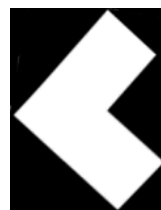


County of Mecklenburg, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2023



***Creedle, Jones
& Associates, P.C.***
Certified Public Accountants

County of Mecklenburg, Virginia

Table of Contents

Year Ended June 30, 2023

	Pages
FINANCIAL SECTION	
Independent Auditor's Report	i-iii
Management's Discussion and Analysis	1-8
Basic Financial Statements	
Exhibits	
Government-Wide Financial Statements	
1 Statement of Net Position	9
2 Statement of Activities	10
Fund Financial Statements	
3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
5 Statement of Fiduciary Net Position	15
6 Statement of Changes in Fiduciary Net Position	16
Notes to the Financial Statements	17-89
Required Supplementary Information	
Exhibit	
7 Budgetary Comparison Schedule – General Fund, Public Assistance Fund, and ARPA Fund	90-96
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	97-98
Schedule of Employer's Share of Net Pension Liability – VRS Teacher Employee Retirement Plan	99
Schedule of Employer Contributions	100
Notes to Required Supplementary Information	101-102
Schedule of Employer's Share of Net OPEB Liability Group Life Insurance Plan	103-105

	Pages
Schedule of County Contributions – Group Life Insurance OPEB Plan	106
Notes to Required Supplementary Information for OPEB Group Life Insurance Plan	107
Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability and Related Ratios	108
Schedule of Employer's Share of Net OPEB Liability Health Insurance Credit Program (HIC) Teacher	109
Schedule of County Contributions – OPEB – Health Insurance Credit School Board-General Employees and Teacher	110
Notes to Required Supplementary Information – HIC OPEB	111
Schedule of Changes in the Political Subdivision's Net OPEB Retiree Health Insurance Liability and Related Ratios	112
Schedule of County Contributions – OPEB Retiree Health Insurance - County	113
Schedule of Changes in the School Board's Net OPEB Retiree Health Insurance Liability and Related Ratios	114
Schedule of County Contributions – OPEB Retiree Health Insurance – School Board	115

Other Supplementary Information

Schedules

1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund, Economic Development Fund, Microsoft Capital Project, and School Capital Outlay	116-119
2	Combining Balance Sheet – Other Governmental Funds	120
3	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	121
4	Combining Statement of Fiduciary Net Position – Custodial Funds	122
5	Statement of Changes in Fiduciary Net Position	123
6	Component Unit School Board – Combining Balance Sheet and Component Unit School Board – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	124-125
7	Component Unit School Board – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances and Component Unit School Board – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	126-127
8	Budgetary Comparison Schedule – Component Unit School Board – School Operating Fund, School Food Services Fund, School Textbook Fund, New School Projects, and School Activity Fund	128-130
9	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Net Position	131

		Pages
10	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Revenues, Expenses, and Changes in Net Position	132
11	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Cash Flows	133
<p style="text-align: center;">COMPLIANCE (SINGLE AUDIT) SECTION</p>		
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	134-135
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	136-138
	Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	139-140
	Schedule of Expenditures of Federal Awards	141-142
	Notes to Schedule of Expenditures of Federal Awards	143
	Schedule of Findings and Questioned Costs	144

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the County adopted new accounting guidance, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

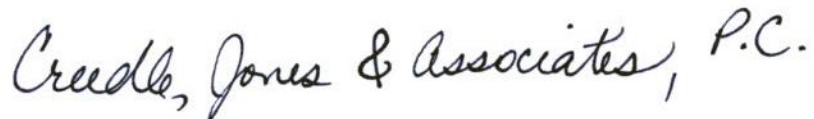
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB on pages 1-8, 90-96 and 97-115 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of the County of Mecklenburg, 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 the County of Mecklenburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Mecklenburg, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
January 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Mecklenburg, Virginia presents the following discussion and analysis as an overview of the County of Mecklenburg, Virginia's financial activities for the fiscal year ending June 30, 2023. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

Financial Highlights

At the close of the fiscal year, the assets and deferred outflows of resources of the County, excluding its Component Units, exceeded its liabilities and deferred inflows of resources by \$133,373,321. Of this amount, \$88,952,378 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net position decreased by \$10,871,569 during the current fiscal year.

As of June 30, 2023, the County's Governmental Funds reported combined ending fund balances of \$95,650,222 an increase of \$15,564,225 in comparison with the prior year. Approximately 15.3% of this amount is available for spending at the County's discretion (unassigned fund balance).

At the end of fiscal year 2023, the general fund unassigned fund balance was \$14,669,843, or approximately 12.8% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development.

Furthermore, the government-wide financial statements include the Mecklenburg County Public Schools in its annual financial report. Although legally separate, this component unit is important because the County is financially accountable for it. It also includes the Industrial Development Authority of Mecklenburg County, Virginia because it appoints its Board of Directors.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole.

The County has two types of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, Economic Development Fund, Public Assistance Fund, Microsoft Capital Project, School Capital Outlay, and ARPA Fund, all of which are considered to be major funds. Data from the other County non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

Fiduciary Funds – The County is the trustee, or fiduciary, for the County's Custodial funds. Custodial funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2023 and 2022

	<u>Primary Government Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets	\$ 104,839,318	\$ 88,925,225
Capital assets (net)	<u>184,960,420</u>	<u>192,531,376</u>
Total Assets	<u>289,799,738</u>	<u>281,456,601</u>
Deferred Outflows of Resources	<u>2,206,296</u>	<u>3,214,504</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 292,006,034</u>	<u>\$ 284,671,105</u>
Liabilities		
Current liabilities	\$ 8,472,114	\$ 14,012,445
Noncurrent liabilities	<u>146,954,545</u>	<u>119,628,817</u>
Total Liabilities	<u>155,426,659</u>	<u>133,641,262</u>
Deferred Inflows of Resources	<u>3,206,054</u>	<u>6,784,953</u>
Net Position		
Net investment in capital assets	<u>44,420,943</u>	<u>72,484,518</u>
Unrestricted	<u>88,952,378</u>	<u>71,760,372</u>
Total Net Position	<u>133,373,321</u>	<u>144,244,890</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 292,006,034</u>	<u>\$ 284,671,105</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$133,373,321 at June 30, 2023. The portion of the reporting entity's net position, \$44,420,943, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	Primary Government Governmental Activities	
	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for services	\$ 2,773,908	\$ 1,341,027
Operating and capital grants	13,129,283	9,979,773
General Revenues		
General property taxes, real and personal	110,700,962	98,798,924
Other taxes	9,523,688	8,399,816
Grants and contributions not restricted to specific programs	2,036,502	2,051,342
Unrestricted revenues from use of (loss on) property	(237,222)	(253,239)
Investment earnings	2,379,826	216,802
Miscellaneous	655,576	14,833,373
Total Revenues	140,962,523	135,367,818
Expenses		
General government administration	4,401,986	4,612,718
Judicial administration	2,998,203	2,853,164
Public safety	17,490,390	14,655,125
Public works	5,191,718	7,140,984
Health and welfare	6,760,493	6,374,731
Education - community college	18,011	17,764
Education - public school system	44,923,211	18,158,377
Parks, recreation, and cultural	966,779	854,803
Community development - IDA of Mecklenburg County, Virginia	57,736,887	50,373,364
Community development	7,520,932	5,470,896
Interest on long-term debt	3,825,482	4,079,271
Total Expenses	151,834,092	114,591,197
Increase (Decrease) in Net Position	(10,871,569)	20,776,621
Beginning Net Position	144,244,890	123,468,269
Ending Net Position	\$ 133,373,321	\$ 144,244,890

Governmental activities, exclusive of the Component Unit School Board, decreased the County's net position by \$10,871,569 for fiscal year 2023. Revenues from governmental activities totaled \$140,962,523. Property taxes comprise the largest source of these revenues, totaling \$110,700,962 or 79% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$151,834,092. Community development was the County's largest program with expenses totaling \$65,257,819. Education, which totals \$44,941,222, represents the second largest program.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>		<u>2022</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 4,401,986	\$ (3,285,014)	\$ 4,612,718	\$ (4,056,450)
Judicial administration	2,998,203	(1,866,263)	2,853,164	(1,381,735)
Public safety	17,490,390	(12,474,585)	14,655,125	(10,383,761)
Public works	5,191,718	(2,964,787)	7,140,984	(7,003,011)
Health and welfare	6,760,493	(2,051,963)	6,374,731	(2,154,033)
Education	44,941,222	(44,882,663)	18,176,141	(18,176,141)
Parks, recreation, and cultural	966,779	(673,195)	854,803	(639,962)
Community development	65,257,819	(63,906,949)	55,844,260	(55,396,033)
Interest on long-term debt and fiscal charges	<u>3,825,482</u>	<u>(3,825,482)</u>	<u>4,079,271</u>	<u>(4,079,271)</u>
Total	<u>\$ 151,834,092</u>	<u>\$ (135,930,901)</u>	<u>\$ 114,591,197</u>	<u>\$ (103,270,397)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The County's governmental funds reported combined ending fund balances of \$95,650,222. The combined governmental fund balance increased \$15,564,225 from the prior year.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$14,669,843. The County's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 12.8% of total fund expenditures, while total fund balance represents 16% of that same amount.

- The General Fund contributed \$24,736,596 in operating funds to finance the Schools' operations and \$57,736,887 to the Industrial Development Authority of Mecklenburg County, Virginia.

The Capital Outlay Fund has a total fund balance of \$30,913,176, all of which is assigned for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>Original Budget</u>	<u>2023 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2022 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 102,171,389	\$ 104,647,085	\$ 109,878,890	\$ 86,203,423	\$ 94,375,107	\$ 97,909,600
Other	8,899,262	8,987,262	15,286,998	7,714,289	7,821,369	10,603,184
Intergovernmental	<u>6,722,186</u>	<u>7,315,596</u>	<u>7,090,820</u>	<u>6,470,867</u>	<u>6,847,208</u>	<u>6,936,716</u>
Total	117,792,837	120,949,943	132,256,708	100,388,579	109,043,684	115,449,500
Expenditures	<u>112,993,579</u>	<u>116,150,685</u>	<u>114,357,773</u>	<u>99,403,575</u>	<u>105,515,163</u>	<u>104,766,896</u>
Excess (Deficiency) of Revenues Over Expenditures	4,799,258	4,799,258	17,898,935	985,004	3,528,521	10,682,604
Other Financing Sources (Uses)						
Net Transfers	(6,182,565)	(6,182,565)	(18,091,434)	(1,677,565)	(4,233,017)	(8,183,216)
Lease liabilities issued	-	-	-	-	-	406,334
From Surplus	<u>1,383,307</u>	<u>1,383,307</u>	<u>-</u>	<u>692,561</u>	<u>704,496</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (192,499)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,905,722</u>

Final amended budget revenues were more than the original budget by \$3,157,106.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$3,157,106.

Actual revenues were more than final budget amounts by \$11,306,765, or 9.3% due primarily to general property taxes and other local taxes, while actual expenditures were \$1,792,912, or 1.6% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2023, the County's governmental activities net capital assets, exclusive of component units, total \$184,960,420, which represents a net decrease of \$7,597,255 or 3.9% over the previous fiscal year-end balance as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Land and land improvements	\$ 2,567,184	\$ -	\$ 2,567,184
Construction in progress	136,547,445	(136,547,445)	-
Infrastructure - water and sewer	31,408,361	(13,433,331)	17,975,030
Buildings and improvements	21,163,532	2,374,655	23,538,187
School buildings and improvements	11,674,384	142,741,525	154,415,909
Furniture, equipment, and vehicles	16,638,599	1,607,379	18,245,978
Total Capital Assets	219,999,505	(3,257,217)	216,742,288
Less: Accumulated depreciation and amortization	(27,805,163)	(4,279,430)	(32,084,593)
Total Capital Assets, Net	<u>\$ 192,194,342</u>	<u>\$ (7,536,647)</u>	<u>\$ 184,657,695</u>
Lease assets	\$ 424,459	\$ 58,363	\$ 482,822
Less: Accumulated amortization	(61,126)	(118,971)	(180,097)
Total Lease Assets, Net	<u>\$ 363,333</u>	<u>\$ (60,608)</u>	<u>\$ 302,725</u>

Note: School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off. As long as the debt remains unpaid, the South Hill Elementary School will be owned by the County as well as the debt being the responsibility of the County.

Long-Term Debt

As of June 30, 2023, the County's long-term obligations total \$144,085,705.

	<u>Balance July 1, 2022</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2023</u>
Governmental Activities			
Long-term debt, plus premiums	\$119,683,525	\$ 20,552,289	\$ 140,235,814
Landfill obligation	1,931,387	137,128	2,068,515
Compensated absences	1,592,105	189,271	1,781,376
Total Governmental Activities	<u>\$123,207,017</u>	<u>\$ 20,878,688</u>	<u>\$ 144,085,705</u>

More detailed information on the County's long-term obligations is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2024 budget.

The average unemployment rate for the County of Mecklenburg, Virginia in June 2023 was 3.4%, an increase of .1% from June 2022. This compares unfavorably to the state's rate of 2.8% and favorably to the national rate of 3.8%.

The latest estimate by the University of Virginia Weldon Cooper Center for Public Service is a population of 30,179 in July 2022.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2024, which accounts for most of the County's operational costs. The fiscal year 2024 adopted budget anticipates the general fund revenues to be \$134,892,428.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Wayne Carter, County Administrator, or Sandra P. Langford, Treasurer, County of Mecklenburg, Virginia, P. O. Box 250, Boydton, Virginia 23917, telephone 434-738-6191, or visit the County's website at www.mecklenburgva.com.

Basic Financial Statements



County of Mecklenburg, Virginia

Statement of Net Position

As of June 30, 2023

	Primary Government Governmental Activities	School Board	Industrial Development Authority
Assets			
Current Assets			
Cash and cash equivalents	\$ 97,856,808	\$ 2,225,676	\$ 2,931,389
Cash - restricted	-	24,505,288	-
Receivables, net	3,183,980	4,230	-
Short-term lease receivable	-	-	35,584
Notes receivable	-	-	25,135,000
Due from other governments	3,401,367	1,107,062	-
Total Current Assets	104,442,155	27,842,256	28,101,973
Noncurrent Assets			
<i>Capital Assets</i>			
Nondepreciable assets	2,567,184	1,968,306	13,558,066
Depreciable assets, net	182,090,511	22,991,271	-
Lease assets, net	302,725	1,702,199	-
Total Capital Assets	184,960,420	26,661,776	13,558,066
Other Assets			
OPEB asset	397,163	-	-
Total Other Assets	397,163	-	-
Total Assets	289,799,738	54,504,032	41,660,039
Deferred Outflows of Resources			
OPEB	364,276	1,097,019	-
Pension	1,842,020	8,099,942	-
Total Deferred Outflows of Resources	2,206,296	9,196,961	-
Total Assets and Deferred Outflows of Resources	\$ 292,006,034	\$ 63,700,993	\$ 41,660,039
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 3,149,946	\$ 269,769	\$ -
Accrued interest payable	1,967,869	-	-
Unearned grants	3,354,299	-	-
Total Current Liabilities	8,472,114	269,769	-
Long-Term Liabilities			
<i>Due within one year</i>			
Leases	95,374	767,605	-
Compensated absences	178,138	36,142	-
Bonds, loans, and premiums	5,322,173	-	555,000
<i>Due in more than one year</i>			
Compensated absences	1,603,238	325,279	-
Bonds, loans, and premiums	134,913,641	-	24,580,000
Net pension liability	1,970,955	26,926,784	-
OPEB liabilities	594,222	6,672,396	-
Landfill obligation	2,068,515	-	-
Leases	208,289	622,865	-
Total Long-Term Liabilities	146,954,545	35,351,071	25,135,000
Total Liabilities	155,426,659	35,620,840	25,135,000
Deferred Inflows of Resources			
Leases	-	-	191,932
Pension	2,897,312	6,686,033	-
OPEB	308,742	1,186,752	-
Total Deferred Inflows of Resources	3,206,054	7,872,785	191,932
Net Position			
Net investment in capital assets	44,420,943	25,271,306	13,558,066
Unrestricted (Deficit)	88,952,378	(5,063,938)	2,775,041
Total Net Position	133,373,321	20,207,368	16,333,107
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 292,006,034	\$ 63,700,993	\$ 41,660,039

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

County of Mecklenburg, Virginia
Statement of Activities
For the Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Units</u>	
<u>Primary Government</u>					<u>Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>
Governmental Activities							
General government administration	\$ 4,401,986	\$ -	\$ 1,116,972	\$ -	\$ (3,285,014)		
Judicial administration	2,998,203	43,968	1,087,972	-	(1,866,263)		
Public safety	17,490,390	2,567,849	2,447,956	-	(12,474,585)		
Public works	5,191,718	136,674	2,090,257	-	(2,964,787)		
Health and welfare	6,760,493	-	4,708,530	-	(2,051,963)		
Education - other than to public school system	18,011	-	-	-	(18,011)		
Education - public school system	44,923,211	-	58,559	-	(44,864,652)		
Parks, recreation, and cultural	966,779	25,417	268,167	-	(673,195)		
Community development - IDA of Mecklenburg County, Virginia	57,736,887	-	-	-	(57,736,887)		
Community development	7,520,932	-	1,350,870	-	(6,170,062)		
Interest on long-term debt and bond issuance costs	3,825,482	-	-	-	(3,825,482)		
Total Governmental Activities	151,834,092	2,773,908	13,129,283	-	(135,930,901)		
Total Primary Government	<u>\$ 151,834,092</u>	<u>\$ 2,773,908</u>	<u>\$ 13,129,283</u>	<u>\$ -</u>	<u>(135,930,901)</u>		
Component Units							
School Board							
Education	\$ 62,197,126	\$ 1,206,113	\$ 45,684,794	\$ -		\$ (15,306,219)	\$ -
Total School Board	62,197,126	1,206,113	45,684,794	-		<u>(15,306,219)</u>	
Industrial Development Authority							
Community development	57,870,543	-	-	-		-	(57,870,543)
Total Industrial Development Authority	57,870,543	-	-	-		-	<u>(57,870,543)</u>
Total Component Units	<u>\$ 120,067,669</u>	<u>\$ 1,206,113</u>	<u>\$ 45,684,794</u>	<u>\$ -</u>		<u>(15,306,219)</u>	<u>(57,870,543)</u>
General Revenues							
Taxes							
General property taxes, real and personal					110,700,962	-	-
Other local taxes					9,523,688	-	-
Payment from County of Mecklenburg, Virginia							
Education					-	44,923,211	-
Community development - IDA of Mecklenburg County, VA					-	-	57,736,887
Grants and contributions not restricted to specific programs					2,036,502	-	-
Unrestricted revenues from use of (loss on) sale of property					(237,222)	-	131,982
Investment earnings					2,379,826	917,537	4,727
Miscellaneous					655,576	1,001,997	70,005
Total General Revenues					<u>125,059,332</u>	<u>46,842,745</u>	<u>57,943,601</u>
Change in Net Position					(10,871,569)	31,536,526	73,058
Net Position (Deficit) - Beginning of Year					<u>144,244,890</u>	<u>(11,329,158)</u>	<u>16,260,049</u>
Net Position - End of Year					<u>\$ 133,373,321</u>	<u>\$ 20,207,368</u>	<u>\$ 16,333,107</u>

