or Cluster
Child Nutrition Cluster
Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A
and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

✓ _____ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Middlesex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

There were no prior year findings.

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