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

County of Mecklenburg, Virginia

Balance Sheet

Governmental Funds

As of June 30, 2023

	General Fund	Capital Outlay Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	School Capital Outlay	ARPA Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and investments	\$ 15,748,633	\$ 30,949,316	\$ 6,379,727	\$ 1,033,750	\$ 19,589,381	\$ 17,101,261	\$ 3,919,541	\$ 3,135,199	\$ 97,856,808
Receivables, net	2,859,939	-	-	437	-	-	-	323,604	3,183,980
Due from other governments	<u>2,224,737</u>	<u>-</u>	<u>449,381</u>	<u>261,915</u>	<u>436,135</u>	<u>29,199</u>	<u>-</u>	<u>-</u>	<u>3,401,367</u>
Total Assets	<u>\$ 20,833,309</u>	<u>\$ 30,949,316</u>	<u>\$ 6,829,108</u>	<u>\$ 1,296,102</u>	<u>\$ 20,025,516</u>	<u>\$ 17,130,460</u>	<u>\$ 3,919,541</u>	<u>\$ 3,458,803</u>	<u>\$ 104,442,155</u>
Liabilities									
Accounts payable and accrued liabilities	\$ 543,220	\$ 36,140	\$ 449,381	\$ 20,519	\$ 1,349,067	\$ 9,386	\$ 565,242	\$ 176,991	\$ 3,149,946
Unearned grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,354,299</u>	<u>-</u>	<u>3,354,299</u>
Total Liabilities	543,220	36,140	449,381	20,519	1,349,067	9,386	3,919,541	176,991	6,504,245
Deferred Inflows of Resources									
Unavailable revenue - taxes and other	<u>1,965,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,255</u>	<u>2,287,688</u>
Total Deferred Inflows of Resources	1,965,433	-	-	-	-	-	-	322,255	2,287,688
Fund Balance									
Restricted	-	-	-	1,275,583	18,676,449	-	-	1,097,705	21,049,737
Committed	621,257	-	-	-	-	17,121,074	-	-	17,742,331
Assigned	3,033,556	30,913,176	6,379,727	-	-	-	-	1,861,852	42,188,311
Unassigned	<u>14,669,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,669,843</u>
Total Fund Balance	<u>18,324,656</u>	<u>30,913,176</u>	<u>6,379,727</u>	<u>1,275,583</u>	<u>18,676,449</u>	<u>17,121,074</u>	<u>-</u>	<u>2,959,557</u>	<u>95,650,222</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 20,833,309</u>	<u>\$ 30,949,316</u>	<u>\$ 6,829,108</u>	<u>\$ 1,296,102</u>	<u>\$ 20,025,516</u>	<u>\$ 17,130,460</u>	<u>\$ 3,919,541</u>	<u>\$ 3,458,803</u>	<u>\$ 104,442,155</u>

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

County of Mecklenburg, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2023

Total Fund Balances for Governmental Funds \$ 95,650,222

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land and land improvements	\$ 2,567,184	
Infrastructure - water and sewer	15,388,677	
School buildings, net of accumulated depreciation	146,844,067	
Buildings and improvements, net of accumulated depreciation	15,280,093	
Furniture, equipment, and vehicles, net of accumulated depreciation	4,577,674	
Lease assets, net	<u>302,725</u>	
Total Capital Assets		184,960,420

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and other	2,287,688
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,842,020	
Deferred inflows of resources related to pensions	(2,897,312)	
Deferred outflows of resources related to OPEB	364,276	
Deferred inflows of resources related to OPEB	<u>(308,742)</u>	
Total Deferred Outflows and Inflows of Resources		(999,758)

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(140,235,814)	
Accrued interest payable	(1,967,869)	
Lease liability	(303,663)	
Net pension liability	(1,970,955)	
OPEB asset	397,163	
OPEB liabilities	(594,222)	
Landfill obligation	(2,068,515)	
Compensated absences	<u>(1,781,376)</u>	
Total		(148,525,251)

Total Net Position of Governmental Activities	<u>\$ 133,373,321</u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Mecklenburg, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2023

	General Fund	Capital Outlay Funds	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	School Capital Outlay	ARPA Fund	Other Governmental Funds	Total Governmental Funds
Revenues									
Property taxes	\$ 109,878,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,878,890
Other local taxes	9,523,688	-	-	-	-	-	-	-	9,523,688
Permits, privilege fees, and regulatory licenses	1,943,698	-	-	-	-	-	-	-	1,943,698
Fines and forfeitures	611,696	-	-	-	-	-	-	-	611,696
Use of money and property	2,271,785	98,750	-	-	9,085	-	-	206	2,379,826
Charges for services	210,909	-	-	-	-	-	-	7,605	218,514
Recovered costs	220,382	-	-	4,326	32,415,519	-	-	-	32,640,227
Miscellaneous	504,840	-	-	-	-	112,324	-	38,412	655,576
<i>Intergovernmental</i>									
Revenue from Component Unit School Board	-	-	-	-	-	2,323,578	-	-	2,323,578
Revenue from the Commonwealth of Virginia	6,797,334	-	449,381	1,013,104	786,604	58,559	-	1,632,969	10,737,951
Revenue from the Federal Government	293,486	-	-	2,065,247	-	-	2,069,101	-	4,427,834
Total Revenues	132,256,708	98,750	449,381	3,082,677	33,211,208	2,494,461	2,069,101	1,679,192	175,341,478
Expenditures									
Current									
General government administration	4,341,454	50,704	-	-	-	-	-	-	4,392,158
Judicial administration	2,685,375	-	-	-	-	-	-	18,524	2,703,899
Public safety	15,421,715	-	-	-	-	-	1,557,165	96,123	17,075,003
Public works	3,527,113	1,124,260	-	-	-	-	109,785	-	4,761,158
Health and welfare	547,005	-	-	3,807,495	-	-	153,528	2,324,502	6,832,530
Education	18,011	-	-	-	-	-	-	-	18,011
Education - Component Unit School Board	26,832,510	-	-	-	-	227,664	-	-	27,060,174
Parks, recreation, and cultural	966,779	-	-	-	-	-	-	-	966,779
Community development - IDA of Meck. Cty., VA	57,736,887	-	-	-	-	-	-	-	57,736,887
Community development	1,962,017	2,690,600	1,249,381	-	20,836,416	-	248,623	-	26,987,037
Debt service	92,054	-	-	-	-	-	-	-	92,054
Capital projects	226,853	9,156,479	-	-	-	1,825,526	-	-	11,208,858
Total Expenditures	114,357,773	13,022,043	1,249,381	3,807,495	20,836,416	2,053,190	2,069,101	2,439,149	159,834,548
Excess (Deficiency) of Revenues Over Expenditures	17,898,935	(12,923,293)	(800,000)	(724,818)	12,374,792	441,271	-	(759,957)	15,506,930
Other Financing Sources (Uses)									
Transfers in	-	7,000,000	-	805,146	-	9,114,288	-	1,172,000	18,091,434
Transfers out	(18,091,434)	-	-	-	-	-	-	-	(18,091,434)
Lease liabilities issued	-	-	-	57,295	-	-	-	-	57,295
Total Other Financing Sources (Uses)	(18,091,434)	7,000,000	-	862,441	-	9,114,288	-	1,172,000	57,295
Net Change in Fund Balance	(192,499)	(5,923,293)	(800,000)	137,623	12,374,792	9,555,559	-	412,043	15,564,225
Fund Balance - Beginning of Year	18,517,155	36,836,469	7,179,727	1,137,960	6,301,657	7,565,515	-	2,547,514	80,085,997
Fund Balance - End of Year	\$ 18,324,656	\$ 30,913,176	\$ 6,379,727	\$ 1,275,583	\$ 18,676,449	\$ 17,121,074	\$ -	\$ 2,959,557	\$ 95,650,222

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

County of Mecklenburg, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds \$ 15,564,225

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

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 as depreciation expense:

Capitalized assets	\$ 11,339,202	
Dispositions of assets	(237,222)	
Transfer of assets to Roanoke River Service Authority	(13,149,957)	
Depreciation	<u>(5,462,371)</u>	(7,510,348)
Lease asset capital outlay expenditures which were capitalized	58,363	
Amortization expense on intangible assets	<u>(118,971)</u>	(60,608)

Revenues in the Statement of Activities that do not provide current financial
resources are deferred in the fund statements. This amount represents the
difference in the amounts deferred in the fund financial statements, but
recognized in the Statement of Activities. 822,072

Bonds, long-term financial obligations and lease proceeds are reported as financing
sources in governmental funds and thus contribute to the change in fund balance.
In the Statement of Net Position, however, issuing debt increases the
long-term liabilities and does not affect the Statement of Activities.
Similarly, the repayment of principal is an expenditure in the
governmental funds but reduces the liability in the Statement of Net
Position.

Payments for existing debt on school buildings (including bond premium adjustments)	4,582,711	
Assumption of new bond activity	(25,135,000)	
Accrued interest	170,125	
Lease liabilities, net	<u>33,010</u>	
Net Adjustment		(20,349,154)

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

OPEB liability adjustments, net inflows, and outflows	233,507	
Pension adjustments, contributions, net inflows, and outflows	<u>755,136</u>	988,643

Under the modified accrual basis of accounting used in the Governmental
Funds, expenditures are not recognized for transactions that are not
normally paid with expendable financial resources. In the Statement of
Activities, however, which is presented on the accrual basis, expenses
and liabilities are reported regardless of when financial resources are
available. This adjustment combines the net changes of the
following:

Landfill obligation	(137,128)	
Compensated absences	<u>(189,271)</u>	
Net Adjustment		<u>(326,399)</u>

Change in Net Position of Governmental Activities \$ (10,871,569)

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

County of Mecklenburg, Virginia

Statement of Fiduciary Net Position

At June 30, 2023

	County OPEB Funds	Custodial Funds
Assets		
Cash and investments	\$ 2,830,180	\$ 325,690
Receivables, net	-	40,382
Due from other governments	-	159,747
	<u>-</u>	<u>159,747</u>
Total Assets	<u>\$ 2,830,180</u>	<u>\$ 525,819</u>
Liabilities		
Accounts payable	\$ -	\$ 29,984
	<u>-</u>	<u>29,984</u>
Total Liabilities	<u>-</u>	<u>29,984</u>
Net Position		
Restricted for:		
Other postemployment benefits	2,830,180	-
Individuals, organizations, and other governments	-	495,835
	<u>-</u>	<u>495,835</u>
Total Net Position	<u>2,830,180</u>	<u>495,835</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 2,830,180</u>	<u>\$ 525,819</u>

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

County of Mecklenburg, Virginia

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2023

	County OPEB Funds	Custodial Funds
Additions		
Miscellaneous income	\$ -	\$ 22,710
Contributions from members	-	184,000
Local grant funds and other donations	-	94,835
Investment income:		
Investment earnings - interest, realized gains	<u>197,401</u>	<u>779</u>
Total additions	197,401	302,324
Deductions		
Administrative expenses	<u>-</u>	<u>286,045</u>
Net increase (decrease) in fiduciary net position	197,401	16,279
Net position - beginning	<u>2,632,779</u>	<u>479,556</u>
Net position - ending	<u><u>\$ 2,830,180</u></u>	<u><u>\$ 495,835</u></u>

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

County of Mecklenburg, Virginia

Notes to the Financial Statements

Year Ended June 30, 2023

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Mecklenburg, Virginia (the "County") was formed from part of Lunenburg County in 1764 and was legally established in 1765. There are five incorporated towns within the County: Boydton, the county seat, Chase City, Clarksville, LaCrosse, and South Hill. The County has a population of approximately 30,179 and is governed by an appointed County Administrator and a nine-member Board of Supervisors.

The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

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

1-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 Mecklenburg, Virginia (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.

Individual Component Unit Disclosures

Discretely Presented Component Units

Mecklenburg County School Board

The Mecklenburg County School Board is elected to four-year terms by the County voters. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are State and Federal grants and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget.

Industrial Development Authority of Mecklenburg County, Virginia

The Industrial Development Authority (the "Authority") of Mecklenburg County, Virginia was created in 1980. The Authority is authorized to acquire, own, lease, and dispose of local properties, which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member Board. The County of Mecklenburg, Virginia has no financial responsibility for the debt issued by the Authority.

Exclusions from the Reporting Entity

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

Southside Community Services Board

The County of Mecklenburg, Virginia jointly participates in the Southside Community Services Board (the "Board") with other surrounding localities. The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities.

Southside Regional Public Service Authority

The Southside Regional Public Service Authority (the "Authority") was created under the authority of the Virginia State Corporation Commission on September 21, 2004.

The Authority consists of a six-member Board made up of two members from each locality for a term of four years. The Board operates independently of the localities.

Mecklenburg-Brunswick Airport Commission

The Commission consists of a ten-member Board with the counties of Mecklenburg and Brunswick and the towns of South Hill, LaCrosse, and Brodnax participating in the governance of the airport. The Commission was formed in 1975 and serves all of its localities.

1-B. Financial Reporting Model

The County's Annual Comprehensive Financial Report includes management's discussion and analysis, the basic financial statements, required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government; as such, individual funds are not displayed. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental activities of the County and its discretely presented component units at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

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 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. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB-Required Supplementary OPEB – GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Children’s Services Act Funds – These funds account for activity pertaining to children eligible to receive funds under Virginia’s Comprehensive Services Act.
 - Public Assistance Fund – This fund accounts for County revenues collected and disbursed for welfare recipients of the County.
 - Law Library Fund – This fund accounts for the operation and maintenance of the County’s law library.
 - Sheriff’s Funds – These funds are used for various projects and revenue specifically handled by the Sheriff’s Department, such as inmates, jail phones, etc.
 - Drug Forfeiture Funds – These funds are specifically earmarked for handling drug forfeiture operations.
 - Opioid Fund – This fund accounts for funds used to administer the opioid funds received.
 - ARPA Fund – This fund is used to account for revenues and expenditures directly related to federal funds received for Coronavirus relief and COVID-19 in order to protect its citizens from the virus pandemic.
 - Rescue Squad Fund – This fund accounts for the operation and maintenance of the County’s rescue squad.
- *Capital Projects Funds* – The Capital Projects Funds consists of the Capital Outlay Fund, Economic Development Fund, DEQ and Landfill Funds, the Microsoft Capital Project, and School Capital Outlay, which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has no Proprietary Funds at this time.
- ***Fiduciary Funds (Trust and Custodial Funds)*** – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. 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. The County has no Private Purpose Trust Funds. The Custodial Funds consist of the following:

- Special Welfare Fund – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- Thyne Project Memorial – This fund accounts for the operation and maintenance of this project. The County acts as fiscal agent for the Memorial.
- County OPEB Fund – This fund accounts for the money held for postemployment benefits of the County.
- Virginia's Retreat Fund – This fund accounts for money held by the County for the Virginia's Retreat, an entity of eleven counties and one city (Mecklenburg, Lunenburg, Charlotte, Brunswick, Nottoway, Amelia, Appomattox, Buckingham, Dinwiddie, Halifax, Prince Edward, and City of Petersburg) for the purpose of regional marketing of the Civil Rights and Education Heritage Trail, Wilson-Kautz Raid Trail, Lee's Retreat Civil War Trail, and other trails and tourist related opportunities within the region.
- TransTech Alliance T/A Virginia's Growth Alliance – This fund accounts for money held by the County for the Virginia's Growth Alliance (dba TransTech Marketing Alliance), an entity of six counties and one city (Mecklenburg, Brunswick, Greensville, Lunenburg, Charlotte, Nottoway, and City of Emporia) for the purpose of increasing business and other opportunities within the region pursuant to Section 15.2-1300 et seq. of the Code of Virginia, which authorizes the joint exercise of powers by political subdivisions.

Component Units

Mecklenburg County School Board

The Mecklenburg County School Board has the following funds:

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

School Food Services Fund – This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

School Textbook Fund – This fund consists of monies used to buy textbooks for the schools.

New School Fund – This fund consists of monies used for the construction of the Clarksville Elementary School.

School Activity Fund – This fund accounts for funds used to support co-curricular and extracurricular student activities.

Industrial Development Authority of Mecklenburg County, Virginia

The Industrial Development Authority of Mecklenburg County, Virginia has only one fund which is its operating fund. It accounts for all activities of the Authority.

1-D. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be 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 expenditures, 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 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 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 expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies.

All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. The County has no enterprise funds at this time. However, the Component Unit IDA of Mecklenburg County, Virginia is accounted for as a proprietary fund.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The County operates a cash and investment pool which all funds utilize with the exception of the landfill capital projects fund and agency funds, each of which has separate bank accounts and investments. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance account is as follows:

General Fund - taxes receivable	<u>\$ 868,614</u>
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Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	July 1	July 1
Due Date	December 5	December 5
Due Date	June 5	June 5

The County bills and collects its own property taxes.

A 10% penalty is levied on all taxes not collected the day following the due date. Interest at the rate of 10% per year is also added the day following the due date.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 75 years
Furniture and other equipment	3 to 25 years

1-E-6 Leases

As lessee, the County recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements and recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County uses its estimated incremental borrowing rate as the discount rate for leases. The County's estimated incremental borrowing rate is based on historical market data and credit spread based on market data points compared to the lease commencement date.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

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

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

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

1-E-7 Deferred Outflows/Inflows of Resources

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience, and lease deferrals.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans, and notes receivable. The County considers revenues available if they are collected within 60 days of the end of the fiscal year.

1-E-8 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

The Component Unit School Board accrues compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

1-E-9 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan and VRS Teacher 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.

1-E-10 Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-11 Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-12 Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-13 Other Postemployment Benefit Plans

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County of Mecklenburg, Virginia's OPEB Plan for Retiree's Health Insurance and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. See Notes to the financial statement for more information regarding the Plan.

1-E-14 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Fund Balance Flow Assumptions – Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

1-E-15 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets. The County has no proprietary funds although the Component Unit IDA of Mecklenburg County, Virginia does account for its activities in business development in this manner.

1-E-16 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-17 Long-Term Obligations

The County reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

1-E-18 Unearned Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criteria have not been met.

1-F. Adoption of New GASB Statements

The County adopted the following GASB statements during the year ended June 30, 2023:

In March 2020, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 is effective for fiscal years beginning after June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the County.

In May 2020, Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB Statement No. 96 is effective for fiscal year ending June 15, 2022. The requirements of this statement are effective for the fiscal year ending June 30, 2023 for the County.

1-G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and Component Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the Economic Development Fund at June 30, 2023.

Fund Deficits

There were no fund deficits for the governmental funds.

3 Deposits and Investments

Deposits

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

Investments

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

The County does not have a formal investment policy addressing the various types of risks associated with investments.

Concentration of Credit Risk/Interest Rate Risk

The County of Mecklenburg, Virginia only invests in Certificates of Deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in Certificates of Deposit held less than one year.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2023</u>		
Petty cash	\$	3,000	
Deposit accounts		<u>130,672,031</u>	
Total Cash and Investments		<u>\$ 130,675,031</u>	

	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 97,856,808	\$ -	\$ 97,856,808
Cash and investments with fiscal agents	<u>-</u>	<u>3,155,870</u>	<u>3,155,870</u>
Total Primary Government	97,856,808	3,155,870	101,012,678
Component Unit School Board			
Cash and cash equivalents	2,225,676	-	2,225,676
Restricted cash	<u>24,505,288</u>	<u>-</u>	<u>24,505,288</u>
Total Component Unit School Board	26,730,964	-	26,730,964
Component Unit IDA of Mecklenburg County, Virginia			
Cash and cash equivalents	<u>2,931,389</u>	<u>-</u>	<u>2,931,389</u>
Grand Total	<u>\$ 127,519,161</u>	<u>\$ 3,155,870</u>	<u>\$ 130,675,031</u>

4 Receivables

Receivables at June 30, 2023 consist of the following:

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>					
	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>	<u>School Board</u>	<u>Industrial Development Authority</u>
Property taxes	\$ 3,394,107	\$ -	\$ -	\$ 3,394,107	\$ -	\$ -
Other	334,446	437	323,604	658,487	4,230	-
Total	3,728,553	437	323,604	4,052,594	4,230	-
Allowance for uncollectibles	(868,614)	-	-	(868,614)	-	-
Net Receivables	<u>\$ 2,859,939</u>	<u>\$ 437</u>	<u>\$ 323,604</u>	<u>\$ 3,183,980</u>	<u>\$ 4,230</u>	<u>\$ -</u>

Notes Receivable

Notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,135,000
Net Notes Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,135,000</u>

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
To Public Assistance Fund for operations	\$ 805,146	\$ -
To Capital Outlay Fund for capital projects	7,000,000	-
To School Capital Outlay Fund for school projects	9,114,288	-
<i>To/From Other Governmental Funds</i>		
To Children's Services Act Fund for operations	<u>1,172,000</u>	<u>-</u>
Total General Fund	18,091,434	-
Public Assistance Fund		
From General Fund for operations	-	805,146
Capital Outlay Fund		
From General Fund for capital projects	-	7,000,000
School Capital Outlay		
From General Fund for school projects	-	9,114,288
Other Governmental Funds		
Children's Services Act Funds		
From General Fund for operations	<u>-</u>	<u>1,172,000</u>
Total Transfers Within Primary Government	<u>\$ 18,091,434</u>	<u>\$ 18,091,434</u>

There are no interfund obligations (Due to/Due from's).

6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2023 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
School Board		
Primary Government		
To School Fund for local appropriation	\$ 26,639,500	\$ -
To School Textbook Fund for local appropriation	193,010	-
To New School Fund for capital projects	227,664	
From School Fund for operation and maintenance	-	2,323,578
School Board Component Unit		
From General Fund for local appropriation	-	27,060,174
To School Capital Outlay Fund for operation and maintenance	2,323,578	-
Total Transfers between School Board and Primary Government	<u>\$ 29,383,752</u>	<u>\$ 29,383,752</u>
IDA of Mecklenburg County, Virginia		
Primary Government		
To IDA of Mecklenburg County, Virginia for economic stimulus and transfer of real estate	\$ -	\$ 57,736,887
IDA Component Unit from Primary Government		
To IDA of Mecklenburg County, Virginia for economic stimulus and transfer of real estate	57,736,887	-
Total Transfers between IDA and Primary Government	<u>\$ 57,736,887</u>	<u>\$ 57,736,887</u>
Total Transfers	<u>\$ 105,212,073</u>	<u>\$ 105,212,073</u>

7 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2023, are as follows:

	<u>Governmental Funds</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia		
Local and State sales taxes	\$ 1,751,292	\$ 799,327
Compensation Board - constitutional officers	311,036	-
Communications tax	32,016	-
Wireless grant	18,325	-
Mobile Home Titling Tax	47,442	-
Other state funds	529,960	-
Federal Government		
School food funds	-	203,544
Other federal funds	711,296	104,191
Total	<u>\$ 3,401,367</u>	<u>\$ 1,107,062</u>

8 Capital Assets

The following is a summary of changes in capital assets:

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 563,137	\$ -	\$ -	\$ 563,137
Land and land improvements - new schools	2,004,047	-	-	2,004,047
Construction in progress - new high school	<u>136,547,445</u>	<u>-</u>	<u>136,547,445</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	139,114,629	-	136,547,445	2,567,184
Other Capital Assets				
Buildings and improvements	21,163,532	2,952,770	578,115	23,538,187
Infrastructure - water and sewer	31,408,361	558,674	13,992,005	17,975,030
School buildings and improvements	11,674,384	142,741,525	-	154,415,909
Furniture, equipment, and vehicles	<u>16,638,599</u>	<u>1,607,379</u>	<u>-</u>	<u>18,245,978</u>
Total Other Capital Assets	80,884,876	147,860,348	14,570,120	214,175,104
Less: Accumulated depreciation for				
Buildings and improvements	8,170,516	428,471	340,893	8,258,094
Infrastructure - water and sewer	2,956,465	471,936	842,048	2,586,353
School buildings and improvements	3,943,658	3,628,184	-	7,571,842
Furniture, equipment, and vehicles	<u>12,734,524</u>	<u>933,780</u>	<u>-</u>	<u>13,668,304</u>
Total Accumulated Depreciation	<u>27,805,163</u>	<u>5,462,371</u>	<u>1,182,941</u>	<u>32,084,593</u>
Other Capital Assets, Net	<u>53,079,713</u>	<u>142,397,977</u>	<u>13,387,179</u>	<u>182,090,511</u>
Net Capital Assets	<u>\$ 192,194,342</u>	<u>\$ 142,397,977</u>	<u>\$ 149,934,624</u>	<u>\$ 184,657,695</u>

Depreciation expense was allocated as follows:

General government administration	\$ 263,302
Judicial administration	314,143
Public safety	575,858
Public works	557,005
Education - public school system	3,628,184
Health and welfare	<u>123,879</u>
Total Depreciation Expense	<u>\$ 5,462,371</u>

Governmental Activities

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Lease assets				
Machinery and equipment	\$ 424,459	\$ 58,363	\$ -	\$ 482,822
Less: accumulated amortization for				
Machinery and equipment	61,126	118,971	-	180,097
Lease assets, Net	<u>\$ 363,333</u>	<u>\$ (60,608)</u>	<u>\$ -</u>	<u>\$ 302,725</u>

	Amortization Expense
General governmental administration	\$ 12,984
Public safety	105,987
Total	<u>\$ 118,971</u>

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Component Unit School Board				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,740,642	\$ 227,664	\$ -	\$ 1,968,306
Total Capital Assets Not Being Depreciated	1,740,642	227,664	-	1,968,306
Other Capital Assets				
Buildings and improvements	40,341,906	2,141,326	-	42,483,232
Furniture, equipment, and vehicles	<u>35,708,528</u>	<u>1,596,164</u>	<u>-</u>	<u>37,304,692</u>
Total Other Capital Assets	76,050,434	3,737,490	-	79,787,924
Less: Accumulated depreciation for				
Buildings and improvements	27,425,124	901,065	-	28,326,189
Furniture, equipment, and vehicles	<u>26,661,231</u>	<u>1,809,233</u>	<u>-</u>	<u>28,470,464</u>
Total Accumulated Depreciation	<u>54,086,355</u>	<u>2,710,298</u>	<u>-</u>	<u>56,796,653</u>
Other Capital Assets, Net	<u>21,964,079</u>	<u>1,027,192</u>	<u>-</u>	<u>22,991,271</u>
Net Capital Assets	<u>\$ 23,704,721</u>	<u>\$ 1,254,856</u>	<u>\$ -</u>	<u>\$ 24,959,577</u>

Depreciation expense was allocated as follows:

Education	<u>\$ 2,710,298</u>
Total	<u>\$ 2,710,298</u>

School Board Component Unit

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Lease assets				
Leased buses	\$ -	\$ 1,035,913	\$ -	\$ 1,035,913
Leased computers and equipment	774,901	950,075	774,901	950,075
Subtotal	774,901	1,985,988	774,901	1,985,988
Less: accumulated amortization for				
Leased buses	-	207,183	-	207,183
Leased computers and equipment	531,011	320,496	774,901	76,606
Subtotal	531,011	527,679	774,901	283,789
Lease assets, Net	\$ 243,890	\$ 1,458,309	\$ -	\$ 1,702,199

	Amortization Expense
Education	\$ 527,679
Total	\$ 527,679

Component Unit IDA of Mecklenburg County, Virginia

Capital Assets Not Being Depreciated

Buildings and land held for resale	\$ 13,558,066	\$ -	\$ -	\$ 13,558,066
Net Capital Assets	\$ 13,558,066	\$ -	\$ -	\$ 13,558,066

9 Compensated Absences

Each County employee earns sick leave at the rate of one day per month. Vacation pay begins with one day per month and increases with length of service. No benefits or pay are received for unused sick leave upon termination unless the employee has been with the County over five years and the employee receives only up to 30 days of unused sick leave. Accumulated vacation up to a maximum of 54 days with 25+ years of service is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,781,376 in the Governmental Activities. The Component Unit School Board has \$361,421 of compensated absences.

Mecklenburg County Public Schools

Payment of Annual Leave upon Separation

Upon separation, an employee shall receive payment for annual leave up to the maximum accrual rate. Payment shall be calculated using the employee's base hourly rate of pay at the time of separation. In case of the death of an employee, the unused annual leave credit shall be paid to the employee's estate.

Sick Leave Accrual

Upon favorable termination, an employee who has been employed with the County for a minimum of (5) five years, and who has accumulated up to 240 hours of sick leave will be reimbursed for the accumulated leave. Any accumulated leave over 240 hours shall be unreimbursable and forfeited by the employee.

10 Long-Term Debt

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

<u>Year(s) Ended June 30,</u>	<u>General Obligation Bonds</u>		<u>Premium on Bonds</u>
	<u>Principal</u>	<u>Interest</u>	
Primary Government			
2024	\$ 5,106,279	\$ 5,131,625	\$ 215,894
2025	5,333,079	4,555,417	203,394
2026	5,541,334	4,329,812	203,395
2027	5,765,067	4,094,559	203,395
2028	5,623,000	3,857,951	194,473
2029-2033	31,724,000	15,680,126	972,362
2034-2038	37,737,000	9,681,543	972,360
2039-2043	27,651,000	3,937,798	454,608
2044-2048	<u>12,010,000</u>	<u>1,055,041</u>	<u>325,174</u>
Total	136,490,759	52,323,872	3,745,055
Landfill obligation	2,068,515	-	-
Compensated absences	<u>1,781,376</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 140,340,650</u>	<u>\$ 52,323,872</u>	<u>\$ 3,745,055</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
Component Unit School Board		
Compensated absences	\$ 361,421	\$ -
Total	<u>\$ 361,421</u>	<u>\$ -</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
Component Unit IDA of Mecklenburg County, Virginia		
2024	\$ 555,000	\$ 1,200,068
2025	937,000	817,380
2026	970,000	785,056
2027	1,003,000	751,614
2028	1,038,000	717,019
2029-2033	5,749,000	3,023,117
2034-2038	6,812,000	1,959,979
2039-2043	<u>8,071,000</u>	<u>702,493</u>
Total	<u>\$ 25,135,000</u>	<u>\$ 9,956,726</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the County:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
U.S. Bank, Virginia Public School Authority (VPSA) General Obligation School Bond, Series 2006, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$280,361 and \$372,067 with interest rates between 4.60% and 5.10% through January 2027.	\$ 1,807,576	\$ -	\$ 351,817	\$ 1,455,759	\$ 356,279
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2003C, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$378,000 and \$338,415 with interest rates between 3.10% and 5.10% through January 2024. This bond had an original premium of \$250,000.	645,000	-	315,000	330,000	330,000
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2017 proceeds used to design and construct the new High School; semiannual payments varying between approximately \$2.5 and \$2.6 million with interest rates between 2.05% and 5.05% through July 2048.	45,175,000	-	1,005,000	44,170,000	1,060,000
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2018 proceeds used to design and construct the new High School; semiannual payments varying between approximately \$2.7 and \$2.8 million with interest rates between 3.550% and 5.05% through July 2039.	34,260,000	-	1,340,000	32,920,000	1,410,000
Component Unit - Industrial Development Authority, Mecklenburg County, Dated August 2022 to repay the IDA for construction of the Clarksville Elementary School. See IDA disclosure for detail.	-	25,135,000	-	25,135,000	555,000
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2020 proceeds used to design and construct the new High School; semiannual payments varying between approximately \$1.315 and \$2.285 million with an interest rate of 2.90% through July 2040.	33,835,000	-	1,355,000	32,480,000	1,395,000
Total	115,722,576	25,135,000	4,366,817	136,490,759	5,106,279
Landfill obligation	1,931,387	137,128	-	2,068,515	-
Compensated absences	1,592,105	189,271	-	1,781,376	178,138
	119,246,068	25,461,399	4,366,817	140,340,650	5,284,417
Add					
Unamortized Premium on Bond Series 2003 Bond	25,000	-	12,500	12,500	12,500
Unamortized Premium on Bond Series 2006 Bond	44,607	-	8,921	35,686	8,921
Unamortized Premium on Bond Series 2017 Bond	1,690,888	-	65,034	1,625,854	65,034
Unamortized Premium on Bond Series 2018 Bond	2,200,454	-	129,439	2,071,015	129,439
Total Unamortized Premiums on Bonds	3,960,949	-	215,894	3,745,055	215,894
Total Long-Term Indebtedness - Primary Government	<u>\$ 123,207,017</u>	<u>\$ 25,461,399</u>	<u>\$ 4,582,711</u>	<u>\$144,085,705</u>	<u>\$ 5,500,311</u>

	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Component Unit School Board					
Daimler Truck Financial Obligation beginning July 5, 2019; proceeds used to purchase buses for the schools. Annual payments due July 15 of each year with interest at 3.38% until July 5, 2023.	\$ 586,662	\$ -	\$ 586,662	\$ -	\$ -
Subtotal - Financial Obligations	586,662	-	586,662	-	-
Compensated absences	293,295	68,126	-	361,421	36,142
Total Component Unit School Board	<u>\$ 879,957</u>	<u>\$ 68,126</u>	<u>\$ 586,662</u>	<u>\$ 361,421</u>	<u>\$ 36,142</u>
Component Unit IDA of Mecklenburg County, Virginia					
Truist Bank, Revenue Bond, dated August 2022; proceeds used to design and construct new Clarksville Elementary School, principal payments due annually with semi-annual interest payments due at a rate of 3.39%; payments due August and February every year for 20 years until August 2042.	\$ -	\$ 25,135,000	\$ -	\$ 25,135,000	\$ 555,000
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ -</u>	<u>\$ 25,135,000</u>	<u>\$ -</u>	<u>\$ 25,135,000</u>	<u>\$ 555,000</u>

11 Leases

County's Component Unit - IDA as Lessor

The County's Component Unit - IDA has entered into an agreement as lessor for land and building properties. The lease agreements are summarized as follows:

<u>Property Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
Building, Chase City, Virginia	1/1/2021	1 year, renewable	\$4,000 per month	2.00%	\$ 35,584
					<u>\$ 35,584</u>
		<u>Lease-Related Revenue</u>	<u>Year Ending June 30, 2023</u>		
		Lease revenue	\$ 131,982		
		Interest revenue	1,152		
		Total	<u>\$ 133,134</u>		

Remaining amounts to be received with these leases are as follows:

<u>Fiscal Year</u>	<u>Receivable Principal</u>	<u>Interest Income</u>	<u>Total</u>
2024	\$ 35,584	\$ 416	\$ 36,000
	<u>\$ 35,584</u>	<u>\$ 416</u>	<u>\$ 36,000</u>

County as Lessee

Lease agreements resulting in lease liabilities for the County are summarized as follows:

Governmental Activities

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
Pitney Bowes, postage machines	Various	36 to 48 months	Varies	2.00%	\$ 6,782
Motorola, watch guard video equipment - Sheriff	1/1/2021	48 months	\$80,371 per year	1.99%	231,743
First Piedmont, equipment for refuse collection	Various	36 months	\$120 per month	2.00%	4,949
DocuSystems	4/12/2023	60 months	\$982 per month	4.00%	50,912
Copy machines, various departments	Various	36 to 48 months	Varies	2.00%	9,277
					<u>\$ 303,663</u>
	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Lease liabilities	\$ 336,673	\$ 57,295	\$ 90,305	\$ 303,663	\$ 95,374

Remaining principal and interest on leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 95,374	\$ 6,841	\$ 102,215
2025	95,971	4,728	100,699
2026	90,515	2,661	93,176
2027	12,184	621	12,805
2028	9,619	155	9,774
	<u>\$ 303,663</u>	<u>\$ 15,006</u>	<u>\$ 318,669</u>

Lease agreements resulting in lease liabilities for the School Board are summarized as follows:

Component Unit School Board

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Balance June 30, 2023</u>
Various Dell Leases for computer equipment	Various	36 to 48 months	Varies	4.75% to 8.05%	\$ 574,274
Laurel Capital Corporation for buses	7/30/2022	60 months	\$222,872 per year	3.55%	816,196
					<u>\$1,390,470</u>
	<u>Balance July 1, 2022</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Lease liabilities	\$ 400,245	\$ 1,731,099	\$ 740,874	\$ 1,390,470	\$ 767,605

Remaining principal and interest payments on leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 767,605	\$ 37,173	\$ 804,778
2025	200,307	22,475	222,782
2026	207,535	15,247	222,782
2027	215,023	7,759	222,782
	<u>\$1,390,470</u>	<u>\$ 82,654</u>	<u>\$ 1,473,124</u>

12 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2023 is determined as follows:

	Governmental Activities	Component Unit School Board	Component Unit IDA
Net Investment in Capital Assets			
Cost of capital assets	\$ 217,225,110	\$ 83,742,218	\$ 13,558,066
Less: Accumulated depreciation/amortization	(32,264,690)	(57,080,442)	-
Book value	184,960,420	26,661,776	13,558,066
Less: Capital related debt	(136,490,759)	-	-
Less: Lease liabilities	(303,663)	(1,390,470)	-
Less: Unamortized debt issuance premium	(3,745,055)	-	-
 Net Investment in Capital Assets	 <u>\$ 44,420,943</u>	 <u>\$ 25,271,306</u>	 <u>\$ 13,558,066</u>

13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable revenue – taxes and other are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 1,883,560
Prepaid property taxes - property taxes paid in advance	73,070
Other deferred credits	8,803

Other Governmental Funds

Opioid Funds	<u>322,255</u>
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Total Deferred Inflows of Resources - Primary Government	<u>\$ 2,287,688</u>
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Component Unit IDA

Lease revenues	<u>\$ 191,932</u>
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Total Deferred Inflows of Resources - Component Unit IDA	<u>\$ 191,932</u>
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14 Risk Management

The County is 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. The County joined together with other local governments in Virginia to form the Virginia Risk Sharing Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool 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 continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit School Board carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Surety bond coverage is as follows:

<u>Title</u>	<u>Surety</u>	<u>Amount</u>
Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$ 2,210,000
Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	3,000
Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	400,000
Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	30,000
School Board Employees	Utica Insurance Company	2,500
All County Employees	VACo Insurance Programs	250,000
Department of Social Services	VACo Insurance Programs	250,000

15 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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.

16 Litigation

At June 30, 2023, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

17 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 6,062,515,817</u>
Debt Limit per Constitution of Virginia - 10% Assessed Value	\$ 606,251,582
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>136,490,759</u>
Legal Debt Margin - June 30, 2023	<u>\$ 469,760,823</u>

18 Landfill Closure and Post-Closure Costs

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The County will recognize the remaining estimated cost of closure and post-closure care of \$2,068,515 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$536,308 held for these purposes. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

19 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

School Board Appropriation in the Fund Financial Statements

From the General Fund to School Fund	\$ 26,639,500
From the General Fund to School Textbook Fund	193,010
From the School Capital Outlay to New School Fund	227,664
From the School Fund to School Capital Outlay Fund	<u>(2,323,578)</u>

Net School Board Appropriation for the Fund Financial Statements	24,736,596
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Adjustments for

Payment of principal and interest on school debt for buildings	(8,576,569)
Assumption of debt on new school building	25,135,000
Depreciation on school buildings and other fixed assets	<u>3,628,184</u>

Adjusted School Board Appropriation in the Government-Wide Financial Statements

\$ 44,923,211

20 Tax Abatement Disclosures

The County and its component unit, IDA, negotiates property tax abatement agreements on an individual basis. The County has tax abatement agreements with two entities as of June 30, 2023.

Facts and Assumptions

<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
<i>Increase Size and Employment in Southside Virginia Area</i>		
Machinery and tools tax and real estate tax and business personal property	82.5%	\$ 57,719,970

21 Pension Plan

Plan Description

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

About Plan 2

Same as Plan 1.

Eligible Members

Members are in Plan 2 if their membership date is 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.
Teachers: Members are in Plan 2 if their membership date is from July 1, 2010, to December 31, 2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were not vested before January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Members contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Same as Plan 1.

Service Credit

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distributions not required, except as governed by law.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component 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.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of service credit.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

HYBRID
RETIREMENT PLAN
Normal Retirement Age

Defined Benefit Component:
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:
VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:
VRS: Age 60 with at least five years (60 months) of service credit.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:
Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability.
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - County</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	139	77
Inactive members:		
Vested inactive members	35	18
Non-vested inactive members	40	67
LTD	0	0
Inactive members active elsewhere in VRS	<u>80</u>	<u>17</u>
Total inactive members	155	102
Active members	<u>202</u>	<u>61</u>
Total covered employees	<u>496</u>	<u>240</u>

Contributions

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

If the employer used the certified rate: The County of Mecklenburg, Virginia's contractually required contribution rate for the year ended June 30, 2023 was 10.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County of Mecklenburg, Virginia were \$1,212,856 and \$1,148,584 for the years ended June 30, 2023 and June 30, 2022, respectively.

For the County of Mecklenburg, Virginia school board – general employees, employee contributions were \$173,558 and \$147,183 for the years ended June 30, 2023 and June 30, 2022, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the County of Mecklenburg, Virginia school division were \$4,494,070 and \$4,303,572 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For County of Mecklenburg, Virginia, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

Net Pension Liability – Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$54,732,329
Plan Fiduciary Net Position	<u>45,211,731</u>
Employer's Net Pension Liability (Asset)	<u>\$ 9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

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.

Actuarial Assumptions – General Employees and School Division – Teachers

The total pension liability for General Employees in the Political Subdivision's and VRS Teacher Retirement Plans was based on an actuarial valuation as of June 30, 2021, 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, 2022.

	<u>General Employees</u>	<u>Teachers</u>
Inflation	2.50%	2.50%
Salary increases, including inflation	3.50% - 5.35%	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation	6.75%, net of pension plan investment expenses, including inflation

Political Subdivisions

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

School Division – Teacher

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty; 45% of deaths are assumed to be service related.

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. Through the fiscal year ending June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement 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. For the year ended June 30, 2022, 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, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - County

	<u>Increase (Decrease)</u>		
	<u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>Pension</u> <u>Liability</u> <u>(a) - (b)</u>
Balances at June 30, 2021	\$ 56,884,340	\$ 56,509,537	\$ 374,803
Changes for the Year			
Service cost	1,055,179	-	1,055,179
Interest	3,833,162	-	3,833,162
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(1,768,147)	-	(1,768,147)
Contributions - employer	-	1,108,650	(1,108,650)
Contributions - employee	-	512,864	(512,864)
Net investment income	-	(63,776)	63,776
Benefit payments, including refunds	(2,303,882)	(2,303,882)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(35,006)	35,006
Other changes	-	1,310	(1,310)
Net Changes	<u>816,312</u>	<u>(779,840)</u>	<u>1,596,152</u>
Balances at June 30, 2022	<u>\$ 57,700,652</u>	<u>\$ 55,729,697</u>	<u>\$ 1,970,955</u>

Component Unit School Board - General Employees

Balances at June 30, 2021	\$ 6,500,435	\$ 6,346,506	\$ 153,929
Changes for the Year			
Service cost	109,194	-	109,194
Interest	430,849	-	430,849
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	(115,763)	-	(115,763)
Contributions - employer	-	130,363	(130,363)
Contributions - employee	-	71,533	(71,533)
Net investment income	-	(3,178)	3,178
Benefit payments, including refunds	(453,347)	(453,347)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(4,007)	4,007
Other changes	-	143	(143)
Net Changes	<u>(29,067)</u>	<u>(258,493)</u>	<u>229,426</u>
Balances at June 30, 2022	<u>\$ 6,471,368</u>	<u>\$ 6,088,013</u>	<u>\$ 383,355</u>

Sensitivity of the County of Mecklenburg, Virginia and County of Mecklenburg, Virginia School Division's – Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Primary Government - County Political subdivision's			
Net Pension Liability (Asset)	\$ 9,741,983	\$ 1,970,955	\$ (4,367,750)
Component Unit School Board - General Employees Political subdivision's			
Net Pension Liability (Asset)	\$ 1,029,413	\$ 383,355	\$ (160,158)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ 47,408,596	\$ 26,543,429	\$ 9,554,595

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

For the year ended June 30, 2023, the County of Mecklenburg, Virginia recognized pension expense of \$417,786.

For the year ended June 30, 2023, the County of Mecklenburg, Virginia school board – general employees recognized pension expense of \$(49,908).

At June 30, 2023, the County of Mecklenburg, Virginia school division – teachers reported a liability of \$26,543,429 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The County of Mecklenburg, Virginia school division's proportion of the Net Pension Liability was based on the County of Mecklenburg, Virginia school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was .27880% as compared to .27611% at June 30, 2021.

For the year ended June 30, 2023, the County of Mecklenburg, Virginia school division recognized pension expense of \$1,164,382. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the County of Mecklenburg, Virginia and County of Mecklenburg, Virginia school division – teachers 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>
Primary Government - County		
Differences between expected and actual experience	\$ 82,722	\$ 1,302,968
Change in assumptions	546,442	-
Net difference between projected and actual earnings on pension plan investments	-	1,594,344
Employer contributions subsequent to the measurement date	<u>1,212,856</u>	<u>-</u>
Total - Primary Government	<u>\$ 1,842,020</u>	<u>\$ 2,897,312</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ -	\$ 43,861
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	187,444
Employer contributions subsequent to the measurement date	<u>173,558</u>	<u>-</u>
Total	<u>\$ 173,558</u>	<u>\$ 231,305</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ -	\$ 1,830,274
Net difference between projected and actual earnings on pension plan investments	-	3,460,707
Change in assumptions	2,502,511	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	929,803	1,163,747
Employer contributions subsequent to the measurement date	<u>4,494,070</u>	<u>-</u>
Total	<u>\$ 7,926,384</u>	<u>\$ 6,454,728</u>
Total Component Unit School Board	<u>\$ 8,099,942</u>	<u>\$ 6,686,033</u>

\$1,212,856 for the County, \$173,558 for school general employees, and \$4,494,070 for teachers reported as deferred outflows of resources related to pensions resulting from the County of Mecklenburg, Virginia and the County of Mecklenburg, Virginia school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. 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:

Year Ended June 30,	Primary Government County		Component Unit School Board General Employees		Teachers	
2024	\$	(699,647)	\$	(114,737)	\$	(976,253)
2025		(1,164,974)		(74,937)		(1,217,508)
2026		(1,174,326)		(126,221)		(2,451,166)
2027		770,799		84,590		1,622,513
2028		-		-		-
Thereafter		-		-		-

Pension Plan Fiduciary Net Position

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Aggregate Pension Information

	Primary Government					Component Unit School Board				
	Deferred Outflows	Deferred Inflows	Net Pension Liability	Net Pension (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability	Net Pension (Asset)	Pension Expense
VRS Pension Plans										
Primary Government	\$ 1,842,020	\$ 2,897,312	\$ 1,970,955	\$ -	\$ 417,786	\$ -	\$ -	\$ -	\$ -	\$ -
School Board - General Employees	-	-	-	-	-	173,558	231,305	383,355	-	(49,908)
School Board - Teachers	-	-	-	-	-	7,926,384	6,454,728	26,543,429	-	1,164,382
Totals	\$ 1,842,020	\$ 2,897,312	\$ 1,970,955	\$ -	\$ 417,786	\$ 8,099,942	\$ 6,686,033	\$ 26,926,784	\$ -	\$ 1,114,474

22 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit:* The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit:* The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions:* In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program 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.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit 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 \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$64,800 and \$57,966 for the years ended June 30, 2023 and June 30, 2022, respectively.

For the school board – general employees, contributions to the Group Life Insurance Program were \$9,992 and \$8,811 for the years ended June 30, 2023 and June 30, 2022, respectively.

For the school board – teacher, contributions to the Group Life Insurance Program were \$146,487 and \$140,280 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, the participating employer reported a liability of \$594,222 for the political subdivision, \$90,307 for the school board – general employees, and \$1,437,932 for the school board – teacher for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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 Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was .04935% for the political subdivision, .00750% for the school board – general employees, and .11942% for the school board – teacher as compared to .04812% for the political subdivision, .00631% for the school board – general employees, and .11795% for the school board – teacher at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expenses of \$30,429 for the political subdivision, \$10,998 for the school board – general employees, and \$35,720 for school board – teacher. 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.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government		
Differences between expected and actual experience	\$ 47,055	\$ 23,839
Net difference between projected and actual earnings on GLI OPEB program investments	-	37,130
Change in assumptions	22,164	57,880
Changes in proportionate share	37,972	84
Employer contributions subsequent to the measurement date	64,800	-
Total	<u>\$ 171,991</u>	<u>\$ 118,933</u>
School Board		
Differences between expected and actual experience	\$ 7,151	\$ 3,623
Net difference between projected and actual earnings on GLI OPEB program investments	-	5,643
Change in assumptions	3,368	8,796
Changes in proportionate share	25,012	7,100
Employer contributions subsequent to the measurement date	9,992	-
Total	<u>\$ 45,523</u>	<u>\$ 25,162</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Teacher		
Differences between expected and actual experience	\$ 113,866	\$ 57,686
Net difference between projected and actual earnings on GLI OPEB program investments	-	89,850
Change in assumptions	53,633	140,060
Changes in proportionate share	52,331	61,228
Employer contributions subsequent to the measurement date	<u>146,487</u>	<u>-</u>
Total	<u>\$ 366,317</u>	<u>\$ 348,824</u>

\$64,800 for the political subdivision, \$9,992 for school board – general employees, and \$146,487 for school board – teacher reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. 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:

	<u>Primary Government</u>	<u>School Board</u>	<u>Teacher</u>
<u>Year Ended June 30,</u>			
2024	\$ 542	\$ 4,306	\$ (30,585)
2025	422	2,529	(26,645)
2026	(20,159)	(840)	(70,988)
2027	9,043	2,296	6,560
2028	(1,590)	2,078	(7,336)
Thereafter	-	-	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		<u>2,467,989</u>
GLI Net OPEB Liability (Asset)	\$	<u><u>1,204,096</u></u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 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 ending June 30, 2022, 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, 2022 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan			
Net OPEB Liability - Primary Government	\$ 864,662	\$ 594,222	\$ 375,669
Net OPEB Liability - School Division	\$ 131,408	\$ 90,307	\$ 57,093
Net OPEB Liability - Teacher	\$ 2,902,359	\$ 1,437,932	\$ 909,065

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

23 Other Post-Employment Benefits - Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is 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 health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts</p> <p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <i>At Retirement:</i> For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. <i>Disability Retirement:</i> For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for the premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Component Unit School Board General Employees	
Inactive members or their beneficiaries currently receiving benefits	37
Inactive members:	
Vested inactive members	3
Non-vested inactive members	0
Inactive members active elsewhere in the System	<u>0</u>
Total inactive members	40
Active members	<u>61</u>
Total covered employees	<u>101</u>

Contributions

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County of Mecklenburg, Virginia's component unit school board-general employees contractually required employer contribution rate for the year ended June 30, 2023 was 1.12% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 County of Mecklenburg, Virginia to the Component Unit School Board-General Employees' Health Insurance Credit Program were \$20,723 and \$15,502 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability

The County of Mecklenburg, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2022. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

Component Unit School Board General Employees

		<u>Increase (Decrease)</u>	
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2021	\$ 178,157	\$ 14,047	\$ 164,110
Changes for the Year			
Service cost	1,255	-	1,255
Interest	11,903	-	11,903
Benefit changes	-	-	-
Changes of assumptions	25,888	-	25,888
Differences between expected and actual experience	(5,083)	-	(5,083)
Contributions - employer	-	15,501	(15,501)
Net investment income	-	(220)	220
Benefit payments	(6,141)	(6,141)	-
Administrative expenses	-	(43)	43
Other changes	-	-	-
Net Changes	<u>27,822</u>	<u>9,097</u>	<u>18,725</u>
Balances at June 30, 2022	<u>\$ 205,979</u>	<u>\$ 23,144</u>	<u>\$ 182,835</u>

Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political subdivision's 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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
School Board General Employees			
Net HIC OPEB Liability	\$ 199,452	\$ 182,835	\$ 168,412

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2023, the County of Mecklenburg, Virginia recognized Health Insurance Credit Program OPEB expense of \$19,662 for the component unit school board-general employees. At June 30, 2023, the County of Mecklenburg, Virginia reported deferred outflows of resources and deferred inflows of resources related to the County of Mecklenburg, Virginia's Health Insurance Credit Program from the following sources:

**Component Unit School Board
General Employees**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,690
Net difference between projected and actual earnings on HIC OPEB program investments	-	-
Change in assumptions	22,415	-
Changes in proportionate share	396	-
Employer contributions subsequent to the measurement date	<u>20,723</u>	<u>-</u>
Total	<u>\$ 43,534</u>	<u>\$ 3,690</u>

\$20,723 for the component unit school board-general employees reported as deferred outflows of resources related to the HIC OPEB resulting from the County of Mecklenburg, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

**Component Unit School Board
General Employees**

2024	\$ 7,723
2025	7,363
2026	3,737
2027	298
2028	-
Thereafter	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

24 Other Post-Employment Benefits - Teacher Employee Health Insurance Credit Program

Plan Description

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

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

Eligible Employees

The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts

The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

- *At Retirement:* 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.
- *Disability Retirement:* 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.

Health Insurance Credit Program Notes:

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

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 County of Mecklenburg, Virginia school division to the VRS Teacher Employee Health Insurance Credit Program were \$327,186 and \$313,317 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2023, the County of Mecklenburg, Virginia school division reported a liability of \$3,470,226 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The County of Mecklenburg, Virginia school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the County of Mecklenburg, Virginia school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .27783% as compared to .27528% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$253,867. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2023, the County of Mecklenburg, Virginia school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 141,452
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	-	3,483
Change in assumptions	101,383	8,862
Changes in proportionate share and differences between actual and expected contributions	128,802	182,605
Employer contributions subsequent to the measurement date	<u>327,186</u>	<u>-</u>
Total	<u>\$ 557,371</u>	<u>\$ 336,402</u>

\$327,186 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, 2024. 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,**

2024	\$ (34,058)
2025	(25,872)
2026	(16,695)
2027	(1,644)
2028	(17,708)
Thereafter	(10,240)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates – Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022 NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,470,891
Plan Fiduciary Net Position	<u>221,845</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	15.08%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	<u>3.00%</u>	6.55%	<u>0.20%</u>
Total	<u>100.00%</u>		5.33%
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return**		<u>7.83%</u>

*The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 ending June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially

determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the County of Mecklenburg, Virginia school division's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the County of Mecklenburg, Virginia 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:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	<u>\$ 3,910,984</u>	<u>\$ 3,470,226</u>	<u>\$ 3,096,606</u>

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

25 Other Postemployment Benefits

Plan Description

In addition to pension benefits offered by Virginia Retirement System, the County and School Board provides postemployment healthcare benefits. These benefits are governed by the County and School Board and can be amended by the County and School Board. The County and School Board provide healthcare insurance to retirees and their dependents. Very strict criteria have to be met to qualify for the benefits and the retirees come off the plan once they start receiving Medicare benefits at age 65.

County OPEB

Eligibility

Participants in the Mecklenburg County OPEB plan must meet the eligibility requirements based on service earned with the County to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must have attained age 50 with at least 30 years of service with the County to be eligible for health benefits.

Health benefits include medical only. The plan does provide for separate dental or vision coverage, but retirees pay the entire cost of coverage so there is no GASB liability for dental or vision coverage.

Relationship between Valuation Date, Measurement Date, and Reporting Date

The valuation date is January 1, 2023. This is the date as of which the actuarial valuation is performed. The Measurement date is June 30, 2023. This is the date as of which the total OPEB liability is determined. The Reporting Date is June 30, 2023. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

Given the substantial uncertainty regarding the impact of COVID-19 on plan costs, including whether the pandemic will increase or decrease costs during the term of our projections, we have chosen not to make an adjustment in the expected plan costs. It is possible that the COVID-19 pandemic could have a material impact on the projected costs.

Participant Data as of January 1, 2023

	<u>County</u>
Number of participants	
Active	172
Retirees	7
Spouses of retirees	5
Beneficiaries	<u>-</u>
Total Participants	<u><u>184</u></u>

Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions used in the January 1, 2023 funding valuation. Please see the valuation report dated June 21, 2023 for further details.

Valuation Timing

Actuarial valuations for funding purposes are performed biennially as of January 1. The most recent valuation was performed as of January 1, 2023.

Actuarial Cost Method

Projected Unit Credit

Amortization Method

Level percent or level dollar	Level percentage of payroll
Closed, open, or layered periods	Closed
Amortization period at January 1, 2023	18 years remaining as of January 1, 2023
Amortization growth rate	3.00%

Asset Valuation Method

Market value

Inflation

2.50%

Salary Increases

Please see 01/01/2023
OPEB valuation report

Discount Rate

6.50%

Healthcare Trend Rates

Please see 01/01/2023
OPEB valuation report

Long-Term Expected Rate of Return

The assumption for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions, including inflation, are per Milliman's investment consulting practice as of December 31, 2022.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Core Fixed Income	Bloomberg Barclays Aggregate	20.00%	2.27%	2.13%
US Large Cap Equity	S&P 500 TR USD	21.00%	5.64%	4.09%
US Small Cap Equity	Russell 2000 TR USD	10.00%	7.25%	4.67%
Foreign Developed Equity	MSCI EAFE NR USD	13.00%	6.90%	5.15%
Emerging Markets Equity	MSCI EM NR USD	5.00%	9.58%	6.20%
Private Real Estate Property	NCREIF Property	15.00%	4.86%	3.70%
Private Equity	Cambridge US Private Equity	10.00%	10.74%	6.54%
Hedge Fund of Funds-Strategic	HFRI FOF Strategic	6.00%	4.42%	3.48%
Assumed Inflation - Mean			2.33%	2.33%
Assumed Inflation - Standard Deviation			1.41%	1.41%
Portfolio Real Mean Return			5.81%	4.90%
Portfolio Nominal Mean Return			8.14%	7.34%
Portfolio Standard Deviation				13.07%
Long-Term Expected Rate of Return				6.50%

Changes in Net OPEB Liability

County - OPEB

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability/(Asset) (a) - (b)</u>
Balances as of June 30, 2022	\$ 2,283,694	\$ 2,632,779	\$ (349,085)
Changes for the Year			
Service cost	38,881	-	38,881
Interest on total OPEB liability	145,634	-	145,634
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	37,347	-	37,347
Effect of assumptions changes or inputs	94,179	-	94,179
Benefit payments	(166,718)	(166,718)	-
Employer contributions	-	166,718	(166,718)
Member contributions	-	-	-
Net investment income	-	200,630	(200,630)
Administrative expenses	-	(3,229)	3,229
Net Changes	149,323	197,401	(48,078)
Balances as of June 30, 2023	<u>\$ 2,433,017</u>	<u>\$ 2,830,180</u>	<u>\$ (397,163)</u>

Sensitivity Analysis

The following presents the County's Net OPEB Liability calculated using the discount rate of 6.50%, as well as what the County's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate.

Using Discount Rates	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total OPEB Liability	\$ 2,679,751	\$ 2,433,017	\$ 2,216,045
Fiduciary Net Position	2,830,180	2,830,180	2,830,180
Net OPEB Liability/(Asset)	<u>\$ (150,429)</u>	<u>\$ (397,163)</u>	<u>\$ (614,135)</u>

The following presents the County's Net OPEB Liability calculated using the current healthcare cost trend rate, as well as what the County's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

**Using Current Healthcare Cost
Trend Rates**

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 2,191,806	\$ 2,433,017	\$ 2,712,894
Fiduciary Net Position	2,830,180	2,830,180	2,830,180
Net OPEB Liability/(Asset)	<u>\$ (638,374)</u>	<u>\$ (397,163)</u>	<u>\$ (117,286)</u>

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the OPEB Retiree Health Insurance from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,145	\$ 149,324
Changes of assumptions	86,666	40,485
Net difference between projected and actual earnings on OPEB plan investments	54,474	-
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 192,285</u>	<u>\$ 189,809</u>

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

**Year Ended
June 30,**

2024	\$ (43,862)
2025	(39,862)
2026	70,201
2027	15,999
2028	-
Thereafter*	-

*Note that additional future deferred inflows and outflows of resources may impact these numbers.

OPEB Liability

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period must be reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	6.50%
Long-Term Expected Rate of Return, Net of Investment Expense	6.50%
Municipal Bond Rate	N/A

The 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 discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

Other Key Actuarial Assumptions

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2023 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016 to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 20, 2021.

Valuation Date	January 1, 2021	January 1, 2023
Measurement Date	June 30, 2022	June 30, 2023
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	Please see 01/01/2021 OPEB valuation report	Please see 01/01/2023 OPEB valuation report
Salary Increases Including Inflation	Please see 01/01/2021 OPEB valuation report	Please see 01/01/2023 OPEB valuation report

Please see Milliman's January 1, 2023 OPEB valuation report dated June 21, 2023 for more details.

School Board OPEB

Eligibility

School Board OPEB plan participants generally include active employees, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits. These participants must meet the eligibility requirements to receive benefits upon retirement.

	<u>School Board</u>
Number of participants	
Active	621
Retirees	13
Spouses	<u>3</u>
Total Participants	<u>637</u>

Methods and Assumptions

Summary of Methods	
Valuation/Census Data Due	July 1, 2022
Measurement Date	July 1 2022 and July 1, 2023
Actuarial Cost Method	Entry Age, level percentage
Actuarial Assets	None
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences
Economic Assumptions	
Discount Rate	3.80%
20-Year Municipal Bond Yield	3.80%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.50% as of July 1, 2022 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Dental Trend Rate	N/A

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Other Assumptions	
Mortality	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale
Disability	None
Withdrawal	31.451% to 4.581% depending on gender, years of service, age, hire date and position (teacher or support staff)
Retirement	2.50% to 40.0% depending on gender, years of service, age, hire date and position (teacher or support staff)
Expenses	Assumed paid outside of Plan
Percent Married	Current Retirees: Actual retiree/spouse elections used. Future Retirees: Males 100%, Females 100%
Age Difference	Actual spouse birthdate for current retirees (if provided). For all others, males assumed to be 3 years older than females.
Retiree Plan Participation	Future Retirees Electing Coverage: Pre-65 subsidy available: N/A Pre-65 subsidy not available: 35%
Percentage of Married Retirees Electing Spouse Coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage: Spouse subsidy available: N/A Spouse subsidy not available: 15%
Benefits Not Included	None

Changes in Net OPEB Liability

School Board - OPEB

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances - Beginning of Measurement Year	\$ 1,660,470	\$ -	\$ 1,660,470
Changes for the Year			
Service cost	87,628	-	87,628
Interest costs	40,536	-	40,536
Assumption changes	(115,363)	-	(115,363)
Plan changes	-	-	-
Difference between expected and actual experience	(63,289)	-	(63,289)
Benefit payments	(118,886)	-	(118,886)
Other changes	-	-	-
Net Changes	<u>(169,374)</u>	<u>-</u>	<u>(169,374)</u>
Balances - End of Measurement Year	<u>\$ 1,491,096</u>	<u>\$ -</u>	<u>\$ 1,491,096</u>

Sensitivity Analysis

The following presents the School Board's Net OPEB Liability calculated using the selected discount rate of 3.80%, as well as what the School Board's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.80%) or 1 percentage point higher (4.80%) than the current rate.

<u>Using Discount Rates</u>	<u>1% Decrease 2.80%</u>	<u>Discount Rate 3.80%</u>	<u>1% Increase 4.80%</u>
Total OPEB Liability	\$ 1,588,155	\$ 1,491,096	\$ 1,397,910
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,588,155</u>	<u>\$ 1,491,096</u>	<u>\$ 1,397,910</u>

The following presents the School Board's Net OPEB Liability calculated using the current healthcare cost trend rates, as well as what the School Board's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

<u>Using Current Healthcare Cost Trend Rates (6.50% decreasing to 5.00% then 4.00%)</u>	<u>1% Decrease</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,345,180	\$ 1,491,096	\$ 1,659,564
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,345,180</u>	<u>\$ 1,491,096</u>	<u>\$ 1,659,564</u>

Deferred Outflows/Inflows of Resources

Deferred outflows of resources and deferred inflows of resources relating to OPEB for the year ending June 30, 2023 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 260,576
Changes in assumptions	-	212,098
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	84,274	-
Total	<u>\$ 84,274</u>	<u>\$ 472,674</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30,

2024	\$ (207,982)
2025	(114,485)
2026	(114,479)
2027	(35,728)
2028	-
Thereafter	-

26 Aggregate OPEB Information

	<u>Primary Government</u>					<u>Component Unit School Board</u>				
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>Net OPEB (Asset)</u>	<u>OPEB Expense</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>Net OPEB (Asset)</u>	<u>OPEB Expense</u>
VRS OPEB Plans										
<i>Group Life Insurance</i>										
Primary Government	\$ 171,991	\$ 118,933	\$ 594,222	\$ -	\$ 30,429	\$ -	\$ -	\$ -	\$ -	\$ -
School Board - General Employees	-	-	-	-	-	45,523	25,162	90,307	-	10,998
School Board - Teachers	-	-	-	-	-	366,317	348,824	1,437,932	-	35,720
<i>Health Insurance Credit</i>										
Primary Government	-	-	-	-	-	-	-	-	-	-
School Board - General Employees	-	-	-	-	-	43,534	3,690	182,835	-	19,662
School Board - Teachers	-	-	-	-	-	557,371	336,402	3,470,226	-	253,867
Retiree Health Insurance										
Primary Government	192,285	189,809	-	(397,163)	(17,396)	-	-	-	-	-
School Board	-	-	-	-	-	84,274	472,674	1,491,096	-	(79,823)
Totals	<u>\$ 364,276</u>	<u>\$ 308,742</u>	<u>\$ 594,222</u>	<u>\$ (397,163)</u>	<u>\$ 13,033</u>	<u>\$ 1,097,019</u>	<u>\$ 1,186,752</u>	<u>\$ 6,672,396</u>	<u>\$ -</u>	<u>\$ 240,424</u>

27 Fund Balances – Governmental Funds

As of June 30, 2023, fund balances are composed of the following:

	<u>Committed</u>	<u>Amount</u>
General Fund	911 program	\$ 621,257
School Capital Outlay	School capital fund	<u>17,121,074</u>
	Total Committed Funds	<u>\$ 17,742,331</u>
	<u>Assigned for</u>	
General Fund	Equipment replacement	\$ 2,987,259
	Library funds	<u>46,297</u>
	Subtotal - General Fund	3,033,556
Sheriff's Funds	Project Life Saver	271
	SRO picnic fund	43,064
	Sheriff's abandoned property	<u>2,078</u>
	Subtotal - Sheriff's Funds	45,413
DEQ and Landfill Funds	Landfill reserve	416,308
Opioid Fund	Opioid funds	102,541
Economic Development Fund	Economic development	6,379,727
Capital Outlay Fund	Capital projects	26,913,176
	Public Safety Building	<u>4,000,000</u>
		30,913,176
Rescue Squad Fund	Rescue Squad activities	1,273,610
Law Library Fund	Law library	<u>23,980</u>
	Total Assigned Funds	<u>\$ 42,188,311</u>
	<u>Restricted for</u>	
Public Assistance Fund	Public assistance	\$ 1,275,583
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	<u>100,000</u>
	Subtotal - DEQ and Landfill Funds	120,000
Microsoft Capital Project Fund	Microsoft project	18,676,449
Children's Services Act Fund	Children's services act fund	835,820
Forfeiture Funds	Commonwealth's Attorney	24,027
	Sheriff's drug forfeitures	7,279
	State unwarranted	84,182
	Federal forfeiture funds	24,001
	MCSO seizure money funds	<u>2,396</u>
	Subtotal - Forfeiture Funds	<u>141,885</u>
	Total Restricted Funds	<u>\$ 21,049,737</u>

28 Upcoming Pronouncements

GASB Statement No. 99, *Omnibus 2022*. This Statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections*. An Amendment of GASB Statement No. 62 – will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences* - requires recording compensation due to employees as a liability if not paid at the date of the financial statements. The amount due should be calculated at the employee's pay rate as of the date of financials. The Statement reduces the note disclosure and excludes certain compensated absences such as parental leave, military leave, and jury duty from the calculated liability. This Statement is effective for fiscal years beginning after December 15, 2023.

29 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2023 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2023. Management has performed their analysis through January 26, 2024.

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 20,256,711	\$ 20,256,711	\$ 23,139,594	\$ 2,882,883
Mobile home taxes	55,800	55,800	65,529	9,729
Personal property taxes	78,972,650	81,448,346	83,393,402	1,945,056
Public service corporations	1,366,058	1,366,058	1,448,220	82,162
Machinery and tools taxes	644,490	644,490	379,696	(264,794)
Merchants' capital	535,680	535,680	535,292	(388)
Delinquent taxes	-	-	302,861	302,861
Interest on taxes	140,000	140,000	212,506	72,506
Penalties on taxes	200,000	200,000	401,790	201,790
Total General Property Taxes	102,171,389	104,647,085	109,878,890	5,231,805
Other Local Taxes				
Local sales and use taxes	5,700,000	5,700,000	7,345,547	1,645,547
Utility taxes	460,000	460,000	528,456	68,456
Consumption tax	80,000	80,000	311,093	231,093
Business licenses	1,800	1,800	2,350	550
Transient occupancy tax	90,000	90,000	275,175	185,175
Motor vehicle licenses	585,000	585,000	664,791	79,791
Tax on recordation and wills	347,000	347,000	396,276	49,276
Total Other Local Taxes	7,263,800	7,263,800	9,523,688	2,259,888
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	15,800	15,800	22,538	6,738
Other permits and licenses	75,400	75,400	131,791	56,391
Building permits	300,000	300,000	1,789,369	1,489,369
Total Permits, Privilege Fees, and Regulatory Licenses	391,200	391,200	1,943,698	1,552,498
Fines and Forfeitures				
	380,950	380,950	611,696	230,746
Revenue from Use of Money and Property				
Interest income	275,000	275,000	2,203,772	1,928,772
Rental income	54,000	54,000	68,013	14,013
Total Revenue from Use of Money and Property	329,000	329,000	2,271,785	1,942,785
Charges for Services				
Sheriff's revenues	6,252	12,218	11,900	(318)
Courthouse maintenance fees and clerk	30,000	30,000	30,513	513
Library charges and revenue	29,900	29,900	25,417	(4,483)
Commonwealth Attorney's fees	6,000	6,000	5,850	(150)
Sanitation, waste removal, and landfill charges	104,000	104,000	136,674	32,674
Other miscellaneous charges	200	200	555	355
Planning fees	1,000	1,000	-	(1,000)
Total Charges for Services	177,352	183,318	210,909	27,591

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Miscellaneous				
Delinquent tax administrative fees	140,000	140,000	398,158	258,158
Insurance adjustments	-	8,399	8,399	-
Other miscellaneous	25,600	99,235	98,283	(952)
Total Miscellaneous	165,600	247,634	504,840	257,206
Recovered Costs	191,360	191,360	220,382	29,022
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	5,000	5,000	17,339	12,339
Auto rental tax	2,700	2,700	6,638	3,938
Moped ATV tax	3,500	3,500	2,691	(809)
Personal Property Tax Relief Act	1,454,006	1,454,006	1,454,006	-
Receipt from state - Occoneechee Park	5,000	5,000	7,226	2,226
Communications tax from State	380,000	380,000	400,983	20,983
Mobile home titling tax	90,000	90,000	147,619	57,619
Total Non-Categorical Aid	1,940,206	1,940,206	2,036,502	96,296
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	548,839	548,839	540,205	(8,634)
Sheriff and Sheriff's auto	1,860,005	1,860,005	1,864,754	4,749
Commissioner of the Revenue	144,903	144,903	164,015	19,112
Treasurer	145,354	145,354	148,271	2,917
Electoral Board and General Registrar	83,484	83,484	74,731	(8,753)
Clerk of the Court	436,004	447,460	463,156	15,696
Library grant	152,214	173,668	173,667	(1)
Transtech - GOVA and TICF funds	152,312	152,312	94,835	(57,477)
Virginia's Retreat - TICF funds	39,249	39,249	-	(39,249)
School Security Grant	20,000	20,000	29,088	9,088
School Resource Officer	-	122,000	122,000	-
Deputies Lake Patrol	34,000	34,000	45,200	11,200
Piedmont Court Services	433,705	433,705	424,013	(9,692)
Victim Witness Grant	72,100	72,100	22,694	(49,406)
Virginia Domestic Violence (VDVVF)	-	-	45,000	45,000
VJCCCA	34,000	34,000	31,360	(2,640)
Fire Program Grant	95,327	95,327	85,514	(9,813)
Alien Assistance Grant	1,630	1,630	-	(1,630)
Emergency 911 Grant	9,300	9,300	-	(9,300)
911 Training Grant	3,000	3,000	3,000	-
Wireless 911	175,000	175,000	206,624	31,624
Four for Life Grant	32,477	32,477	35,260	2,783
Plastic pesticide Grant	1,825	1,825	1,875	50
Sheriff - HEAT Grant	-	10,000	10,000	-
Sheriff CSB Mental Transports	60,000	60,000	40,912	(19,088)
Animal Friendly Plates Grant	500	500	538	38
Grant - Colonial Center for Performing Arts	4,500	4,500	4,500	-
Tourism grants	-	97,500	100,000	2,500
Tobacco Commission Grant	-	-	1,669	1,669
Litter Grant	12,000	12,000	19,281	7,281
Jury Witness Reimbursement	15,000	15,000	8,670	(6,330)
Total Categorical Aid	4,566,728	4,829,138	4,760,832	(68,306)
Total Revenue from the Commonwealth of Virginia	6,506,934	6,769,344	6,797,334	27,990

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Revenue from the Federal Government

Emergency Services Grant	7,500	7,500	-	(7,500)
Byrne Grant	4,832	4,832	2,814	(2,018)
Victim Witness Grant	-	-	50,189	50,189
ARPA funds for Sheriff's Compensation Board	-	331,000	-	(331,000)
Community Development planning grant	-	-	10,050	10,050
Violence Against Women	42,920	42,920	42,890	(30)
Payment in lieu of taxes	160,000	160,000	187,543	27,543
Total Revenue from the Federal Government	215,252	546,252	293,486	(252,766)
Total Intergovernmental Revenue	6,722,186	7,315,596	7,090,820	(224,776)
Total Revenues	117,792,837	120,949,943	132,256,708	11,306,765

Expenditures

Current

General Government Administration

Board of Supervisors	261,371	261,371	259,941	1,430
County Administrator	726,603	753,360	748,129	5,231
Commissioner of Revenue	846,400	836,904	831,493	5,411
Treasurer	761,191	761,234	752,299	8,935
County Attorney and other legal	225,000	102,000	101,656	344
Data processing	452,871	417,704	398,975	18,729
Multipurpose	331,256	336,617	154,807	181,810
Equalization Board	5,000	5,000	3,023	1,977
Shared office expenses	358,000	363,078	348,692	14,386
Retirees hospitalization	101,400	116,083	116,083	-
Workman's compensation/unemployment	307,400	313,128	309,239	3,889
Electoral Board	93,780	92,926	86,506	6,420
Registrar	227,622	231,990	230,611	1,379
Total General Government Administration	4,697,894	4,591,395	4,341,454	249,941

Judicial Administration

Circuit Court	78,921	78,187	71,436	6,751
General District Court	5,700	6,434	5,694	740
Magistrate	2,000	2,000	504	1,496
Juvenile and Domestic Relations Court	307,500	320,478	313,643	6,835
Pretrial Court	158,300	158,300	134,487	23,813
VJCCCA	34,400	34,400	32,955	1,445
Victim Witness Program	78,336	79,604	76,480	3,124
Center for Violence	24,200	24,200	24,200	-
Piedmont Court Services - Corrections Act	385,091	394,565	386,566	7,999
Clerk of the Circuit Court	752,760	778,202	766,024	12,178
Commonwealth's Attorney	955,327	891,327	873,386	17,941
Total Judicial Administration	2,782,535	2,767,697	2,685,375	82,322

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Sheriff's department	6,284,664	6,886,172	6,739,947	146,225
Jail	3,915,781	3,915,781	3,891,302	24,479
Fire departments	798,171	803,563	774,205	29,358
Rescue squads	1,160,077	1,168,590	1,168,590	-
911 department	1,882,241	1,861,855	1,826,561	35,294
Emergency services	513,641	473,949	363,501	110,448
Inspections	430,119	430,119	414,669	15,450
Animal control	260,621	260,621	237,412	23,209
Medical Examiner	3,200	3,200	1,528	1,672
American Red Cross	4,000	4,000	4,000	-
Total Public Safety	15,252,515	15,807,850	15,421,715	386,135
<i>Public Works</i>				
Refuse disposal	2,574,217	2,618,505	2,600,003	18,502
Roanoke River Service Authority	50,000	50,000	50,000	-
Maintenance of buildings and grounds	848,124	888,303	877,110	11,193
Total Public Works	3,472,341	3,556,808	3,527,113	29,695
<i>Health and Welfare</i>				
Health department	217,510	217,510	217,509	1
Mental health	225,337	225,337	225,336	1
Comprehensive services	81,639	82,426	81,618	808
Lake Country Area Agency on Aging	14,000	14,000	14,000	-
Welfare and social services	8,153	8,542	8,542	-
Total Health and Welfare	546,639	547,815	547,005	810
<i>Education</i>				
Community college	18,011	18,011	18,011	-
Appropriation to public school system	26,832,510	26,832,510	26,832,510	-
Total Education	26,850,521	26,850,521	26,850,521	-
<i>Parks, Recreation, and Cultural</i>				
Library	851,004	867,097	825,529	41,568
Parks and recreation	21,750	21,750	21,750	-
Cultural contributions	119,500	119,500	119,500	-
Total Parks, Recreation, and Cultural	992,254	1,008,347	966,779	41,568

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Community Development</i>				
Miscellaneous community development	260,218	260,218	259,392	826
Town of Boynton	80,000	80,000	80,000	-
Airports	122,000	122,000	122,000	-
Tourism	130,800	228,300	198,739	29,561
Economic development	1,067,822	1,067,822	779,215	288,607
Zoning	250,452	250,452	208,380	42,072
Industrial tax refunds to Meck. IDA	55,261,191	57,736,887	57,736,887	-
Soil and Water Conservation District	175,292	214,983	214,984	(1)
Cooperative extension program	101,105	109,590	99,307	10,283
Total Community Development	57,448,880	60,070,252	59,698,904	371,348
<i>Debt service - Lease liabilities paid</i>	-	-	92,054	(92,054)
<i>Capital Projects</i>				
Capital outlay	950,000	950,000	226,853	723,147
Total Expenditures	112,993,579	116,150,685	114,357,773	1,792,912
Excess (Deficiency) of Revenues Over Expenditures	4,799,258	4,799,258	17,898,935	13,099,677
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	(6,182,565)	(6,182,565)	(18,091,434)	(11,908,869)
Lease liabilities issued	-	-	-	-
Total Other Financing Sources (Uses)	(6,182,565)	(6,182,565)	(18,091,434)	(11,908,869)
Net Change in Fund Balance	(1,383,307)	(1,383,307)	(192,499)	1,190,808
From Surplus	1,383,307	1,383,307	-	(1,383,307)
Net Change in Fund Balance After Surplus	\$ -	\$ -	(192,499)	\$ (192,499)
Fund Balance - Beginning of Year			18,517,155	
Fund Balance - End of Year			\$ 18,324,656	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 317,695	\$ 317,695	\$ 4,326	\$ (313,369)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,404,163	1,404,163	1,013,104	(391,059)
Revenue from the Federal Government	<u>2,025,652</u>	<u>2,025,652</u>	<u>2,065,247</u>	<u>39,595</u>
Total Intergovernmental Revenues	<u>3,429,815</u>	<u>3,429,815</u>	<u>3,078,351</u>	<u>(351,464)</u>
Total Revenues	3,747,510	3,747,510	3,082,677	(664,833)
Expenditures				
Current				
Health and welfare	<u>4,693,231</u>	<u>4,774,601</u>	<u>3,807,495</u>	<u>967,106</u>
Total Expenditures	<u>4,693,231</u>	<u>4,774,601</u>	<u>3,807,495</u>	<u>967,106</u>
Excess (Deficiency) of Revenues Over Expenditures	(945,721)	(1,027,091)	(724,818)	302,273
Other Financing Sources (Uses)				
Transfers in	945,721	945,721	805,146	(140,575)
Lease liabilities issued	<u>-</u>	<u>-</u>	<u>57,295</u>	<u>57,295</u>
Total Other Financing Sources (Uses)	<u>945,721</u>	<u>945,721</u>	<u>862,441</u>	<u>(83,280)</u>
Net Change in Fund Balance	-	(81,370)	137,623	218,993
From Surplus	<u>-</u>	<u>81,370</u>	<u>-</u>	<u>(81,370)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	137,623	<u>\$ 137,623</u>
Fund Balance - Beginning of Year			<u>1,137,960</u>	
Fund Balance - End of Year			<u>\$ 1,275,583</u>	

ARPA Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental Revenues				
Revenue from the Federal Government	\$ -	\$ -	\$ 2,069,101	\$ 2,069,101
Total Intergovernmental Revenues	-	-	2,069,101	2,069,101
Total Revenues	-	-	2,069,101	2,069,101
Expenditures				
Current				
Public safety	708,000	1,557,165	1,557,165	-
Public works	126,281	127,851	109,785	18,066
Health and welfare	152,500	158,944	153,528	5,416
Community development	3,078,171	2,220,992	248,623	1,972,369
Total Expenditures	4,064,952	4,064,952	2,069,101	1,995,851
Excess (Deficiency) of Revenues Over Expenditures	(4,064,952)	(4,064,952)	-	4,064,952
Other Financing Sources (Uses)				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(4,064,952)	(4,064,952)	-	4,064,952
From Surplus	4,064,952	4,064,952	-	(4,064,952)
Net Change in Fund Balance After Surplus	\$ -	\$ -	-	\$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

County of Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30

	<u>Primary Government</u>								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 1,055,179	\$ 1,020,106	\$ 1,056,282	\$ 907,552	\$ 937,718	\$ 924,738	\$ 911,199	\$ 910,898	\$ 905,148
Interest	3,833,162	3,529,327	3,295,604	3,134,491	2,996,570	2,917,227	2,904,017	2,793,733	2,651,300
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(1,768,147)	(262,861)	1,388,868	739,382	196,694	(406,065)	(1,634,116)	(302,779)	-
Changes of assumptions	-	1,522,234	-	1,451,726	-	(344,713)	-	-	-
Benefit payments	(2,303,882)	(2,421,598)	(2,134,761)	(2,240,904)	(2,080,462)	(1,834,965)	(2,149,802)	(1,502,945)	(1,540,432)
Net change in total pension liability	816,312	3,387,208	3,605,993	3,992,247	2,050,520	1,256,222	31,298	1,898,907	2,016,016
Total pension liability - beginning	56,884,340	53,497,132	49,891,139	45,898,892	43,848,372	42,592,150	42,560,852	40,661,945	38,645,929
Total pension liability - ending (a)	\$57,700,652	\$56,884,340	\$ 53,497,132	\$49,891,139	\$45,898,892	\$43,848,372	\$42,592,150	\$42,560,852	\$40,661,945
Plan fiduciary net position									
Contributions - employer	\$ 1,108,650	\$ 1,034,736	\$ 860,331	\$ 780,573	\$ 781,980	\$ 759,803	\$ 1,062,180	\$ 1,019,265	\$ 1,046,057
Contributions - employee	512,864	477,940	477,138	464,450	418,507	412,162	430,437	386,744	392,052
Net investment income	(63,776)	12,294,198	862,922	2,857,242	3,025,578	4,522,743	638,328	1,644,329	4,904,522
Benefit payments	(2,303,882)	(2,421,598)	(2,134,761)	(2,240,904)	(2,080,462)	(1,834,965)	(2,149,802)	(1,502,945)	(1,540,432)
Refunds of contributions	-	-	-	-	-	-	-	-	-
Administrator charges	(35,006)	(30,635)	(29,325)	(28,580)	(26,328)	(26,214)	(23,330)	(22,291)	(26,249)
Other	1,310	1,160	(1,018)	(1,801)	(2,687)	(4,023)	(273)	(350)	258
Net change in plan fiduciary net position	(779,840)	11,355,801	35,287	1,830,980	2,116,588	3,829,506	(42,460)	1,524,752	4,776,208
Plan fiduciary net position - beginning	56,509,537	45,153,736	45,118,449	43,287,469	41,170,881	37,341,375	37,383,835	35,859,083	31,082,875
Plan fiduciary net position - ending (b)	\$55,729,697	\$56,509,537	\$ 45,153,736	\$45,118,449	\$43,287,469	\$41,170,881	\$37,341,375	\$37,383,835	\$35,859,083
Political subdivision's net pension liability - ending (a - b)	\$ 1,970,955	\$ 374,803	\$ 8,343,396	\$ 4,772,690	\$ 2,611,423	\$ 2,677,491	\$ 5,250,775	\$ 5,177,017	\$ 4,802,862
Plan fiduciary net position as a percentage of the total pension liability	96.58%	99.34%	84.40%	90.43%	94.31%	93.89%	87.67%	87.84%	88.19%
Covered payroll	\$10,734,430	9,926,428	9,866,145	\$ 8,892,470	\$ 8,546,164	\$ 8,063,815	\$ 8,040,153	\$ 7,766,871	\$ 7,648,356
Political subdivision's net pension liability as a percentage of covered payroll	18.36%	3.78%	84.57%	53.67%	30.56%	33.20%	65.31%	66.66%	62.80%

County of Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

For the Plan Years Ended June 30

**School Board
General Employees**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability									
Service cost	\$ 109,194	\$ 110,097	\$ 112,162	\$ 86,898	\$ 89,304	\$ 78,043	\$ 77,859	\$ 78,891	\$ 85,532
Interest	430,849	412,906	402,342	401,768	396,509	392,142	395,956	388,886	390,807
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(115,763)	(150,798)	122,886	66,421	51,611	31,540	(64,524)	104,213	-
Changes of assumptions	-	253,363	-	138,410	-	19,065	-	-	-
Benefit payments	(453,347)	(484,532)	(477,212)	(467,647)	(456,938)	(459,880)	(467,652)	(474,332)	(533,242)
Net change in total pension liability	(29,067)	141,036	160,178	225,850	80,486	60,910	(58,361)	97,658	(56,903)
Total pension liability - beginning	6,500,435	6,359,399	6,199,221	5,973,371	5,892,885	5,831,975	5,890,336	5,792,678	5,849,581
Total pension liability - ending (a)	\$ 6,471,368	\$ 6,500,435	\$ 6,359,399	\$ 6,199,221	\$ 5,973,371	\$ 5,892,885	\$ 5,831,975	\$ 5,890,336	\$ 5,792,678
 Plan fiduciary net position									
Contributions - employer	\$ 130,363	\$ 105,671	\$ 115,507	\$ 95,435	\$ 98,571	\$ 96,332	\$ 83,627	\$ 86,114	\$ 81,094
Contributions - employee	71,533	57,961	64,711	52,831	50,633	49,396	37,264	38,876	39,402
Net investment income	(3,178)	1,398,972	102,645	349,473	388,191	600,499	84,931	241,239	773,139
Benefit payments	(453,347)	(484,532)	(477,212)	(467,647)	(456,938)	(459,880)	(467,652)	(474,332)	(533,242)
Refunds of contributions	-	-	-	-	-	-	-	-	-
Administrative charges	(4,007)	(3,693)	(3,684)	(3,721)	(3,543)	(3,700)	(3,487)	(3,598)	(4,473)
Other	143	130	(119)	(218)	(338)	(525)	(38)	(52)	41
Net change in plan fiduciary net position	(258,493)	1,074,509	(198,152)	26,153	76,576	282,122	(265,355)	(111,753)	355,961
Plan fiduciary net position - beginning	6,346,506	5,271,997	5,470,149	5,443,996	5,367,420	5,085,298	5,350,653	5,462,406	5,106,445
Plan fiduciary net position - ending (b)	\$ 6,088,013	\$ 6,346,506	\$ 5,271,997	\$ 5,470,149	\$ 5,443,996	\$ 5,367,420	\$ 5,085,298	\$ 5,350,653	\$ 5,462,406
 Political subdivision's net pension liability - ending (a - b)	\$ 383,355	\$ 153,929	\$ 1,087,402	\$ 729,072	\$ 529,375	\$ 525,465	\$ 746,677	\$ 539,683	\$ 330,272
 Plan fiduciary net position as a percentage of the total pension liability	94.08%	97.63%	82.90%	88.24%	91.14%	91.08%	87.20%	90.84%	94.30%
 Covered payroll	\$ 1,631,746	\$ 1,302,195	\$ 1,447,679	\$ 1,174,617	\$ 1,107,505	\$ 1,017,532	\$ 817,527	\$ 774,168	\$ 775,881
 Political subdivision's net pension liability as a percentage of covered payroll	23.49%	11.82%	75.11%	62.07%	47.80%	51.64%	91.33%	69.71%	42.57%

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net Pension Liability
VRS Teacher Employee Retirement Plan

For the Measurement Dates of June 30, 2014 through 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.27880%	0.27611%	0.28704%	0.27559%	0.28410%	0.28099%	0.29082%	0.28578%	0.29757%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 26,543,429	\$21,434,688	\$41,771,858	\$36,269,210	\$33,411,000	\$34,556,000	\$40,756,000	\$35,970,000	\$35,960,000
Employer's Covered Payroll	\$ 25,893,933	\$24,350,476	\$25,081,396	\$23,045,732	\$22,925,194	\$21,816,255	\$22,174,540	\$21,241,342	\$21,761,485
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	102.508%	88.026%	166.545%	157.379%	145.739%	158.396%	183.796%	169.340%	165.246%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	85.46%	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, only nine years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the VRS Teacher Retirement Plan for each year is presented on pages 120 and 121 of the VRS 2022 Annual Report.

County of Mecklenburg, Virginia

Schedule of Employer Contributions

VRS Political Subdivisions Retirement Plan and Teacher Retirement Plan

For the Years Ended June 30, 2014 through 2023

Date	Contractually Required Contribution (1)*	Contribution 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					
2023	\$ 1,212,856	\$ 1,212,856	\$ -	\$ 11,996,597	10.11%
2022	1,148,584	1,148,584	-	10,734,430	10.70%
2021	1,062,128	1,062,128	-	9,926,428	10.70%
2020	883,020	883,020	-	9,866,145	8.95%
2019	795,876	795,876	-	8,892,470	8.95%
2018	770,290	770,290	-	8,546,164	9.28%
2017	748,322	748,322	-	8,063,815	9.28%
2016	1,067,732	1,067,732	-	8,040,153	13.28%
2015	1,031,440	1,031,440	-	7,766,871	13.28%
2014	n/a	n/a	n/a	n/a	n/a
Component Unit School Board - General Employees					
2023	\$ 173,558	\$ 173,558	\$ -	\$ 1,850,295	9.38%
2022	147,183	147,183	-	1,631,746	9.02%
2021	117,458	117,458	-	1,302,195	9.02%
2020	126,672	126,672	-	1,447,679	8.75%
2019	102,779	102,779	-	1,174,617	8.75%
2018	98,215	98,215	-	1,107,505	9.48%
2017	96,462	96,462	-	1,017,532	9.48%
2016	89,356	89,356	-	817,527	10.93%
2015	85,384	85,384	-	774,168	11.03%
2014	n/a	n/a	n/a	n/a	n/a
Component Unit School Board - Teachers					
2023	\$ 4,494,070	\$ 4,494,070	\$ -	\$ 27,040,131	16.62%
2022	4,303,572	4,303,572	-	25,893,933	16.62%
2021	4,047,049	4,047,049	-	24,350,476	16.62%
2020	3,932,763	3,932,763	-	25,081,396	15.68%
2019	3,613,571	3,613,571	-	23,045,732	15.68%
2018	3,531,002	3,531,002	-	22,925,194	14.66%
2017	3,198,263	3,198,263	-	21,816,255	14.66%
2016	3,117,740	3,117,740	-	22,174,540	14.06%
2015	3,061,955	3,061,955	-	21,241,342	14.42%
2014	n/a	n/a	n/a	n/a	n/a

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

NOTE: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Employer contributions as reference in covered Payroll and Contributions report on VRS website.

Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

School Division:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan
For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government						
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.04935%	0.04812%	0.04797%	0.04536%	0.45180%	0.04504%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 594,222	\$ 560,248	\$ 500,541	\$ 738,128	\$ 686,000	\$ 678,000
Employer's Covered Payroll	\$ 10,734,430	\$ 9,935,497	\$ 9,872,470	\$ 8,892,470	\$ 8,590,341	\$ 8,308,169
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.54%	5.64%	5.07%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2022 is the sixth year of presentation, only six years of data is available. However, additional years will be included as they become available.*

Reference Only:

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 132 of the VRS 2022 Annual Report.

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan
For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board						
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00750%	0.00631%	0.00703%	0.00599%	0.00582%	0.00581%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 90,307	\$ 73,466	\$ 117,319	\$ 97,473	\$ 88,000	\$ 87,000
Employer's Covered Payroll	\$ 1,631,746	\$ 1,302,195	\$ 1,447,679	\$ 1,174,617	\$ 1,107,505	\$ 1,070,854
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.53%	5.64%	8.10%	8.30%	7.95%	8.12%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2022 is the sixth year of presentation, only six years of data is available. However, additional years will be included as they become available.*

Reference Only:

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 132 of the VRS 2022 Annual Report.

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan
For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Teacher						
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.11942%	0.11795%	0.11768%	0.12075%	0.12038%	0.12038%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 1,437,932	\$ 1,373,258	\$ 2,034,812	\$ 1,914,967	\$ 1,834,000	\$ 1,811,000
Employer's Covered Payroll	\$ 25,977,724	\$ 24,352,721	\$ 25,094,675	\$ 23,068,829	\$ 22,959,807	\$ 22,203,694
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.54%	5.64%	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years.

Since 2022 is the sixth year of presentation, only six years of data is available. However, additional years will be included as they become available.

Reference Only:

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 132 of the VRS 2022 Annual Report.

County of Mecklenburg, Virginia

Schedule of County Contributions Group Life Insurance OPEB Plan

For the Years Ended June 30, 2014 through 2023

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
Primary Government - County					
2023	\$ 64,800	\$ 64,800	\$ -	\$11,999,985	0.54%
2022	57,966	57,966	-	10,734,430	0.54%
2021	53,652	53,652	-	9,935,497	0.54%
2020	51,337	51,337	-	9,872,470	0.52%
2019	46,241	46,241	-	8,892,470	0.52%
2018	44,670	44,670	-	8,590,341	0.52%
2017	43,202	43,202	-	8,308,169	0.52%
2016	42,570	42,570	-	8,032,035	0.53%
2015	40,758	40,758	-	7,690,201	0.53%
2014	40,608	40,608	-	7,661,907	0.53%
School Board - General Employees					
2023	\$ 9,992	\$ 9,992	\$ -	\$ 1,850,295	0.54%
2022	8,811	8,811	-	1,631,746	0.54%
2021	7,032	7,032	-	1,302,195	0.54%
2020	7,528	7,528	-	1,447,679	0.52%
2019	6,108	6,108	-	1,174,617	0.52%
2018	5,759	5,759	-	1,107,505	0.52%
2017	5,568	5,568	-	1,070,854	0.52%
2016	4,144	4,144	-	781,849	0.53%
2015	4,194	4,194	-	791,264	0.53%
2014	4,269	4,269	-	808,803	0.53%
School Board - Teachers					
2023	\$ 146,487	\$ 146,487	\$ -	\$27,127,272	0.54%
2022	140,280	140,280	-	25,977,724	0.54%
2021	131,505	131,505	-	24,352,721	0.54%
2020	130,492	130,492	-	25,094,675	0.52%
2019	119,958	119,958	-	23,068,829	0.52%
2018	119,391	119,391	-	22,959,807	0.52%
2017	115,459	115,459	-	22,203,694	0.52%
2016	117,723	117,723	-	22,211,917	0.53%
2015	112,729	112,729	-	21,269,716	0.53%
2014	115,609	115,609	-	21,813,097	0.53%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in covered Payroll and Contributions report on VRS website
Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information for OPEB Group Life Insurance Plan For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net HIC OPEB Liability
and Related Ratios

For the Measurement Dates of June 30, 2017 through 2022

Component Unit School Board General Employees	2022	2021	2020	2019	2018	2017
Total HIC OPEB liability						
Service cost	\$ 1,255	\$ 2,208	\$ -	\$ -	\$ -	\$ -
Interest	11,903	10,645	-	-	-	-
Changes in benefit terms	-	-	157,704	-	-	-
Changes of assumptions	25,888	7,600	-	-	-	-
Difference between expected and actual experience	(5,083)	-	-	-	-	-
Benefit payments	(6,141)	-	-	-	-	-
Net change in total HIC OPEB liability	27,822	20,453	157,704	-	-	-
Total HIC OPEB liability - beginning	178,157	157,704	-	-	-	-
Total HIC OPEB liability - ending (a)	\$ 205,979	\$ 178,157	\$ 157,704	\$ -	\$ -	\$ -
Plan fiduciary net position						
Contributions - employer	\$ 15,501	\$ 12,370	\$ -	\$ -	\$ -	\$ -
Net investment income	(220)	1,732	-	-	-	-
Benefit payments	(6,141)	-	-	-	-	-
Administrative expense	(43)	(55)	-	-	-	-
Other	-	-	-	-	-	-
Net change in plan fiduciary net position	9,097	14,047	-	-	-	-
Plan fiduciary net position - beginning	14,047	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 23,144	\$ 14,047	\$ -	\$ -	\$ -	\$ -
Political subdivision's net HIC OPEB liability - ending (a) - (b)	\$ 182,835	\$ 164,110	\$ 157,704	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total HIC OPEB liability	11.24%	7.88%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 1,631,746	\$ 1,302,195	\$ -	\$ -	\$ -	\$ -
Political subdivision's net HIC OPEB liability as a percentage of covered payroll	11.2049%	12.6026%	0.0000%	0.0000%	0.0000%	0.0000%

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability
Health Insurance Credit Program (HIC) Teacher
For the Measurement Dates of June 30, 2017 through 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.27783%	0.27528%	0.28610%	0.27476%	0.28361%	0.28055%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 3,470,226	\$ 3,533,409	\$ 3,732,222	\$ 3,596,876	\$ 3,601,000	\$ 3,559,000
Employer's Covered Payroll	\$ 25,893,933	\$ 24,345,664	\$ 25,081,396	\$ 23,045,732	\$ 22,936,773	\$ 22,141,002
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	13.40%	14.51%	14.88%	15.61%	15.70%	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%

*Schedule is intended to show information for 10 years.
Since 2022 is the sixth year of presentation, only six years of data is available. However, additional years will be included as they become available.*

Reference Only:

The Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability for the Health Insurance Credit (HIC) for each year is presented on page 138 of the VRS 2022 Annual Report.

County of Mecklenburg, Virginia

Schedule of County Contributions

Health Insurance Credit

For the Years Ended June 30, 2014 through 2023

Fiscal Year Ending June 30	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board - General Employees					
2023	\$ 20,723	\$ 20,723	\$ -	\$ 1,850,295	1.12%
2022	15,502	15,502	-	1,631,746	0.95%
2021	12,371	12,371	-	1,302,195	0.95%
2020	n/a	n/a	n/a	n/a	n/a
2019	n/a	n/a	n/a	n/a	n/a
2018	n/a	n/a	n/a	n/a	n/a
2017	n/a	n/a	n/a	n/a	n/a
2016	n/a	n/a	n/a	n/a	n/a
2015	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a
School Board - Teachers					
2023	\$ 327,186	\$ 327,186	\$ -	\$ 27,040,131	1.21%
2022	313,317	313,317	-	25,893,933	1.21%
2021	294,583	294,583	-	24,345,664	1.21%
2020	300,977	300,977	-	25,081,396	1.20%
2019	276,549	276,549	-	23,045,732	1.20%
2018	282,122	282,122	-	22,936,773	1.23%
2017	272,335	272,335	-	22,141,002	1.23%
2016	261,720	261,720	-	22,179,638	1.18%
2015	250,717	250,717	-	21,247,197	1.18%
2014	254,609	254,609	-	21,761,485	1.17%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll
Column 2 – Employer contributions as referenced in covered Payroll and Contributions report on VRS website
Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information – HIC OPEB For the Year Ended June 30, 2023

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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Teacher

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Mecklenburg, Virginia

Schedule of Changes in the Political Subdivision's Net OPEB Retiree Health Insurance
Liability and Related Ratios

	<u>Primary Government</u>					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 38,881	\$ 35,117	\$ 33,801	\$ 38,570	\$ 38,632	\$ 35,557
Interest on OPEB liability	145,634	143,817	158,486	156,539	179,985	168,581
Changes of benefit terms	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	37,347	-	(303,800)	-	129,489	-
Effect of assumption changes or inputs	94,179	-	24,636	(16,719)	(222,862)	-
Benefit payments	(166,718)	(143,129)	(137,188)	(149,953)	(166,821)	(180,521)
Net change in total OPEB liability	149,323	35,805	(224,065)	28,437	(41,577)	23,617
Total OPEB liability - beginning	2,283,694	2,247,889	2,471,954	2,443,517	2,485,094	2,461,477
Total OPEB liability - ending (a)	\$ 2,433,017	\$ 2,283,694	\$ 2,247,889	\$ 2,471,954	\$ 2,443,517	\$ 2,485,094
Fiduciary net position						
Employer contributions	\$ 166,718	\$ 143,129	\$ 137,188	\$ 254,753	\$ 271,921	\$ 285,621
Net investment income	200,630	(267,852)	671,858	63,277	86,472	155,371
Benefit payments	(166,718)	(143,129)	(137,188)	(149,953)	(166,821)	(180,521)
Administrative expense	(3,229)	(3,619)	(3,014)	(2,779)	(2,525)	(2,291)
Net change in plan fiduciary net position	197,401	(271,471)	668,844	165,298	189,047	258,180
Plan fiduciary net position - beginning	2,632,779	2,904,250	2,235,406	2,070,108	1,881,061	1,622,881
Plan fiduciary net position - ending (b)	\$ 2,830,180	\$ 2,632,779	\$ 2,904,250	\$ 2,235,406	\$ 2,070,108	\$ 1,881,061
Political subdivision's net OPEB liability/(asset) - ending (a) - (b)	\$ (397,163)	\$ (349,085)	\$ (656,361)	\$ 236,548	\$ 373,409	\$ 604,033
Plan fiduciary net position as a % of the total OPEB liability	116.32%	115.29%	129.20%	90.43%	84.72%	75.69%
Covered payroll	\$ 9,694,753	\$ 8,212,621	\$ 8,212,621	\$ 7,047,742	\$ 7,047,422	\$ 6,248,858
Political subdivision's net OPEB liability as a % of covered payroll	-4.10%	-4.25%	-7.99%	3.36%	5.30%	9.67%

County of Mecklenburg, Virginia

Schedule of County Contributions - OPEB Retiree Health Insurance - County

For the Years Ended June 30, 2014 through 2023

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 10,002	\$ 166,718	\$ (156,716)	\$9,694,753	1.72%
2022	1,376	143,129	(141,753)	8,212,621	1.74%
2021	(538)	137,188	(137,726)	8,212,621	1.67%
2020	79,478	254,753	(175,275)	7,047,742	3.61%
2019	75,136	271,921	(196,785)	7,047,422	3.86%
2018	104,800	285,621	(180,821)	6,248,858	4.57%
2017	99,500	338,710	(239,210)	6,248,858	5.42%
2016	105,100	299,200	(194,100)	5,698,600	5.25%
2015	100,100	292,400	(192,300)	5,698,600	5.13%
2014	155,800	316,300	(160,500)	5,810,900	5.44%

¹Employer contributions include trust contributions and explicit subsidy payments directly to retirees from the County's own resources. They also include estimated implicit subsidy payments for retirees from the County's own resources.

County of Mecklenburg, Virginia

Schedule of Changes in the School Board's Net OPEB Retiree Health Insurance
Liability and Related Ratios

School Board

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 87,628	\$ 130,216	\$ 125,813	\$ 133,949	\$ 130,048	\$ 146,236
Interest on OPEB liability	40,536	40,121	71,386	67,852	81,285	78,026
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual changes	(63,289)	-	(313,384)	-	(319,524)	-
Effect of assumption changes or inputs	(115,363)	-	(159,134)	-	(241,483)	-
Benefit payments	(118,886)	(102,078)	(91,722)	(93,672)	(118,772)	(105,819)
Net change in total OPEB liability	(169,374)	68,259	(367,041)	108,129	(468,446)	118,443
Total OPEB liability - beginning	1,660,470	1,592,211	1,959,252	1,851,123	2,319,569	2,201,126
Total OPEB liability - ending (a)	\$ 1,491,096	\$ 1,660,470	\$ 1,592,211	\$ 1,959,252	\$ 1,851,123	\$ 2,319,569
Fiduciary net position						
Employer contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-	-	-
Benefit payments	-	-	-	-	-	-
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Political subdivision's net OPEB liability - ending (a) - (b)	\$ 1,491,096	\$ 1,660,470	\$ 1,592,211	\$ 1,959,252	\$ 1,851,123	\$ 2,319,569
Plan fiduciary net position as a % of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$29,991,746	\$26,228,377	\$25,341,427	\$25,075,903	\$24,345,537	\$23,486,845
Political subdivision's net OPEB liability as a % of covered payroll	4.97%	6.33%	6.28%	7.81%	7.60%	9.88%

County of Mecklenburg, Virginia

Schedule of County Contributions - OPEB Retiree Health Insurance - School Board

For the Years Ended June 30, 2014 through 2023

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 84,274	\$ 84,274	\$ -	\$29,991,746	0.28%
2022	118,886	118,886	-	26,228,377	0.45%
2021	102,078	102,078	-	25,341,427	0.40%
2020	91,722	91,722	-	25,075,903	0.37%
2019	93,672	93,672	-	24,345,537	0.38%
2018	118,772	118,772	-	23,486,845	0.51%
2017	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A

¹Employer contributions include trust contributions and explicit subsidy payments directly to retirees from the County's own resources. They also include estimated implicit subsidy payments for retirees from the County's own resources.

NOTE: The information prior to fiscal year 2018 is not available.

Other Supplementary Information



County of Mecklenburg, Virginia

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2023

Capital Outlay Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of sale of property	\$ -	\$ -	\$ 98,750	\$ 98,750
Total Revenues	-	-	98,750	98,750
Expenditures				
Current				
General government administration	100,000	100,000	50,704	49,296
Capital project - schools	13,315,536	13,315,536	9,156,479	4,159,057
Community development	3,159,000	3,159,000	2,690,600	468,400
Public works	3,750,000	3,750,000	1,124,260	2,625,740
Total Expenditures	20,324,536	20,324,536	13,022,043	7,302,493
Excess (Deficiency) of Revenues Over Expenditures	(20,324,536)	(20,324,536)	(12,923,293)	7,401,243
Other Financing Sources (Uses)				
Transfers in	1,000,000	1,000,000	7,000,000	6,000,000
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	1,000,000	1,000,000	7,000,000	6,000,000
Net Change in Fund Balance	(19,324,536)	(19,324,536)	(5,923,293)	13,401,243
From Surplus	19,324,536	19,324,536	-	(19,324,536)
Net Change in Fund Balance After Surplus	\$ -	\$ -	(5,923,293)	\$ (5,923,293)
Fund Balance - Beginning of Year			36,836,469	
Fund Balance - End of Year			<u>\$ 30,913,176</u>	

Economic Development Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
DHCD funds	\$ -	\$ -	\$ 449,381	\$ 449,381
Intergovernmental Revenues	-	-	449,381	449,381
Total Revenues	-	-	449,381	449,381
Expenditures				
Current				
Economic development	115,000	815,000	1,249,381	(434,381)
Total Expenditures	115,000	815,000	1,249,381	(434,381)
Excess (Deficiency) of Revenues Over Expenditures	(115,000)	(815,000)	(800,000)	15,000
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(115,000)	(815,000)	(800,000)	15,000
From Surplus	115,000	815,000	-	(815,000)
Net Change in Fund Balance After Surplus	\$ -	\$ -	(800,000)	\$ (800,000)
Fund Balance - Beginning of Year			7,179,727	
Fund Balance - End of Year			\$ 6,379,727	

Microsoft Capital Project

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money - interest income	\$ -	\$ -	\$ 9,085	\$ 9,085
Miscellaneous	22,936,472	22,936,472	32,415,519	9,479,047
Revenue from Commonwealth of Virginia - VDOT	-	-	786,604	786,604
Total Revenues	22,936,472	22,936,472	33,211,208	10,274,736
Expenditures				
Current				
Community development	22,936,472	22,936,472	20,836,416	2,100,056
Total Expenditures	22,936,472	22,936,472	20,836,416	2,100,056
Excess (Deficiency) of Revenues Over Expenditures	-	-	12,374,792	12,374,792
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	12,374,792	12,374,792
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	12,374,792	<u>\$ 12,374,792</u>
Fund Balance - Beginning of Year			<u>6,301,657</u>	
Fund Balance - End of Year			<u>\$ 18,676,449</u>	

School Capital Outlay

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from Commonwealth of Virginia	\$ -	\$ -	\$ 58,559	\$ 58,559
Miscellaneous revenues	112,324	112,324	112,324	-
Revenue from component unit school board	<u>-</u>	<u>-</u>	<u>2,323,578</u>	<u>2,323,578</u>
Total Revenues	112,324	112,324	2,494,461	2,382,137
Expenditures				
Current				
Education - To School Board for land	-	227,664	227,664	
Education - capital outlay	<u>7,244,482</u>	<u>7,258,482</u>	<u>1,825,526</u>	<u>5,432,956</u>
Total Expenditures	<u>7,244,482</u>	<u>7,486,146</u>	<u>2,053,190</u>	<u>5,432,956</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,132,158)	(7,373,822)	441,271	7,815,093
Other Financing Sources (Uses)				
Transfers in	<u>3,664,844</u>	<u>3,664,844</u>	<u>9,114,288</u>	<u>5,449,444</u>
Total Other Financing Sources (Uses)	<u>3,664,844</u>	<u>3,664,844</u>	<u>9,114,288</u>	<u>5,449,444</u>
Net Change in Fund Balance	(3,467,314)	(3,708,978)	9,555,559	13,264,537
From Surplus	<u>3,467,314</u>	<u>3,708,978</u>	<u>-</u>	<u>(3,708,978)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	9,555,559	<u>\$ 9,555,559</u>
Fund Balance - Beginning of Year			<u>7,565,515</u>	
Fund Balance - End of Year			<u>\$ 17,121,074</u>	

County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2023

	<u>Law Library Fund</u>	<u>Children's Services Act</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Rescue Squad Fund</u>	<u>DEQ and Landfill Funds</u>	<u>Opioid Fund</u>	<u>Total Other Governmental Funds</u>
Assets								
Cash and investments	\$ 24,853	\$1,006,787	\$45,413	\$141,885	\$1,277,412	\$ 536,308	\$ 102,541	\$ 3,135,199
Accounts receivable	580	769	-	-	-	-	322,255	323,604
Due from other governments	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 25,433</u>	<u>\$1,007,556</u>	<u>\$45,413</u>	<u>\$141,885</u>	<u>\$1,277,412</u>	<u>\$ 536,308</u>	<u>\$ 424,796</u>	<u>\$ 3,458,803</u>
Liabilities								
Accounts payable	\$ 1,453	\$ 171,736	\$ -	\$ -	\$ 3,802	\$ -	\$ -	\$ 176,991
Total Liabilities	1,453	171,736	-	-	3,802	-	-	176,991
Deferred Inflows of Resources								
Unavailable revenue - taxes and other	-	-	-	-	-	-	322,255	322,255
Total Deferred Inflows of Resources	-	-	-	-	-	-	322,255	322,255
Fund Balance								
Restricted	-	835,820	-	141,885	-	120,000	-	1,097,705
Assigned	<u>23,980</u>	<u>-</u>	<u>45,413</u>	<u>-</u>	<u>1,273,610</u>	<u>416,308</u>	<u>102,541</u>	<u>1,861,852</u>
Total Fund Balance	<u>23,980</u>	<u>835,820</u>	<u>45,413</u>	<u>141,885</u>	<u>1,273,610</u>	<u>536,308</u>	<u>102,541</u>	<u>2,959,557</u>
Total Liabilities and Fund Balance	<u>\$ 25,433</u>	<u>\$1,007,556</u>	<u>\$45,413</u>	<u>\$141,885</u>	<u>\$1,277,412</u>	<u>\$ 536,308</u>	<u>\$ 424,796</u>	<u>\$ 3,458,803</u>

County of Mecklenburg, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2023

	<u>Law Library Fund</u>	<u>Children's Services Act</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Rescue Squad Fund</u>	<u>DEQ and Landfill Funds</u>	<u>Opioid Fund</u>	<u>Total Other Governmental Funds</u>
Revenues								
Use of money and property	\$ -	\$ -	\$ -	\$ 206	\$ -	\$ -	\$ -	\$ 206
Charges for services	7,605	-	-	-	-	-	-	7,605
Miscellaneous	-	9,803	28,609	-	-	-	-	38,412
<i>Intergovernmental</i>								
From the Commonwealth of VA	-	1,527,638	-	2,790	-	-	102,541	1,632,969
Total Revenues	7,605	1,537,441	28,609	2,996	-	-	102,541	1,679,192
Expenditures								
Current								
Judicial administration	18,524	-	-	-	-	-	-	18,524
Public safety	-	-	33,891	-	62,232	-	-	96,123
Health and welfare	-	2,324,502	-	-	-	-	-	2,324,502
Total Expenditures	18,524	2,324,502	33,891	-	62,232	-	-	2,439,149
Excess (Deficiency) of Revenues Over Expenditures	(10,919)	(787,061)	(5,282)	2,996	(62,232)	-	102,541	(759,957)
Other Financing Sources (Uses)								
Transfers in	-	1,172,000	-	-	-	-	-	1,172,000
Total Other Financing Sources (Uses)	-	1,172,000	-	-	-	-	-	1,172,000
Net Change in Fund Balances	(10,919)	384,939	(5,282)	2,996	(62,232)	-	102,541	412,043
Fund Balance - Beginning of Year	34,899	450,881	50,695	138,889	1,335,842	536,308	-	2,547,514
Fund Balance - End of Year	<u>\$ 23,980</u>	<u>\$ 835,820</u>	<u>\$ 45,413</u>	<u>\$ 141,885</u>	<u>\$ 1,273,610</u>	<u>\$ 536,308</u>	<u>\$ 102,541</u>	<u>\$ 2,959,557</u>

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Net Position

Custodial Funds

At June 30, 2023

	<u>Special Welfare</u>	<u>TransTech Marketing Alliance</u>	<u>Virginia's Retreat Fund</u>	<u>Thyne Project Memorial</u>	<u>Totals</u>
Assets					
Cash	\$ 76,090	\$ 78,757	\$ 142,620	\$ 28,223	\$ 325,690
Account and loans receivable	-	26,682	13,700	-	40,382
Due from other governments	-	159,747	-	-	159,747
Total Assets	<u>\$ 76,090</u>	<u>\$ 265,186</u>	<u>\$ 156,320</u>	<u>\$ 28,223</u>	<u>\$ 525,819</u>
Liabilities					
Accounts payable	\$ -	\$ 29,984	\$ -	\$ -	\$ 29,984
Total Liabilities	-	29,984	-	-	29,984
Net Position					
Restricted for:					
Individuals, organizations, and other governments	<u>76,090</u>	<u>235,202</u>	<u>156,320</u>	<u>28,223</u>	<u>495,835</u>
Total Net Position	<u>76,090</u>	<u>235,202</u>	<u>156,320</u>	<u>28,223</u>	<u>495,835</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 76,090</u>	<u>\$ 265,186</u>	<u>\$ 156,320</u>	<u>\$ 28,223</u>	<u>\$ 525,819</u>

County of Mecklenburg, Virginia

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2023

	<u>Special Welfare</u>	<u>TransTech Marketing Alliance</u>	<u>Virginia's Retreat Fund</u>	<u>Thyne Project Memorial</u>	<u>Custodial Funds Totals</u>
Additions					
Miscellaneous income	\$ 19,678	\$ 1,032	\$ 2,000	\$ -	\$ 22,710
Contributions from members	-	125,500	58,500	-	184,000
Local grant funds and other donations	-	94,835	-	-	94,835
Investment earnings - interest income	<u>108</u>	<u>561</u>	<u>69</u>	<u>41</u>	<u>779</u>
Total additions	19,786	221,928	60,569	41	302,324
Deductions					
Program and administrative expenses	<u>17,862</u>	<u>215,463</u>	<u>52,720</u>	<u>-</u>	<u>286,045</u>
Total deductions	<u>17,862</u>	<u>215,463</u>	<u>52,720</u>	<u>-</u>	<u>286,045</u>
Net increase (decrease) in fiduciary net position	1,924	6,465	7,849	41	16,279
Net position - beginning	<u>74,166</u>	<u>228,737</u>	<u>148,471</u>	<u>28,182</u>	<u>479,556</u>
Net position - ending	<u>\$ 76,090</u>	<u>\$ 235,202</u>	<u>\$ 156,320</u>	<u>\$ 28,223</u>	<u>\$ 495,835</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2023

	School Operating Fund	School Food Services Fund	School Textbook Fund	New School Fund	School Activity Fund	Total Component Unit School Board
Assets						
Cash and investments	\$ -	\$ 1,005,451	\$ 821,357	\$ -	\$ 398,868	\$ 2,225,676
Cash - restricted	-	-	-	24,505,288	-	24,505,288
Accounts receivable	4,230	-	-	-	-	4,230
Due from other governments	903,518	203,544	-	-	-	1,107,062
Total Assets	<u>\$ 907,748</u>	<u>\$ 1,208,995</u>	<u>\$ 821,357</u>	<u>\$ 24,505,288</u>	<u>\$ 398,868</u>	<u>\$ 27,842,256</u>
Liabilities						
Accounts payable	\$ 244,621	\$ 1,355	\$ -	\$ 23,793	\$ -	\$ 269,769
Total Liabilities	244,621	1,355	-	23,793	-	269,769
Fund Balance						
Restricted	-	1,207,640	-	24,481,495	-	25,689,135
Assigned	663,127	-	821,357	-	398,868	1,883,352
Total Fund Balance	<u>663,127</u>	<u>1,207,640</u>	<u>821,357</u>	<u>24,481,495</u>	<u>398,868</u>	<u>27,572,487</u>
Total Liabilities and Fund Balance	<u>\$ 907,748</u>	<u>\$ 1,208,995</u>	<u>\$ 821,357</u>	<u>\$ 24,505,288</u>	<u>\$ 398,868</u>	<u>\$ 27,842,256</u>

County of Mecklenburg, Virginia

Component Unit School Board

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2023

Total Fund Balances for Governmental Funds	\$ 27,572,487
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,968,306
Buildings and improvements, net	14,157,043
Furniture, equipment, and vehicles, net	8,834,228
Lease assets, net	<u>1,702,199</u>

Total Capital Assets	26,661,776
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Deferred outflows and inflows of resources related to pensions and OPEBs are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pension	8,099,942
Deferred outflows related to OPEB	1,097,019
Deferred inflows related to pension	<u>(7,872,785)</u>

Total	1,324,176
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Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	(361,421)
Lease liabilities	(1,390,470)
Net pension liability	(26,926,784)
Net OPEB liabilities	<u>(6,672,396)</u>

Total	<u>(35,351,071)</u>
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Total Net Position of Governmental Activities	<u>\$ 20,207,368</u>
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County of Mecklenburg, Virginia

Component Unit School Board

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances

Year Ended June 30, 2023

	School Operating Fund	School Food Services Fund	School Textbook Fund	New School Fund	School Activity Fund	Total Component Unit School Board
Revenues						
Use of money and property	\$ -	\$ 1,255	\$ 946	\$ 915,336	\$ -	\$ 917,537
Charges for services	903,127	302,986	-	-	-	1,206,113
Miscellaneous	25,927	-	-	-	976,070	1,001,997
Payments from Primary Government - Mecklenburg County	26,639,500	-	193,010	227,664	-	27,060,174
<i>Intergovernmental</i>						
From the Commonwealth of Virginia	32,741,223	55,105	292,083	-	-	33,088,411
From the Federal Government	10,071,666	2,524,717	-	-	-	12,596,383
Total Revenues	70,381,443	2,884,063	486,039	1,143,000	976,070	75,870,615
Expenditures						
Education						
Instruction	44,763,106	-	329,611	-	913,279	46,005,996
Technology	2,499,299	-	-	-	-	2,499,299
Administration, attendance, and health	2,361,478	-	-	-	-	2,361,478
Transportation	6,106,637	-	-	-	-	6,106,637
Operation and maintenance	4,877,967	-	-	-	-	4,877,967
Operation and maintenance - Mecklenburg County	2,323,578	-	-	-	-	2,323,578
School food service	-	2,666,561	-	-	-	2,666,561
Capital projects	-	-	-	1,711,922	-	1,711,922
Debt service	9,849,431	-	-	84,583	-	9,934,014
Total Expenditures	72,781,496	2,666,561	329,611	1,796,505	913,279	78,487,452
Excess (Deficiency) of Revenues Over (Under)						
Expenses Before Other Financing Sources (Uses)	(2,400,053)	217,502	156,428	(653,505)	62,791	(2,616,837)
Other Financing Sources (Uses)						
Issuance of long-term debt	-	-	-	25,135,000	-	25,135,000
Lease liabilities assumed	1,731,099	-	-	-	-	1,731,099
Total Other Financing Sources (Uses)	1,731,099	-	-	25,135,000	-	26,866,099
Net Change in Fund Balances	(668,954)	217,502	156,428	24,481,495	62,791	24,249,262
Fund Balances - Beginning of Year	1,332,081	990,138	664,929	-	336,077	3,323,225
Fund Balances - End of Year	\$ 663,127	\$ 1,207,640	\$ 821,357	\$ 24,481,495	\$ 398,868	\$ 27,572,487

County of Mecklenburg, Virginia

Component Unit School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2023

Net Change in Fund Balances \$ 24,249,262

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

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 as depreciation expense:

Capitalized assets	\$ 3,965,154	
Depreciation	<u>(2,710,298)</u>	
		1,254,856

Under the modified accrual basis of accounting used in the Governmental
funds, expenditures are not recognized for transactions that are not
normally paid with expendable financial resources. In the Statement of
Activities, however, which is presented on the accrual basis, expenses
and liabilities are reported regardless of when financial resources are
available. This adjustment combines the net changes of the
following:

Compensated absences	(68,126)	
Net VRS pension account adjustments	4,607,917	
Net OPEB account adjustments	420,247	
Accrued interest	17,624	
Long-term financing obligation payments	586,662	
Lease liabilities, net	<u>468,084</u>	
Net Adjustment		<u>6,032,408</u>

Change in Net Position of Governmental Activities \$ 31,536,526

County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2023

Component Unit School Board

School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Operating Fund				
Revenues				
Charges for services	\$ 587,856	\$ 587,856	\$ 903,127	\$ 315,271
Miscellaneous	-	-	25,927	25,927
Payment from Primary Govt.	26,639,500	26,639,500	26,639,500	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	31,985,608	32,395,249	32,741,223	345,974
From the Federal Government	11,432,379	11,432,379	10,071,666	(1,360,713)
Total Revenues	70,645,343	71,054,984	70,381,443	(673,541)
Expenditures				
Current				
<i>Education</i>				
Instruction	47,287,404	46,836,080	44,763,106	2,072,974
Technology	2,235,635	2,342,820	2,499,299	(156,479)
Administration, attendance, and health	2,381,281	2,470,860	2,361,478	109,382
Transportation	4,498,653	5,990,501	6,106,637	(116,136)
Operation and maintenance - Payment to County	-	-	2,323,578	(2,323,578)
Operation and maintenance	5,749,383	4,921,736	4,877,967	43,769
Debt service	8,492,987	8,492,987	9,849,431	(1,356,444)
Total Expenditures	70,645,343	71,054,984	72,781,496	(1,726,512)
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	-	-	(2,400,053)	(2,400,053)
Other Financing Sources (Uses)				
Lease liabilities assumed	-	-	1,731,099	1,731,099
Total Other Financing Sources (Uses)	-	-	1,731,099	1,731,099
Net Change in Fund Balances	\$ -	\$ -	(668,954)	\$ (668,954)
Fund Balance - Beginning of Year			1,332,081	
Fund Balance - End of Year			\$ 663,127	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Food Services Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 1,255	\$ 1,255
Charges for services	300,000	300,000	302,986	2,986
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	51,320	51,320	55,105	3,785
From the Federal Government	<u>1,861,072</u>	<u>2,316,072</u>	<u>2,524,717</u>	<u>208,645</u>
Total Revenues	2,212,392	2,667,392	2,884,063	216,671
Expenditures				
Current				
<i>Education</i>				
School Food Service	<u>2,212,392</u>	<u>2,667,392</u>	<u>2,666,561</u>	<u>831</u>
Total Expenditures	<u>2,212,392</u>	<u>2,667,392</u>	<u>2,666,561</u>	<u>831</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	217,502	<u>\$ 217,502</u>
Fund Balance - Beginning of Year			990,138	
Fund Balance - End of Year			<u>\$ 1,207,640</u>	
School Textbook Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 946	\$ 946
Payment from Primary Govt.	193,010	193,010	193,010	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	<u>283,558</u>	<u>283,558</u>	<u>292,083</u>	<u>8,525</u>
Total Revenues	476,568	476,568	486,039	9,471
Expenditures				
Current				
<i>Education</i>				
School textbook	<u>476,568</u>	<u>476,568</u>	<u>329,611</u>	<u>146,957</u>
Total Expenditures	<u>476,568</u>	<u>476,568</u>	<u>329,611</u>	<u>146,957</u>
Net Change in Fund Balance	-	-	156,428	156,428
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	156,428	<u>\$ 156,428</u>
Fund Balance - Beginning of Year			664,929	
Fund Balance - End of Year			<u>\$ 821,357</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
New School Projects				
Revenues				
Use of money and property	\$ -	\$ -	\$ 915,336	\$ 915,336
Payment from Primary Govt.	-	-	227,664	227,664
Total Revenues	-	-	1,143,000	1,143,000
Expenditures				
Current				
<i>Education</i>				
Debt service	-	84,584	84,583	1
Capital outlay	-	1,460,465	1,711,922	(251,457)
Total Expenditures	-	1,545,049	1,796,505	(251,456)
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	-	(1,545,049)	(653,505)	891,544
Other Financing Sources (Uses)				
Issuance of debt	-	1,545,049	25,135,000	23,589,951
Total Other Financing Sources (Uses)	-	1,545,049	25,135,000	23,589,951
Net Change in Fund Balance	-	-	24,481,495	24,481,495
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	24,481,495	<u>\$ 24,481,495</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 24,481,495</u>	
School Activity Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 976,070	\$ 976,070
Total Revenues	-	-	976,070	976,070
Expenditures				
Current				
<i>Education</i>				
Instruction	-	-	913,279	(913,279)
Total Expenditures	-	-	913,279	(913,279)
Net Change in Fund Balance	-	-	62,791	62,791
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	62,791	<u>\$ 62,791</u>
Fund Balance - Beginning of Year			336,077	
Fund Balance - End of Year			<u>\$ 398,868</u>	

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Position

June 30, 2023

Current Assets

Cash	\$ 2,931,389
Short-term lease receivable	35,584
Notes receivable	<u>25,135,000</u>
Total Current Assets	28,101,973

Noncurrent Assets**Capital Assets**

Land and buildings held for resale (net)	<u>13,558,066</u>
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Total Assets	<u>\$ 41,660,039</u>
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Liabilities**Current Liabilities**

Bonds payable, current	\$ 555,000
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Long-Term Liabilities

Bonds payable, net	<u>24,580,000</u>
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Total Liabilities	25,135,000
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Deferred inflows - leases

191,932

Net Position

Net investment in capital assets	13,558,066
Unrestricted	<u>2,775,041</u>

Total Net Position	<u>16,333,107</u>
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Total Liabilities and Net Position	<u>\$ 41,660,039</u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2023

Operating Revenues

Contributions from Mecklenburg County, Virginia	\$ 57,736,887
Lease revenue	131,982
Miscellaneous	<u>70,005</u>
Total Operating Revenues	57,938,874

Operating Expenses

Insurance	16,312
Legal and professional fees	29,820
Utility companies	39,165
Repairs and maintenance	34,305
Payments to other localities for taxes	18,955
Miscellaneous	12,016
Economic incentive payments	<u>57,719,970</u>
Total Operating Expenses	<u>57,870,543</u>

Operating Income	68,331
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Non-Operating Revenues (Expenses)

Interest income	<u>4,727</u>
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Net Non-Operating Revenues (Expenses)	<u>4,727</u>
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Change in Net Position	73,058
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Total Net Position - Beginning of Year	<u>16,260,049</u>
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Total Net Position - End of Year	<u><u>\$ 16,333,107</u></u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Cash Flows

Year Ended June 30, 2023

Cash Flows from Operating Activities

Contributions from Mecklenburg County, Virginia	\$ 57,736,887
Lease revenue	70,966
Miscellaneous	70,005
Payments to businesses and vendors	<u>(57,870,543)</u>

Net Cash Provided by Operating Activities 7,315

Cash Flows from Investing Activities

Interest income	<u>4,727</u>
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Net Cash Provided by Investing Activities 4,727

Net Increase in Cash and Cash Equivalents 12,042

Cash and Cash Equivalents - Beginning of Year 2,919,347

Cash and Cash Equivalents - End of Year \$ 2,931,389

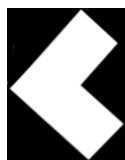
Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 68,331
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
<i>Changes in assets and liabilities</i>	
Decrease in short term lease receivable	207
Decrease in interest receivable	60
Increase (decrease) in deferred inflows - leases	<u>(61,283)</u>

Net Cash Provided by Operating Activities \$ 7,315

COMPLIANCE SECTION





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
County of Mecklenburg, 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 *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 Mecklenburg, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated January 26, 2024.

Report on Internal Control over Financial Reporting

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

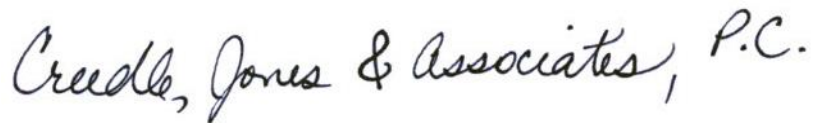
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Mecklenburg, 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 black ink that reads "Creadle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
January 26, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Mecklenburg, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Mecklenburg, Virginia's major federal programs for the year ended June 30, 2023. County of Mecklenburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, County of Mecklenburg, 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accountants of the Commonwealth of Virginia. Our responsibilities under those standards, the Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

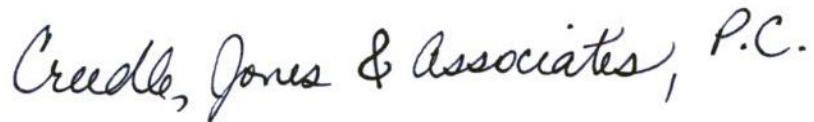
Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
January 26, 2024



REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Board of Supervisors
County of Mecklenburg, Virginia

We have audited the financial statements of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2023, and have issued our report thereon dated January 26, 2024.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Mecklenburg, Virginia, is the responsibility of the County of Mecklenburg, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Mecklenburg, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Mecklenburg, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Mecklenburg, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Associates, P.C.

Creedle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
January 26, 2024

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass- through Entity Identifying Number	Total Federal Expenditures
U. S. Department of the Interior			
Direct Payments			
Payments in Lieu of Taxes Program	15.226	N/A	\$ 187,543
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Social Services</i>			
SNAP Cluster			
State Administrative Matching Grants for SNAP	10.561	765	702,824
<i>Child Nutrition Cluster</i>			
<i>State Department of Agriculture and Consumer Services</i>			
National School Lunch Program (NSLP) - Food Commodities - Schools	10.555	301	199,173
<i>Department of Education</i>			
Summer Food Service Program for Children (SFSPC)	10.559	197	1,989
School Breakfast Program	10.553	197	731,581
National School Lunch Program (NSLP)	10.555	197	<u>1,788,012</u>
Child Nutrition Cluster Total			2,720,755
<i>Department of Education</i>			
Pandemic EBT Administrative Costs	10.649	197	<u>3,135</u>
Child and Adult Care Food Program			<u>3,135</u>
Subtotal - U. S. Department of Agriculture			3,426,714
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
CCDF Cluster			
Child Care and Development Block Grant	93.575	765	697
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	765	<u>66,567</u>
CCDF Cluster Total			67,264
Medicaid Cluster			
Medical Assistance Program	93.778	765	363,063
Temporary Assistance for Needy Families	93.558	765	275,219
Promoting Safe and Stable Families	93.556	765	15,963
Title IV-E Prevention Program	93.472	765	5,729
Guardianship Assistance	93.090	765	137
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	918
Low-Income Home Energy Assistance (LIHEAP)	93.568	765	55,673
Chafee Education and Training Vouchers Program	93.599	765	1,177
Adoption Incentive Payments	93.603	765	3,877
Stephanie Tubbs Jones Child Welfare Services	93.645	765	666
Foster Care - Title IV-E	93.658	765	221,564
Adoption Assistance	93.659	765	123,292
Social Services Block Grant	93.667	765	222,641
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	765	2,259
Children's Health Insurance Program	93.767	765	<u>2,981</u>
Subtotal - U. S. Department of Health and Human Services			1,362,423

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U. S. Department of Justice			
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Crime Victim Assistance	16.575	140	50,189
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	2,814
Violence Against Women Formula Grants	16.588	140	42,890
Subtotal - U. S. Department of Justice			95,893
U. S. Department of Defense			
Pass-Through Payments			
<i>Department of Education</i>			
Payments to States in Lieu of Real Estate Taxes	12.112	197	7,375
U. S. Department of Education			
Pass-Through Payments			
<i>Virginia Polytechnic Institute and State University</i>			
English Language Acquisition State Grants	84.365	208	2,185
<i>Department of Education</i>			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	197	982,104
Special Education - Preschool Grants (IDEA Preschool)	84.173	197	10,435
Special Education Cluster (IDEA) Total			992,539
Title I Grants to Local Educational Agencies	84.010	197	3,144,477
Rural Education	84.358	197	249,025
Career & Technical Education - Basic Grants to States	84.048	197	135,498
Twenty-First Century Community Learning Centers	84.287	197	2,895
Supporting Effective Instruction State Grants (formerly Teacher Quality)	84.367	197	180,008
Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425D	197	4,933,480
Subtotal - U. S. Department of Education			9,640,107
U. S. Department of the Treasury			
Direct Payments			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	2,062,658
Pass-Through Payments			
<i>Department of Education</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	197	424,184
<i>Department of Accounts</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	162.01	6,443
Subtotal - U. S. Department of Treasury			2,493,285
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grants/State's Programs - Planning Grant	14.228	165	10,050
Subtotal - U. S. Department of Housing and Urban Development			10,050
Grand Totals			\$ 17,223,390

See accompanying notes to schedule of expenditures of federal awards.

County of Mecklenburg, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Mecklenburg, Virginia under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Mecklenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Mecklenburg, Virginia.

2. Summary of Significant Accounting Policies

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.

3. Indirect Cost Rate

County of Mecklenburg, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$199,173 at the time received were consumed during the year ended June 30, 2023. These commodities were included in the determination of federal awards expended during the year ended June 30, 2023.

5. Subrecipients

No awards passed through to subrecipients.

County of Mecklenburg, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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84.425D	Elementary and Secondary School Emergency Relief Fund
84.027, 84.173	Special Education Cluster
10.561	SNAP Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported