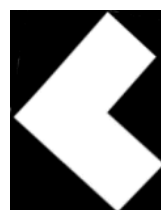


County of Mecklenburg, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2021



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

County of Mecklenburg, Virginia

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FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of June 30, 2021, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2021, the County adopted new accounting guidance, GASBS No. 84 Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB on pages 1-8, 88-95 and 96-115 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

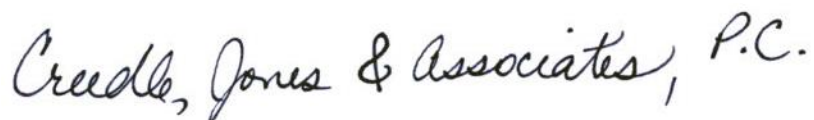
Other Information

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 combining nonmajor fund and component units' financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund and component units' financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund and 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 December 15, 2021, 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.



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

South Hill, Virginia
December 15, 2021

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, 2021. 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 \$123,468,269. Of this amount, \$73,677,054 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The County's total net position increased by \$13,452,170 during the current fiscal year.

As of June 30, 2021, the County's Governmental Funds reported combined ending fund balances of \$83,530,720 an increase of \$9,216,890 in comparison with the prior year. Approximately 16.3% of this amount is available for spending at the County's discretion (unassigned fund balance).

At the end of fiscal year 2021, the general fund unassigned fund balance was \$13,632,941, or approximately 15.2% 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, DEQ and Landfill Funds, Children's Services Act Fund, Economic Development Fund, Public Assistance Fund, Microsoft Capital Project, New School Funds, and CARES Act 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, 2021 and 2020

	<u>Primary Government Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 129,541,965	\$ 184,748,617
Capital assets (net)	<u>130,106,349</u>	<u>64,752,873</u>
Total Assets	<u>259,648,314</u>	<u>249,501,490</u>
Deferred Outflows of Resources	<u>4,665,691</u>	<u>3,050,867</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 264,314,005</u>	<u>\$ 252,552,357</u>
Liabilities		
Current liabilities	\$ 7,819,607	\$ 8,382,255
Noncurrent liabilities	<u>132,263,704</u>	<u>133,476,803</u>
Total Liabilities	<u>140,083,311</u>	<u>141,859,058</u>
Deferred Inflows of Resources	<u>762,425</u>	<u>677,200</u>
Net Position		
Net investment in capital assets	<u>49,791,215</u>	<u>43,722,086</u>
Unrestricted	<u>73,677,054</u>	<u>66,294,013</u>
Total Net Position	<u>123,468,269</u>	<u>110,016,099</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 264,314,005</u>	<u>\$ 252,552,357</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 \$123,468,269 at June 30, 2021. The portion of the reporting entity's net position, \$49,791,215, 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, 2021 and 2020

	<u>Primary Government Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Revenues		
Program Revenues		
Charges for services	\$ 2,211,643	\$ 1,619,293
Operating and capital grants	16,844,311	9,515,560
General Revenues		
General property taxes, real and personal	83,561,180	76,577,202
Other taxes	7,576,850	6,786,581
Payment from County of Mecklenburg, Virginia		
Grants and contributions not restricted to specific programs	2,132,151	2,037,947
Unrestricted revenues from use of property	385,726	61,737
Investment earnings	157,332	2,205,493
Miscellaneous	5,299,004	972,428
Total Revenues	118,168,197	99,776,241
Expenses		
General government administration	4,400,161	4,011,115
Judicial administration	3,561,189	2,551,640
Public safety	19,948,195	12,964,480
Public works	3,778,566	3,157,582
Health and welfare	6,737,349	6,819,744
Education - community college	17,853	18,184
Education - public school system	17,315,458	17,562,457
Parks, recreation, and cultural	779,666	736,122
Community development - IDA of Mecklenburg County, Virginia	40,321,890	35,689,416
Community development	3,206,613	2,674,807
Interest on long-term debt	4,649,087	4,015,515
Total Expenses	104,716,027	90,201,062
 Increase in Net Position	 13,452,170	 9,575,179
Beginning Net Position	110,016,099	100,440,920
Ending Net Position	<u>\$ 123,468,269</u>	<u>\$ 110,016,099</u>

Governmental activities, exclusive of the Component Unit School Board, increased the County's net position by \$13,452,170 for fiscal year 2021. Revenues from governmental activities totaled \$118,168,197. Property taxes comprise the largest source of these revenues, totaling \$83,561,180 or 70.7% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$104,716,027. Community development was the County's largest program with expenses totaling \$43,528,503. Public safety, which totals \$19,948,165, represents the second largest expense.

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, 2021 and 2020

	<u>2021</u>		<u>2020</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	\$ 4,400,161	\$ (3,838,352)	\$ 4,011,115	\$ (3,527,524)
Judicial administration	3,561,189	(2,071,955)	2,551,640	(1,074,723)
Public safety	19,948,195	(8,971,941)	12,964,480	(9,282,741)
Public works	3,778,566	(3,617,752)	3,157,582	(3,043,400)
Health and welfare	6,737,349	(1,970,449)	6,819,744	(1,909,105)
Education	17,333,311	(17,333,311)	17,580,641	(17,580,641)
Parks, recreation, and cultural	779,666	(555,205)	736,122	(566,952)
Community development	43,528,503	(42,652,021)	38,364,223	(38,065,608)
Interest on long-term debt and fiscal charges	<u>4,649,087</u>	<u>(4,649,087)</u>	<u>4,015,515</u>	<u>(4,015,515)</u>
Total	<u>\$ 104,716,027</u>	<u>\$ (85,660,073)</u>	<u>\$ 90,201,062</u>	<u>\$ (79,066,209)</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 \$83,530,720. The combined governmental fund balance increased \$9,216,890 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 \$13,632,941. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 15.2% of total fund expenditures, while total fund balance represents 22.5% of that same amount.

- The General Fund contributed \$24,137,108 in operating funds to finance the Schools' operations and \$40,321,890 to the Industrial Development Authority of Mecklenburg County, Virginia.

The Capital Outlay Fund has a total fund balance of \$35,339,166, 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, 2021 and 2020

	<u>Original Budget</u>	<u>2021 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2020 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 76,731,102	\$ 80,527,504	\$ 83,938,389	\$ 70,592,644	\$ 72,339,016	\$ 76,735,917
Other	7,288,025	7,377,528	10,595,308	7,284,041	7,338,685	10,241,580
Intergovernmental	<u>6,169,314</u>	<u>6,737,116</u>	<u>9,488,533</u>	<u>6,187,980</u>	<u>6,292,630</u>	<u>6,329,045</u>
Total	90,188,441	94,642,148	104,022,230	84,064,665	85,970,331	93,306,542
Expenditures	<u>86,831,776</u>	<u>91,349,227</u>	<u>89,967,320</u>	<u>81,803,253</u>	<u>83,708,919</u>	<u>81,709,840</u>
Excess (Deficiency) of Revenues Over Expenditures	3,356,665	3,292,921	14,054,910	2,261,412	2,261,412	11,596,702
Other Financing Sources (Uses)						
Net Transfers	(3,692,739)	(6,268,659)	(10,248,771)	(2,708,160)	(2,708,160)	(10,102,528)
From Surplus	<u>336,074</u>	<u>2,975,738</u>	<u>-</u>	<u>446,748</u>	<u>446,748</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,806,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,494,174</u>

Final amended budget revenues were more than the original budget by \$4,453,707.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$4,517,451.

Actual revenues were more than final budget amounts by \$9,380,082, or 9.9%, while actual expenditures were \$1,381,907, or 1.5% less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the County's governmental activities net capital assets, exclusive of component units, total \$130,106,349, which represents a net increase of \$65,353,476 or 100.9% over the previous fiscal year-end balance as summarized in the following table. This large increase represents predominately the new high and middle school construction.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 2,567,184	\$ -	\$ 2,567,184
Construction in progress	21,110,930	62,188,372	83,299,302
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	16,774,408	3,916,791	20,691,199
Buildings and improvements	22,632,013	124,616	22,756,629
Furniture, equipment, and vehicles	<u>15,072,177</u>	<u>1,109,448</u>	<u>16,181,625</u>
Total Capital Assets	89,831,096	67,339,227	157,170,323
Less: Accumulated depreciation and amortization	<u>(25,078,223)</u>	<u>(1,985,751)</u>	<u>(27,063,974)</u>
Total Capital Assets, Net	<u>\$ 64,752,873</u>	<u>\$ 65,353,476</u>	<u>\$ 130,106,349</u>

Component Unit School Board

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 1,740,642	\$ -	\$ 1,740,642
Buildings and systems	40,324,296	-	40,324,296
Furniture, equipment, and vehicles	<u>32,247,666</u>	<u>1,642,571</u>	<u>33,890,237</u>
Total Capital Assets	74,312,604	1,642,571	75,955,175
Less: Accumulated depreciation	<u>(49,523,111)</u>	<u>(2,272,693)</u>	<u>(51,795,804)</u>
Total Capital Assets, Net	<u>\$ 24,789,493</u>	<u>\$ (630,122)</u>	<u>\$ 24,159,371</u>

Component Unit IDA of Mecklenburg County, Virginia

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and buildings held for resale	\$ 16,410,723	\$ -	\$ 16,410,723
Total Capital Assets, Net	<u>\$ 16,410,723</u>	<u>\$ -</u>	<u>\$ 16,410,723</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, 2021, the County's long-term obligations, excluding the component units, total \$127,522,999.

	Balance July 1, 2020	Net Additions and Deletions	Balance June 30, 2021
Governmental Activities			
Long-term debt, plus premiums	\$127,050,787	\$ (2,964,030)	\$ 124,086,757
Landfill obligation	1,824,555	21,895	1,846,450
Compensated absences	1,818,125	(228,333)	1,589,792
Total Governmental Activities	<u>\$130,693,467</u>	<u>\$ (3,170,468)</u>	<u>\$ 127,522,999</u>
Component Unit School Board			
Compensated absences	\$ 298,048	\$ 622	\$ 298,670
Capital leases	2,699,020	(811,839)	1,887,181
Total Component Unit School Board	<u>\$ 2,997,068</u>	<u>\$ (811,217)</u>	<u>\$ 2,185,851</u>
Component Unit IDA of Mecklenburg County, Virginia			
Long-term debt	\$ 1,294,736	\$ (92,635)	\$ 1,202,101
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 1,294,736</u>	<u>\$ (92,635)</u>	<u>\$ 1,202,101</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 2022 budget.

The average unemployment rate for the County of Mecklenburg, Virginia in June 2021 was 5.1%, a decrease of 3.6% from June 2020. This compares unfavorably to the state's rate of 4.5% and favorably to the national rate of 6.1%.

The latest estimate by the University of Virginia Weldon Cooper Center for Public Service is a population of 31,031 in July 2020.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the County's operational costs. The fiscal year 2022 adopted budget anticipates the general fund revenues and expenditures to be \$142,419,195.

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, 2021

	Primary Governmental Activities	School Board	Component Units Industrial Development Authority
Assets			
Current Assets			
Cash and cash equivalents	\$ 81,466,395	\$ 895,285	\$ 2,636,078
Cash - restricted	43,771,623	535,973	-
Receivables, net	1,318,961	1,374	-
Due from other governments	2,328,625	784,887	-
Total Current Assets	128,885,604	2,217,519	2,636,078
Noncurrent Assets			
<i>Capital Assets</i>			
Land and construction in progress	85,866,486	1,740,642	-
Other capital assets, net of accumulated depreciation	44,239,863	22,418,729	-
Land and buildings held for resale	-	-	16,410,723
Total Noncurrent Assets	130,106,349	24,159,371	16,410,723
OPEB asset - retiree health insurance	656,361	-	-
Total Assets	259,648,314	26,376,890	19,046,801
Deferred Outflows of Resources			
OPEB	428,928	1,181,821	-
Pension	4,236,763	11,847,045	-
Total Deferred Outflows of Resources	4,665,691	13,028,866	-
Total Assets and Deferred Outflows of Resources	\$ 264,314,005	\$ 39,405,756	\$ 19,046,801
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 1,261,031	\$ 345,448	\$ -
Accrued interest payable	2,155,344	-	-
<i>Due within one year</i>			-
Bonds, loans, and capital leases payable	4,403,232	809,303	47,101
Total Current Liabilities	7,819,607	1,154,751	47,101
Noncurrent Liabilities			
Compensated absences	1,589,792	298,670	-
Net VRS pension liability	8,343,396	42,859,260	-
OPEB liabilities	800,541	7,634,268	-
Landfill obligation	1,846,450	-	-
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	119,683,525	1,077,878	1,155,000
Total Noncurrent Liabilities	132,263,704	51,870,076	1,155,000
Total Liabilities	140,083,311	53,024,827	1,202,101
Deferred Inflows of Resources			
Pension	-	3,523,960	-
OPEB	762,425	1,009,621	-
Total Deferred Inflows of Resources	762,425	4,533,581	-
Net Position			
Net investment in capital assets	49,791,215	22,272,190	15,208,622
Unrestricted	73,677,054	(40,424,842)	2,636,078
Total Net Position (Deficit)	123,468,269	(18,152,652)	17,844,700
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 264,314,005	\$ 39,405,756	\$ 19,046,801

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, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Program Revenues		Primary Government	Component Units
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	School Board
Primary Government						
Governmental Activities						
General government administration	\$ 4,400,161	\$ 13,401	\$ 548,408	\$ -	\$ (3,838,352)	
Judicial administration	3,561,189	37,472	1,451,762	-	(2,071,955)	
Public safety	19,948,195	2,024,113	8,952,141	-	(8,971,941)	
Public works	3,778,566	116,203	44,611	-	(3,617,752)	
Health and welfare	6,737,349	-	4,766,900	-	(1,970,449)	
Education - community college	17,853	-	-	-	(17,853)	
Education - public school system	17,315,458	-	-	-	(17,315,458)	
Parks, recreation, and cultural	779,666	20,454	204,007	-	(555,205)	
Community development - IDA of Mecklenburg County, Virginia	40,321,890	-	-	-	(40,321,890)	
Community development	3,206,613	-	876,482	-	(2,330,131)	
Interest on long-term debt and bond issuance costs	4,649,087	-	-	-	(4,649,087)	
Total Governmental Activities	104,716,027	2,211,643	16,844,311	-	(85,660,073)	
Total Primary Government	\$ 104,716,027	\$ 2,211,643	\$ 16,844,311	\$ -	(85,660,073)	
Component Units						
School Board						
Education	\$ 51,769,789	\$ 171,893	\$ 32,823,370	\$ -		\$ (18,774,526)
Total School Board	51,769,789	171,893	32,823,370	-		(18,774,526)
Industrial Development Authority						
Community development	40,506,995	-	-	-		-
Total Industrial Development Authority	40,506,995	-	-	-		-
Total Component Units	\$ 92,276,784	\$ 171,893	\$ 32,823,370	\$ -	(18,774,526)	(40,506,995)
General Revenues						
Taxes						
General property taxes, real and personal					83,561,180	-
Other local taxes					7,576,850	-
Payment from County of Mecklenburg, Virginia						
Education					-	17,315,458
Community development - IDA of Mecklenburg County, VA					-	-
Grants and contributions not restricted to specific programs					2,132,151	-
Unrestricted revenues from use of property					385,726	-
Investment earnings					157,332	1,397
Miscellaneous					5,299,004	499,921
Total General Revenues					99,112,243	17,816,776
Change in Net Position					13,452,170	(957,750)
Net Position (Deficit) - Beginning of Year (Restated)					110,016,099	(17,194,902)
Net Position (Deficit) - End of Year					\$ 123,468,269	\$ (18,152,652)
						\$ 17,844,700

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, 2021

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Children's Services Act Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	School Capital Outlay	CARES Act Fund	Other Governmental Funds	Total Governmental Funds
Assets											
Cash and investments	\$ 18,225,790	\$ 35,339,166	\$ 554,115	\$ 340,325	\$ 6,346,434	\$ 1,181,578	\$ 4,993,483	\$ 13,783,598	\$ 479,984	\$ 221,922	\$ 81,466,395
Receivables, net	1,318,465	-	-	-	-	-	-	-	-	496	1,318,961
Due from other governments	1,562,170	-	-	458,598	33,293	223,374	-	-	-	51,190	2,328,625
Total Assets	<u>\$ 21,106,425</u>	<u>\$ 35,339,166</u>	<u>\$ 554,115</u>	<u>\$ 798,923</u>	<u>\$ 6,379,727</u>	<u>\$ 1,404,952</u>	<u>\$ 4,993,483</u>	<u>\$ 13,783,598</u>	<u>\$ 479,984</u>	<u>\$ 273,608</u>	<u>\$ 85,113,981</u>
Liabilities											
Accounts payable and accrued liabilities	\$ 245,629	\$ -	\$ -	\$ 173,135	\$ -	\$ 9,196	\$ 66,220	\$ -	\$ 461,599	\$ 51,190	\$ 1,006,969
Total Liabilities	245,629	-	-	173,135	-	9,196	66,220	-	461,599	51,190	1,006,969
Deferred Inflows of Resources											
Unavailable revenue - taxes and other	576,292	-	-	-	-	-	-	-	-	-	576,292
Total Deferred Inflows of Resources	576,292	-	-	-	-	-	-	-	-	-	576,292
Fund Balance											
Restricted	-	-	120,000	625,788	-	1,395,756	4,927,263	-	18,385	131,540	7,218,732
Committed	5,193,055	-	-	-	-	-	-	13,783,598	-	-	18,976,653
Assigned	1,458,508	35,339,166	434,115	-	6,379,727	-	-	-	-	90,878	43,702,394
Unassigned	13,632,941	-	-	-	-	-	-	-	-	-	13,632,941
Total Fund Balance	<u>20,284,504</u>	<u>35,339,166</u>	<u>554,115</u>	<u>625,788</u>	<u>6,379,727</u>	<u>1,395,756</u>	<u>4,927,263</u>	<u>13,783,598</u>	<u>18,385</u>	<u>222,418</u>	<u>83,530,720</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 21,106,425</u>	<u>\$ 35,339,166</u>	<u>\$ 554,115</u>	<u>\$ 798,923</u>	<u>\$ 6,379,727</u>	<u>\$ 1,404,952</u>	<u>\$ 4,993,483</u>	<u>\$ 13,783,598</u>	<u>\$ 479,984</u>	<u>\$ 273,608</u>	<u>\$ 85,113,981</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, 2021

Total Fund Balances for Governmental Funds \$ 83,530,720

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

Capital assets 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
Construction in progress	83,299,302
Infrastructure - water and sewer	18,109,103
School buildings, net of accumulated depreciation	7,964,214
Buildings and improvements, net of accumulated depreciation	13,799,989
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>4,366,557</u>

Total Capital Assets 130,106,349

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

Unavailable revenue - taxes and other 576,292

Construction of New High School assets and liabilities:

Restricted cash account from bond proceeds held for construction	43,771,623
Accounts payable at year end for new high school construction	<u>(254,062)</u>

High School Construction Assets and Liabilities 43,517,561

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	4,236,763
Deferred inflows of resources related to pensions	-
Deferred outflows of resources related to OPEB liabilities	428,928
Deferred inflows of resources related to OPEB liabilities	<u>(762,425)</u>

Total Deferred Outflows and Inflows of Resources 3,903,266

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	(124,086,757)
Accrued interest payable	(2,155,344)
Net VRS pension liability	(8,343,396)
OPEB asset	656,361
OPEB liabilities	(800,541)
Landfill obligation	(1,846,450)
Compensated absences	<u>(1,589,792)</u>

Total (138,165,919)

Total Net Position of Governmental Activities \$ 123,468,269

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, 2021

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Children's Services Act Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	School Capital Outlay	CARES Act Fund	Other Governmental Funds	Total Governmental Funds
Revenues											
Property taxes	\$ 83,938,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,938,389
Other local taxes	7,576,850	-	-	-	-	-	-	-	-	-	7,576,850
Permits, privilege fees, and regulatory licenses	1,524,184	-	-	-	-	-	-	-	-	-	1,524,184
Fines and forfeitures	499,929	-	-	-	-	-	-	-	-	-	499,929
Use of money and property	380,688	-	-	-	-	-	4,851	-	-	187	385,726
Charges for services	181,201	-	-	-	-	-	-	-	-	6,329	187,530
Recovered costs	163,390	-	-	30,620	-	7,646	-	-	-	-	201,656
Miscellaneous	269,066	-	-	-	-	-	5,000,000	29,184	-	754	5,299,004
<i>Intergovernmental</i>											
Revenue from Component Unit School Board	-	-	-	-	-	-	-	111,825	-	-	111,825
Revenue from the Commonwealth of Virginia	6,226,589	-	-	2,134,910	33,293	896,422	-	-	-	3,666	9,294,880
Revenue from the Federal Government	3,261,944	-	-	-	-	1,733,889	-	-	4,265,708	420,041	9,681,582
Total Revenues	104,022,230	-	-	2,165,530	33,293	2,637,957	5,004,851	141,009	4,265,708	430,977	118,701,555
Expenditures											
Current											
General government administration	3,676,815	-	-	-	-	-	-	-	-	-	3,676,815
Judicial administration	2,345,707	580,550	-	-	-	-	-	-	-	10,867	2,937,124
Public safety	13,071,983	-	-	-	-	-	-	-	6,823,243	7,136	19,902,362
Public works	2,852,836	363,166	-	-	-	-	-	-	-	-	3,216,002
Health and welfare	460,668	-	-	2,575,321	-	3,598,540	-	-	-	-	6,634,529
Education - community college	17,853	-	-	-	-	-	-	-	-	-	17,853
Education - public school system	24,137,108	-	-	-	-	-	-	-	-	-	24,137,108
Parks, recreation, and cultural	779,666	-	-	-	-	-	-	-	-	-	779,666
Community development - IDA of Meck. Cty., VA	40,321,890	-	-	-	-	-	-	-	-	-	40,321,890
Community development	2,022,039	-	-	-	827,518	-	-	-	-	420,041	3,269,598
Capital projects	280,755	-	-	-	-	-	4,002,788	308,175	-	-	4,591,718
Total Expenditures	89,967,320	943,716	-	2,575,321	827,518	3,598,540	4,002,788	308,175	6,823,243	438,044	109,484,665
Excess (Deficiency) of Revenues Over Expenditures	14,054,910	(943,716)	-	(409,791)	(794,225)	(960,583)	1,002,063	(167,166)	(2,557,535)	(7,067)	9,216,890
Other Financing Sources (Uses)											
Transfers in	-	11,366,018	-	606,000	-	700,833	-	-	2,575,920	-	15,248,771
Transfers out	(10,248,771)	(5,000,000)	-	-	-	-	-	-	-	-	(15,248,771)
Total Other Financing Sources (Uses)	(10,248,771)	6,366,018	-	606,000	-	700,833	-	-	2,575,920	-	-
Net Change in Fund Balance	3,806,139	5,422,302	-	196,209	(794,225)	(259,750)	1,002,063	(167,166)	18,385	(7,067)	9,216,890
Fund Balance - Beginning of Year	16,478,365	29,916,864	554,115	429,579	7,173,952	1,655,506	3,925,200	13,950,764	-	229,485	74,313,830
Fund Balance - End of Year	\$ 20,284,504	\$ 35,339,166	\$ 554,115	\$ 625,788	\$ 6,379,727	\$ 1,395,756	\$ 4,927,263	\$ 13,783,598	\$ 18,385	\$ 222,418	\$ 83,530,720

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 9,216,890

**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	\$ 5,150,855	
Dispositions of assets	-	
Depreciation	<u>(1,985,751)</u>	3,165,104

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. (377,209)

Bond and capital 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)	2,964,030	
Accrued interest	(669,805)	
Investment earnings on restricted cash held for construction	<u>157,333</u>	
Net Adjustment		2,451,558

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	138,753	
Pension adjustments, contributions, net inflows, and outflows	<u>(1,349,364)</u>	(1,210,611)

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	(21,895)	
Compensated absences	<u>228,333</u>	
Net Adjustment		206,438

Change in Net Position of Governmental Activities \$ 13,452,170

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

County of Mecklenburg, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2021

	County OPEB Funds	Custodial Funds
Assets		
Cash and investments	\$ 2,904,250	\$ 226,022
Receivables, net	-	53,841
Due from other governments	-	138,427
	<u>-</u>	<u>138,427</u>
Total Assets	<u>\$ 2,904,250</u>	<u>\$ 418,290</u>
Liabilities		
Accounts payable	\$ -	\$ -
	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position		
Restricted for:		
Other postemployment benefits	2,904,250	-
Individuals, organizations, and other governments	-	418,290
	<u>-</u>	<u>418,290</u>
Total Net Position	<u>2,904,250</u>	<u>418,290</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 2,904,250</u>	<u>\$ 418,290</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, 2021

	County OPEB Funds	Custodial Funds
Additions		
Miscellaneous income	\$ -	\$ 35,153
Revenue from County of Mecklenburg	-	52,612
Contributions from members	-	190,206
Local grant funds and other donations	-	150,786
Investment income:		
Investment earnings - unrealized gains	668,844	-
Investment earnings - interest income	<u>-</u>	<u>2,897</u>
Total additions	668,844	431,654
Deductions		
Administrative expenses	<u>-</u>	<u>431,203</u>
Net increase (decrease) in fiduciary net position	668,844	451
Net position - beginning	<u>2,235,406</u>	<u>417,839</u>
Net position - ending	<u><u>\$ 2,904,250</u></u>	<u><u>\$ 418,290</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, 2021

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 31,031 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 Comprehensive Annual 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.
 - CDBG Fund – The County has one CDBG project in process that accounts for funds used to upgrade housing for low income citizens. This fund is Quail Hollow.
 - CARES Act 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.
- *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 New School Funds, 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 High School Fund – This fund consists of monies used to construct a new high school. Funding has already been obtained for the first phase.

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

\$1,494,271

Real and Personal Property Tax Data

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

Real Property Personal Property

Lewy	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 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.

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-7 *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-8 *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-9 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-10 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-11 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-12 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-13 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.

1-E-14 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-15 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-16 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-F. Adoption of New GASB Statements

The County adopted the following GASB statement during the year ended June 30, 2021:

Statement No. 84, *Fiduciary Activities* – This statement requires fiduciary activities to be reported in the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation. This statement clarifies the definitions of the three existing fiduciary fund categories associated with trusts that meet specific criteria, and establishes a new custodial fund category for all other fiduciary activity not required to be reported within a trust fund. The County's previously reported Agency Fund has been eliminated and is now reported in the fund financial statements because 1) the assets associated with the activity are controlled by the County, 2) the assets associated with the activity are not derived from the County's own-source revenues, and 3) the assets are for the benefit of individuals and the County does not have administrative involvement with the assets or direct financial involvement with the assets.

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

The school fund expenditures exceeded appropriations by \$203,228.

Fund Deficits

There were no fund deficits for the governmental funds. The net position of the School Board has a deficit of \$(40,424,842) on Exhibit 1, primarily due to the net VRS pension liability and OPEB liabilities.

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, 2021</u>		
Petty cash	\$	3,000	
Deposit accounts		<u>132,432,626</u>	
Total Cash and Investments		<u>\$ 132,435,626</u>	
	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 81,466,395	\$ -	\$ 81,466,395
Restricted cash	43,771,623	-	43,771,623
Cash and investments with fiscal agents	<u>-</u>	<u>3,130,272</u>	<u>3,130,272</u>
Total Primary Government	125,238,018	3,130,272	128,368,290
Component Unit School Board			
Cash and cash equivalents	895,285	-	895,285
Restricted cash	<u>535,973</u>	<u>-</u>	<u>535,973</u>
Total Component Unit School Board	1,431,258	-	1,431,258
Component Unit IDA of Mecklenburg County, Virginia			
Cash and cash equivalents	<u>2,636,078</u>	<u>-</u>	<u>2,636,078</u>
Grand Total	<u>\$ 129,305,354</u>	<u>\$ 3,130,272</u>	<u>\$ 132,435,626</u>

4 Receivables

Receivables at June 30, 2021 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Property taxes	\$ 2,532,127	\$ -	\$ 2,532,127
Other	280,609	496	281,105
Total	2,812,736	496	2,813,232
Allowance for uncollectibles	(1,494,271)	-	(1,494,271)
Net Receivables	<u>\$ 1,318,465</u>	<u>\$ 496</u>	<u>\$ 1,318,961</u>

5 Interfund Transfers

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

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
To Public Assistance - Welfare Fund for operations	\$ 700,833	\$ -
To Children's Services Act Fund for operations	606,000	-
To CARES Act Fund for operations	2,575,920	-
To/ From Capital Outlay Fund for operations	<u>6,366,018</u>	<u>5,000,000</u>
Total General Fund	10,248,771	5,000,000
Public Assistance - Welfare Fund		
From General Fund for operations	-	700,833
Children's Services Act Funds		
From General Fund for operations	-	606,000
CARES Act Fund		
From General Fund for operations	-	2,575,920
Capital Outlay Fund		
To/From General Fund for operations	<u>5,000,000</u>	<u>6,366,018</u>
Total Transfers Within Primary Government	<u>\$ 15,248,771</u>	<u>\$ 15,248,771</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, 2021 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
School Board		
From Primary Government - General Fund		
To School Fund for local appropriation	\$ 24,192,694	\$ -
To School Textbook Fund for local appropriation	167,486	-
To Primary Government - General Fund		
From School Fund for capital outlay (netted local appropriation)	(223,072)	-
To School Board Component Unit		
To General Fund for capital outlay (netted local appropriation)	-	(223,072)
From General Fund for local appropriation	-	24,192,694
To School Textbook Fund		
From General Fund for local appropriation	-	167,486
Total Transfers between School Board and Primary Government	<u>\$ 24,137,108</u>	<u>\$ 24,137,108</u>
IDA of Mecklenburg County, Virginia		
From Primary Government - General Fund		
To IDA of Mecklenburg County, Virginia for economic stimulus and transfer of real estate	\$ 40,321,890	\$ -
IDA Component Unit from Primary Government		
To IDA of Mecklenburg County, Virginia for economic stimulus and transfer of real estate	-	40,321,890
Total Transfers between IDA and Primary Government	<u>\$ 40,321,890</u>	<u>\$ 40,321,890</u>
Total Transfers	<u>\$ 79,707,769</u>	<u>\$ 79,707,769</u>

7 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2021, are as follows:

	<u>Governmental Funds</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia		
Local and State sales taxes	\$ 1,141,292	\$ 669,858
Compensation Board - constitutional officers	311,702	-
Communications tax	34,671	-
Wireless grant	16,406	-
Children's Services Act	458,598	-
Public assistance	223,374	-
Other state funds	76,938	-
Federal Government		
School food funds	-	104,130
Other federal funds	65,644	10,899
Total	<u>\$ 2,328,625</u>	<u>\$ 784,887</u>

8 Capital Assets

The following is a summary of changes in capital assets:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Governmental Activities				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 563,137	\$ -	\$ -	\$ 563,137
Land and land improvements - new school	2,004,047	-	-	2,004,047
Construction in progress - new high school	21,110,930	62,188,372	-	83,299,302
Total Capital Assets Not Being Depreciated	23,678,114	62,188,372	-	85,866,486
Other Capital Assets				
Buildings and improvements	22,632,013	124,616	-	22,756,629
Infrastructure - water and sewer	16,774,408	3,916,791	-	20,691,199
School buildings and improvements	11,674,384	-	-	11,674,384
Furniture, equipment, and vehicles	15,072,177	1,109,448	-	16,181,625
Total Other Capital Assets	66,152,982	5,150,855	-	71,303,837
Less: Accumulated depreciation for				
Buildings and improvements	8,460,475	496,165	-	8,956,640
Infrastructure - water and sewer	2,242,394	339,702	-	2,582,096
School buildings and improvements	3,476,683	233,487	-	3,710,170
Furniture, equipment, and vehicles	10,898,671	916,397	-	11,815,068
Total Accumulated Depreciation	25,078,223	1,985,751	-	27,063,974
Other Capital Assets, Net	41,074,759	3,165,104	-	44,239,863
Net Capital Assets	\$64,752,873	\$65,353,476	\$ -	\$ 130,106,349

Depreciation expense was allocated as follows:

General government administration	\$ 422,158
Judicial administration	345,841
Public safety	552,700
Public works	306,454
Education - public school system	233,487
Health and welfare	125,111
Total Depreciation Expense	\$ 1,985,751

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Component Unit School Board				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,740,642	\$ -	\$ -	\$ 1,740,642
Total Capital Assets Not Being Depreciated	1,740,642	-	-	1,740,642
Other Capital Assets				
Buildings and improvements	40,324,296	-	-	40,324,296
Furniture, equipment, and vehicles	32,247,666	1,642,571	-	33,890,237
Total Other Capital Assets	72,571,962	1,642,571	-	74,214,533
Less: Accumulated depreciation for				
Buildings and improvements	25,837,670	796,069	-	26,633,739
Furniture, equipment, and vehicles	23,685,441	1,476,624	-	25,162,065
Total Accumulated Depreciation	49,523,111	2,272,693	-	51,795,804
Other Capital Assets, Net	23,048,851	(630,122)	-	22,418,729
Net Capital Assets	\$ 24,789,493	\$ (630,122)	\$ -	\$ 24,159,371
Component Unit IDA of Mecklenburg County, Virginia				
Capital Assets Not Being Depreciated				
Buildings and land held for resale	\$ 16,410,723	\$ -	\$ -	\$ 16,410,723
Net Capital Assets	\$ 16,410,723	\$ -	\$ -	\$ 16,410,723

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 \$1,589,792 in the Governmental Activities. The Component Unit School Board has \$298,670 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 Principal</u>	<u>Interest</u>	<u>Premium on Bonds</u>
Primary Government			
2022	\$ 4,187,338	\$ 4,310,688	\$ 215,894
2023	4,366,817	4,125,170	215,894
2024	4,551,279	3,931,557	215,894
2025	4,396,079	3,738,038	203,394
2026	4,571,334	3,544,756	203,395
2027-2031	24,342,067	14,668,778	981,286
2032-2036	28,930,000	9,712,581	972,360
2037-2041	28,285,000	4,757,246	713,484
2042-2046	11,230,000	1,839,688	325,172
2047-2051	<u>5,050,000</u>	<u>174,504</u>	<u>130,070</u>
Total	119,909,914	50,803,006	4,176,843
Landfill obligation	1,846,450	-	-
Compensated absences	<u>1,589,792</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 123,346,156</u>	<u>\$ 50,803,006</u>	<u>\$ 4,176,843</u>

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
Component Unit School Board		
<i>Capital Leases</i>		
2022	\$ 809,303	\$ 71,815
2023	644,461	42,262
2024	<u>433,417</u>	<u>16,644</u>
Total - Capital Leases	1,887,181	130,721
Compensated absences	<u>298,670</u>	<u>-</u>
Total	<u>\$ 2,185,851</u>	<u>\$ 130,721</u>

	<u>Principal</u>	<u>Interest</u>
Component Unit IDA of Mecklenburg County, Virginia		
2022	\$ 47,101	\$ 15,587
2023	<u>1,155,000</u>	<u>14,282</u>
Total	<u>\$ 1,202,101</u>	<u>\$ 29,869</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, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
<i>Details of Long-Term Indebtedness</i>					
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.	\$ 2,498,050	\$ -	\$ 343,136	\$ 2,154,914	\$ 347,338
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.	1,225,000	-	285,000	940,000	295,000
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.	47,040,000	-	910,000	46,130,000	955,000
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.	36,745,000	-	1,210,000	35,535,000	1,275,000
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.	35,150,000	-	-	35,150,000	1,315,000
Total General Obligation Bonds	122,658,050	-	2,748,136	119,909,914	4,187,338
Landfill obligation	1,824,555	21,895	-	1,846,450	-
Compensated absences	1,818,125	-	228,333	1,589,792	-
	126,300,730	21,895	2,976,469	123,346,156	4,187,338
<i>Add</i>					
Unamortized Premium on Bond Series 2003 Bond	50,000	-	12,500	37,500	12,500
Unamortized Premium on Bond Series 2006 Bond	62,449	-	8,921	53,528	8,921
Unamortized Premium on Bond Series 2017 Bond	1,820,956	-	65,034	1,755,922	65,034
Unamortized Premium on Bond Series 2018 Bond	2,459,332	-	129,439	2,329,893	129,439
Total Unamortized Premiums on Bonds	4,392,737	-	215,894	4,176,843	215,894
Total Long-Term Indebtedness - Primary Government	<u>\$ 130,693,467</u>	<u>\$ 21,895</u>	<u>\$ 3,192,363</u>	<u>\$127,522,999</u>	<u>\$ 4,403,232</u>

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Component Unit School Board					
Daimler Truck Financial Lease beginning July 5, 2019; proceeds used to purchase buses for the schools. Annual payments due July 15th of each year with interest at 3.38% until July 5, 2023.	1,424,219	-	558,531	865,688	279,025
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in July 2019 proceeds used to purchase computer equipment for the schools. Annual payments due July of each year with interest at 4.75% until July 2023.	528,919	-	141,776	387,143	122,981
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2019 proceeds used to purchase computer equipment for the schools. Annual payments due August of each year with interest at 4.7499% until August 2023.	170,955	-	59,707	111,248	54,306
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in September 1, 2020, proceeds used to purchase computer equipment for the schools. Annual payments due February of each year with interest at 10.748% until September 2022.	-	83,191	27,782	55,409	26,781
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in November 2020, proceeds used to purchase computer equipment for the schools. Annual payments due November of each year with interest at 4.804% until November 2022.	-	304,243	106,208	198,035	96,695
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2016, proceeds used to purchase computer equipment for the schools. Annual payments due December of each year with interest at 4.6% until December 2020.	9,226	-	9,226	-	-
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2018, proceeds used to purchase computer equipment for the schools. Annual payments due December of each year with interest at 5.7% until December 2021.	79,942	-	75,561	4,381	4,381
De Lage Landen Public Finance, LLC - Capital lease signed April 2018 for the purchase of school phone system. Annual payments due August 15 for years 2018 until 2022 at 0% interest, with \$76,000 down on April 15, 2018.	120,427	-	40,142	80,285	40,142
Daimler Truck Financial Capital Lease for 11 school buses. Lease signed October 2017 with an initial payment of \$189,765. Annual payments due October 30th for years 2011 until 2021 at 2.58% interest.	365,332	-	180,340	184,992	184,992
Subtotal - Capital Leases only	2,699,020	387,434	1,199,273	1,887,181	809,303
Compensated absences	298,048	622	-	298,670	-
Total Component Unit School Board	<u>\$ 2,997,068</u>	<u>\$ 388,056</u>	<u>\$ 1,199,273</u>	<u>\$ 2,185,851</u>	<u>\$ 809,303</u>

<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
<u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2021</u>	<u>One Year</u>

Component Unit IDA of Mecklenburg County, Virginia

Riley B. Lowe

The Authority originally borrowed \$650,000 to purchase a building in Chase City, Virginia jointly with the Industrial Development Authority of the Town of Chase City, Virginia to be leased for twenty years to a local business with the option to purchase at any time. The original loan terms were modified, effective April 1, 2012, reducing the interest rate from 7.00% to 6.00% and extending the term of payments. The loan is payable in monthly installments of \$4,840 through April 2022.

\$ 100,606	\$ -	\$ 53,505	\$ 47,101	\$ 47,101
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Citizens Community Bank for \$1,155,000.

Dated January 8, 2016 and matures November 1, 2021.

Proceeds are being used to construct an industrial shell building in the Roanoke River Basin Industrial Park.

As of June 30, 2018 all proceeds have been drawn down.

Interest is stated at 2.95%. Only interest is payable until 2021.

1,155,000	-	-	1,155,000	-
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Lake Country Development Corporation

The Authority borrowed \$245,000 to begin construction on a shell building in Roanoke River Regional Business Park. The promissory note is dated February 5, 2016, with interest stated at 3.00%, payable over 5 years (60 payments) in monthly payments of \$4,402.33.

39,130	-	39,130	-	-
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Total Component Unit IDA of Mecklenburg County, Virginia

\$ 1,294,736	\$ -	\$ 92,635	\$ 1,202,101	\$ 47,101
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11 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, 2021 is determined as follows:

	<u>Governmental Activities</u>	<u>Component Unit School Board</u>	<u>Component Unit IDA</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 157,170,323	\$ 75,955,175	\$ 16,410,723
Less: Accumulated depreciation	(27,063,974)	(51,795,804)	-
Book value	130,106,349	24,159,371	16,410,723
Restricted cash for construction not spent	43,771,623	-	-
Less: Capital related debt	(119,909,914)	(1,887,181)	(1,202,101)
Less: Unamortized debt issuance premium	(4,176,843)	-	-
Net Investment in Capital Assets	<u>\$ 49,791,215</u>	<u>\$ 22,272,190</u>	<u>\$ 15,208,622</u>

12 Deferred Inflows of Resources and Unearned Revenue

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

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 487,209
Prepaid property taxes - property taxes paid in advance	80,280
Other deferred credits	<u>8,803</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 576,292</u>
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13 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>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount</u>
Michelle G. Gordon	Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$2,210,000
Joseph E. "Ed" Taylor	Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	3,000
Sandra P. Langford	Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	400,000
R. W. "Bobby" Hawkins, Jr.	Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	30,000
Other Employees			
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

14 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.

15 Litigation

At June 30, 2021, 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.

16 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>\$ 4,661,538,500</u>
Debt Limit per Constitution of Virginia - 10% Assessed Value	\$ 466,153,850
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>119,909,914</u>
Legal Debt Margin - June 30, 2021	<u>\$ 346,243,936</u>

17 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 \$1,846,450 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 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$554,115 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.

18 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 the School Fund	\$ 24,192,694
From the School Fund to the General Fund for capital outlay	(223,072)
From the General Fund to the School Textbook Fund	<u>167,486</u>
Net School Board Appropriation for the Fund Financial Statements	24,137,108

Adjustments for

Payment of principal and interest on school debt for buildings	(6,943,312)
Trane payment to County from school	(111,825)
Depreciation on school building and other fixed assets	<u>233,487</u>

Adjusted School Board Appropriation in the Government-Wide Financial Statements

\$ 17,315,458

19 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, 2021.

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%	\$ 40,316,961

20 Pension Plan

Plan Description

All full-time, salaried permanent 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

Plan 2 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 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

Employees 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, 2019 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	133	86
Inactive members:		
Vested inactive members	27	13
Non-vested inactive members	37	59
LTD	0	0
Inactive members active elsewhere in VRS	<u>81</u>	<u>19</u>
Total inactive members	145	91
Active members	<u>197</u>	<u>70</u>
Total covered employees	<u>475</u>	<u>247</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, 2021 was 10.7% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County of Mecklenburg, Virginia were \$1,062,128 and \$883,020 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the County of Mecklenburg, Virginia school board – general employees, employee contributions were \$117,458 and \$126,672 for the years ended June 30, 2021 and June 30, 2020, respectively.

Each school division's contractually required contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the County of Mecklenburg, Virginia school division were \$4,047,049 and \$3,932,763 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

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

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

Teacher Employee Retirement Plan

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

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

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

	<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*

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

Political Subdivisions

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

School Division – Teacher

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021: males 1.0% increase compounded from ages 70-90; and females set back 3 years with 1.5% increase compounded from ages 65-75 and 2% increase compounded from ages 75-90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Long-Term Expected Rate of Return

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

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

**The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuation, provide a median return of 6.81%.*

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, 2020, 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, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - County

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 49,891,139	\$ 45,118,449	\$ 4,772,690
Changes for the Year			
Service cost	1,056,282	-	1,056,282
Interest	3,295,604	-	3,295,604
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	1,388,868	-	1,388,868
Contributions - employer	-	860,331	(860,331)
Contributions - employee	-	477,138	(477,138)
Net investment income	-	862,922	(862,922)
Benefit payments, including refunds	(2,134,761)	(2,134,761)	-
Administrative expenses	-	(29,325)	29,325
Other changes	-	(1,018)	1,018
Net Changes	<u>3,605,993</u>	<u>35,287</u>	<u>3,570,706</u>
Balances at June 30, 2020	<u>\$ 53,497,132</u>	<u>\$ 45,153,736</u>	<u>\$ 8,343,396</u>

Component Unit School Board - General Employees

		<u>Increase (Decrease)</u>	
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary</u>	<u>Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2019	\$ 6,199,221	\$ 5,470,149	\$ 729,072
Changes for the Year			
Service cost	112,162	-	112,162
Interest	402,342	-	402,342
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	122,886	-	122,886
Contributions - employer	-	115,507	(115,507)
Contributions - employee	-	64,711	(64,711)
Net investment income	-	102,645	(102,645)
Benefit payments, including refunds	(477,212)	(477,212)	-
Administrative expenses	-	(3,684)	3,684
Other changes	-	(119)	119
Net Changes	<u>160,178</u>	<u>(198,152)</u>	<u>358,330</u>
Balances at June 30, 2020	<u>\$ 6,359,399</u>	<u>\$ 5,271,997</u>	<u>\$ 1,087,402</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:

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
	<u>5.75%</u>	<u>Rate 6.75%</u>	<u>7.75%</u>
Primary Government - County Political subdivision's			
Net Pension Liability	<u>\$ 15,228,502</u>	<u>\$ 8,343,396</u>	<u>\$ 2,621,818</u>
Component Unit School Board - General Employees Political subdivision's			
Net Pension Liability	<u>\$ 1,686,203</u>	<u>\$ 1,087,402</u>	<u>\$ 575,665</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	<u>\$ 61,288,698</u>	<u>\$ 41,771,858</u>	<u>\$ 25,628,965</u>

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

For the year ended June 30, 2021, the County of Mecklenburg, Virginia recognized pension expense of \$2,388,803.

For the year ended June 30, 2021, the County of Mecklenburg, Virginia school board – general employees recognized pension expense of \$303,244.

At June 30, 2021, the County of Mecklenburg, Virginia school division – teachers reported a liability of \$41,771,858 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was .28704% as compared to .27559% at June 30, 2019.

For the year ended June 30, 2021, the County of Mecklenburg, Virginia school division recognized pension expense of \$4,622,204. 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.

At June 30, 2021, 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	\$ 1,261,720	\$ -
Change in assumptions	563,820	-
Net difference between projected and actual earnings on pension plan investments	1,349,095	-
Employer contributions subsequent to the measurement date	<u>1,062,128</u>	<u>-</u>
Total - Primary Government	<u>\$ 4,236,763</u>	<u>\$ -</u>
Component Unit School Board - General Employees		
Differences between expected and actual experience	\$ 50,600	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	156,839	-
Employer contributions subsequent to the measurement date	<u>117,458</u>	<u>-</u>
Total	<u>\$ 324,897</u>	<u>\$ -</u>

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Component Unit School Board - Teachers		
Differences between expected and actual experience	\$ 3,177,212	\$ 2,448,474
Net difference between projected and actual earnings on pension plan investments	-	-
Change in assumptions	2,851,453	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,446,434	1,075,486
Employer contributions subsequent to the measurement date	<u>4,047,049</u>	<u>-</u>
Total	<u>\$ 11,522,148</u>	<u>\$ 3,523,960</u>
Total Component Unit School Board	<u>\$ 11,847,045</u>	<u>\$ 3,523,960</u>

\$1,062,168 for the County, \$117,458 for school general employees, and \$4,047,049 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	<u>Primary Government County</u>	<u>Component Unit School Board General Employees</u>	<u>Teachers</u>
<u>Year Ended June 30,</u>			
2022	\$ 1,163,132	\$ 50,135	\$ 9,125
2023	1,039,531	50,671	1,118,091
2024	541,044	55,347	1,530,375
2025	430,928	51,286	1,279,859
2026	-	-	13,689
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 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

21 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	<p>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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>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.</p>
Benefit Amounts	<p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
Reduction in Benefit Amounts	<p>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.</p>
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)	<p>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 \$8,616 as of June 30, 2021.</p>

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, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$53,652 and \$51,337 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – general employees, contributions to the Group Life Insurance Program were \$7,032 and \$7,528 for the years ended June 30, 2021 and June 30, 2020, respectively.

For the school board – teacher, contributions to the Group Life Insurance Program were \$131,505 and \$130,492 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entities reported a liability of \$500,541 for the political subdivision, \$117,319 for the school board – general employees, and \$2,034,812 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, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .04797% for the political subdivision, .00703% for the school board – general employees, and .12193% for the school board – teacher as compared to .04536% for the political subdivision, .00599% for the school board – general employees, and .11768% for the school board – teacher at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expenses of \$39,082 for the political subdivision, \$11,604 for the school board – general employees, and \$74,756 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, 2021, 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	\$ 51,347	\$ 7,190
Net difference between projected and actual earnings on GLI OPEB program investments	24,048	-
Change in assumptions	40,036	16,716
Changes in proportionate share	37,454	-
Employer contributions subsequent to the measurement date	<u>53,652</u>	<u>-</u>
Total	<u>\$ 206,537</u>	<u>\$ 23,906</u>

School Board

Differences between expected and actual experience	\$ 7,525	\$ 1,053
Net difference between projected and actual earnings on GLI OPEB program investments	3,524	-
Change in assumptions	5,867	2,450
Changes in proportionate share	25,022	-
Employer contributions subsequent to the measurement date	<u>7,032</u>	<u>-</u>
Total	<u>\$ 48,970</u>	<u>\$ 3,503</u>

Teacher

Differences between expected and actual experience	\$ 130,514	\$ 18,276
Net difference between projected and actual earnings on GLI OPEB program investments	61,124	-
Change in assumptions	101,764	42,488
Changes in proportionate share	57,997	54,745
Employer contributions subsequent to the measurement date	<u>131,505</u>	<u>-</u>
Total	<u>\$ 482,904</u>	<u>\$ 115,509</u>

\$53,652 for the political subdivision, \$7,032 for school board – general employees, and \$131,505 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	<u>Primary</u>	<u>School</u>	
	<u>Government</u>	<u>Board</u>	<u>Teacher</u>
Year Ended			
<u>June 30,</u>			
2022	\$ 20,612	\$8,898	\$27,809
2023	27,403	9,893	45,071
2024	33,106	8,576	65,645
2025	32,978	6,797	69,600
2026	12,964	3,620	24,226
Thereafter	1,916	651	3,539

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

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

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males 115% of rates; females 130% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2021; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – ValORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2021; males 115% of rates; females 130% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

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

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

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

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

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

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

	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	<u>\$ 1,052,373</u>	<u>\$ 800,541</u>	<u>\$ 596,030</u>
Net OPEB Liability - School Division	<u>\$ 154,225</u>	<u>\$ 117,319</u>	<u>\$ 87,348</u>
Net OPEB Liability - Teacher	<u>\$ 2,674,917</u>	<u>\$ 2,034,812</u>	<u>\$ 1,514,987</u>

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

22 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

Eligible Employees

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.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

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

Health Insurance Credit Program Notes:

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

Number

Component Unit School Board General Employees

Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Vested inactive members	0
Non-vested inactive members	0
Inactive members active elsewhere in the System	<u>0</u>
Total inactive members	0
Active members	<u>70</u>
Total covered employees	<u>70</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 contractually required employer contribution rate for the year ended June 30, 2021 was .95% of covered employee compensation and 0.90% for the component unit school board-general employees. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County of Mecklenburg, Virginia to the Component Unit School Board-General Employees' Health Insurance Credit Program were \$12,371 and \$-0- for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The County of Mecklenburg, Virginia's net Health Insurance Credit OPEB liability was measured as of June 30, 2020. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

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

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

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

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years, 110% of rates; females 125% of rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2021; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2021; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2021; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability:

Component Unit School Board General Employees

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the Year			
Service cost	-	-	-
Interest	-	-	-
Benefit changes	157,704	-	157,704
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Net investment income	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net Changes	157,704	-	157,704
Balances at June 30, 2020	\$ 157,704	\$ -	\$ 157,704

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	\$ 172,198	\$ 157,704	\$ 145,085

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, 2021, the County of Mecklenburg, Virginia recognized Health Insurance Credit Program OPEB expense of \$157,704 for the component unit school board-general employees. At June 30, 2021, 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	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB program investments	-	-
Change in assumptions	-	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	12,371	-
Total	\$ 12,371	\$ -

\$12,371 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

**Component Unit School Board
General Employees**

2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	-

Health Insurance Credit Program Plan Data

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

23 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, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County of Mecklenburg, Virginia school division to the VRS Teacher Employee Health Insurance Credit Program were \$294,583 and \$300,977 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the County of Mecklenburg, Virginia school division reported a liability of \$3,732,222 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, 2020 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, 2019 and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County of Mecklenburg, Virginia school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .28610% as compared to .27476% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$300,624. 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 proportion.

At June 30, 2021, 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	\$ -	\$ 49,842
Net difference between projected and actual earnings on Teacher HIC OPEB program investments	16,540	-
Change in assumptions	73,781	20,392
Changes in proportionate share	150,594	146,110
Employer contributions subsequent to the measurement date	<u>294,583</u>	<u>-</u>
Total	<u>\$ 535,498</u>	<u>\$ 216,344</u>

\$294,583 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,		
2022	\$	(5,021)
2023		(3,382)
2024		(3,931)
2025		4,303
2026		13,502
Thereafter		19,100

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

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

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

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2021; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2021; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, 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	\$ 1,448,676
Plan Fiduciary Net Position	<u>144,160</u>
Teacher Employee net HIC OPEB Liability (Asset)	<u><u>\$ 1,304,516</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	9.95%

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

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%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		4.64%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.14%</u>

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the Fiscal Year 2020 actuarial valuations provide a median return of 6.81%.

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, 2020, 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, 2020 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the 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	\$ 4,177,833	\$ 3,732,222	\$ 3,353,485

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

24 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.

The valuation date is January 1, 2021 and the measurement date is June 30, 2021. Disclosures for the County OPEB Plan are as follows:

County OPEB Plan

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.50%, net of investment expenses

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by taking the annual average long-term future inflation and real return components, with each component being reasonable in our professional opinion, including the anticipated effects of return volatility and correlation among various asset classes. The data used in the assessment of reasonability were Milliman's December 31, 2020 capital market assumptions (real returns) and the 2020 Social Security Trustees Report (inflation).

<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	21.00%	0.83%	0.76%
US Large Caps	S&P 500	26.00%	3.93%	2.74%
US Small Caps	Russell 2000	10.00%	5.09%	3.08%
Foreign Developed Equity	MSCI EAFE NR	13.00%	5.73%	4.16%
Emerging Markets Equity	MSCI EM NR	5.00%	7.51%	4.70%
Private Real Estate Property	NCREIF Property	7.00%	3.89%	3.18%
Private Equity	Cambridge Private Equity	5.00%	8.99%	5.19%
Commodities	Bloomberg Commodity	3.00%	2.29%	0.68%
Hedge FOF Strategic	HFRI FOF Strategic	10.00%	2.71%	2.20%
Assumed Inflation - Mean			2.40%	2.40%
Portfolio Real Mean Return			3.93%	3.27%
Portfolio Nominal Mean Return			6.33%	5.74%
Portfolio Standard Deviation				11.60%
Long-Term Expected Rate of Return				6.50%

Changes in Net OPEB Liability

County - OPEB

	<u>Total OPEB Liability (a)</u>	<u>Increase (Decrease) Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances as of June 30, 2020	\$ 2,471,954	\$ 2,235,406	\$ 236,548
Changes for the Year			
Service cost	33,801	-	33,801
Interest on total OPEB liability	158,486	-	158,486
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(303,800)	-	(303,800)
Effect of assumptions changes or inputs	24,636	-	24,636
Benefit payments	(137,188)	(137,188)	-
Employer contributions	-	137,188	(137,188)
Member contributions	-	-	-
Net investment income	-	671,858	(671,858)
Administrative expenses	-	(3,014)	3,014
Net Changes	(224,065)	668,844	(892,909)
Balances as of June 30, 2021	<u>\$ 2,247,889</u>	<u>\$ 2,904,250</u>	<u>\$ (656,361)</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 <u>5.50%</u>	Discount Rate <u>6.50%</u>	1% Increase <u>7.50%</u>
Total OPEB Liability	\$ 2,469,543	\$ 2,247,889	\$ 2,051,837
Fiduciary Net Position	<u>2,904,250</u>	<u>2,904,250</u>	<u>2,905,250</u>
Net OPEB Liability	<u>\$ (434,707)</u>	<u>\$ (656,361)</u>	<u>\$ (853,413)</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 <u>Rate</u>	Current Trend <u>Rate</u>	1% Increase <u>Rate</u>
Total OPEB Liability	\$ 2,021,667	\$ 2,247,889	\$ 2,512,132
Fiduciary Net Position	<u>2,904,250</u>	<u>2,904,250</u>	<u>2,904,250</u>
Net OPEB Liability	<u>\$ (882,583)</u>	<u>\$ (656,361)</u>	<u>\$ (392,118)</u>

At June 30, 2021, 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	\$ 64,743	\$ 252,308
Changes in assumptions	20,460	121,461
Net difference between projected and actual earnings on OPEB plan investments	-	364,750
Change in proportionate share	-	-
Employer contributions subsequent to the measurement date	<u>137,188</u>	<u>-</u>
Total	<u>\$ 222,391</u>	<u>\$ 738,519</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,**

2022	\$	(154,546)
2023		(146,896)
2024		(156,645)
2025		(152,645)
2026		(42,584)
Thereafter		-

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 have been reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	6.50%	6.50%
Long-Term Expected Rate of Return, Net of Investment Expense	6.50%	6.50%
Municipal Bond Rate	N/A	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 are predominantly consistent with those used in the June 30, 2020 actuarial valuation of the Virginia Retirement System (VRS). Please see the January 1, 2021 OPEB valuation report for a complete summary of all the underlying assumptions used in this valuation.

Valuation Date	January 1, 2019	January 1, 2021
Measurement Date	June 30, 2020	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	8.50% to 4.00% over 54 years	Please see 01/01/2021 OPEB valuation report
Salary Increases Including Inflation	Please see 06/30/2020 GASB disclosure report	Please see 01/01/2021 OPEB valuation report

Please see Milliman's January 1, 2021 OPEB valuation report dated July 12, 2021 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.

Methods and Assumptions

Summary of Methods	
Valuation/Census Data Due	July 1, 2020
Measurement Date	July 1 2020 and July 1, 2021
Actuarial Cost Method	Entry Age, level percentage of pay
Actuarial Assets	None
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Economic Assumptions	
Discount Rate	2.40%
20-Year Municipal Bond Yield	2.40%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.50% as of July 1, 2020 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-2019 Generational Improvement Scale
Disability	None
Withdrawal	31.434% to 2.287% depending on gender, years of service and age
Retirement	3.0% to 35.0% depending on gender, years of service and age
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	Mecklenburg County Public Schools provides access to dental and vision insurance during retirement. However, the implicit rate liability is not significant for dental and vision insurance so it has not been included in this valuation.

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	\$ 1,959,252	\$ -	\$ 1,959,252
Changes for the Year			
Service cost	125,813	-	125,813
Interest costs	71,386	-	71,386
Assumption changes	(159,134)	-	(159,134)
Plan changes	-	-	-
Difference between expected and actual changes	(313,384)	-	(313,384)
Benefit payments	(91,722)	-	(91,722)
Other changes	-	-	-
Net Changes	<u>(367,041)</u>	<u>-</u>	<u>(367,041)</u>
Balances - End of Measurement Year	<u>\$ 1,592,211</u>	<u>\$ -</u>	<u>\$ 1,592,211</u>

Sensitivity Analysis

The following presents the School Board's Net OPEB Liability calculated using the selected discount rate of 3.50%, 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 (2.50%) or 1 percentage point higher (4.50%) than the current rate.

<u>Using Discount Rates</u>	<u>1% Decrease 2.50%</u>	<u>Discount Rate 3.50%</u>	<u>1% Increase 4.50%</u>
Total OPEB Liability	\$ 1,696,947	\$ 1,592,211	\$ 1,490,745
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,696,947</u>	<u>\$ 1,592,211</u>	<u>\$ 1,490,745</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 (6.25% decreasing to 5.00% over 5 years)</u>	<u>1% Decrease</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,413,570	\$ 1,592,211	\$ 1,803,814
Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 1,413,570</u>	<u>\$ 1,592,211</u>	<u>\$ 1,803,814</u>

Deferred outflows of resources and deferred inflows of resources relating to OPEB for the year ending June 30, 2021 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 420,915
Changes in assumptions	-	253,350
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	102,078	-
Total	<u>\$ 102,078</u>	<u>\$ 674,265</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:

<u>Year Ended June 30,</u>	
2022	\$ (172,256)
2023	(172,256)
2024	(172,251)
2025	(78,754)
2026	(78,748)
Thereafter	-

25 Fund Balances – Governmental Funds

As of June 30, 2021, fund balances are composed of the following:

	<u>Committed</u>	<u>Amount</u>
General Fund	Roof replacement	\$ 4,673,071
	911 program	478,454
	Rochichi fund	39,493
	Treasurer's fund	2,037
	Subtotal - General Fund	5,193,055
New School Funds	New school facilities	7,924,116
	New school debt service	5,859,482
	Subtotal - New School Funds	13,783,598
	Total Committed Funds	<u>\$ 18,976,653</u>

	<u>Assigned for</u>	<u>Amount</u>
General Fund	Equipment replacement	\$ 1,403,156
	Library funds	<u>55,352</u>
	Subtotal - General Fund	1,458,508
Sheriff's Funds	Project Life Saver	3,222
	SRO picnic fund	47,298
	Sheriff's abandoned property	<u>2,078</u>
	Subtotal - Sheriff's Funds	52,598
DEQ and Landfill Funds	Landfill reserve	434,115
Economic Development Fund	Economic development	6,379,727
Capital Outlay Fund	Capital projects	35,339,166
Law Library Fund	Law library	<u>38,280</u>
	Total Assigned Funds	<u>\$ 43,702,394</u>
	<u>Restricted for</u>	
Public Assistance Fund	Public assistance	\$ 1,395,756
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	<u>100,000</u>
	Subtotal - DEQ and Landfill Funds	120,000
CARES Act Fund	CARES expenditures	18,385
Capital Project Fund	Microsoft project	4,927,263
Children's Services Act Fund	Children's services act fund	625,788
Forfeiture Funds	Commonwealth's Attorney	12,859
	Sheriff's drug forfeitures	7,258
	State unwarranted	85,341
	Federal forfeiture funds	23,931
	MCSO seizure money funds	<u>2,151</u>
	Subtotal - Forfeiture Funds	<u>131,540</u>
	Total Restricted Funds	<u>\$ 7,218,732</u>

26 Restatement

The following adjustments were made to beginning net position:

	<u>Component Unit School Board</u>
	<u>Net Position</u>
Beginning Balance as previously reported - July 1, 2020	\$(17,567,566)
Implementation of GASB 84 to record School Activity Funds	<u>372,664</u>
Restated Balance - beginning of the year - July 1, 2020	<u>\$(17,194,902)</u>

27 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through December 15, 2021.

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 18,420,284	\$ 18,420,284	\$ 19,324,562	\$ 904,278
Mobile home taxes	65,688	65,688	67,724	2,036
Personal property taxes	55,317,139	59,113,541	61,373,009	2,259,468
Public service corporations	1,470,479	1,470,479	1,379,225	(91,254)
Machinery and tools taxes	692,208	692,208	772,426	80,218
Merchants' capital	470,304	470,304	536,083	65,779
Delinquent taxes	-	-	48,242	48,242
Interest on taxes	120,000	120,000	195,790	75,790
Penalties on taxes	175,000	175,000	241,328	66,328
Total General Property Taxes	76,731,102	80,527,504	83,938,389	3,410,885
Other Local Taxes				
Local sales and use taxes	3,800,000	3,800,000	5,638,660	1,838,660
Utility taxes	461,000	461,000	527,580	66,580
Consumption tax	60,000	60,000	80,608	20,608
Business licenses	1,700	1,700	1,775	75
Franchise license tax	7,000	7,000	-	(7,000)
Transient occupancy tax	70,000	70,000	111,083	41,083
Motor vehicle licenses	595,000	595,000	667,342	72,342
Tax on recordation and wills	270,500	270,500	549,802	279,302
Total Other Local Taxes	5,265,200	5,265,200	7,576,850	2,311,650
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	19,000	19,000	23,687	4,687
Other permits and licenses	48,900	48,900	66,263	17,363
Building permits	200,000	200,000	1,434,234	1,234,234
Total Permits, Privilege Fees, and Regulatory Licenses	267,900	267,900	1,524,184	1,256,284
Fines and Forfeitures	535,900	535,900	499,929	(35,971)
Revenue from Use of Money and Property				
Interest income	662,000	662,000	318,394	(343,606)
Rental income	54,000	54,000	62,294	8,294
Total Revenue from Use of Money and Property	716,000	716,000	380,688	(335,312)
Charges for Services				
Sheriff's revenues	6,550	6,550	6,277	(273)
Courthouse maintenance fees and clerk	33,000	33,000	31,143	(1,857)
Library charges and revenue	33,000	33,000	20,454	(12,546)
Commonwealth Attorney's fees	6,200	6,200	6,204	4
Sanitation, waste removal, and landfill charges	95,000	95,000	116,203	21,203
Other miscellaneous charges	200	200	195	(5)
Planning fees	2,000	2,000	725	(1,275)
Total Charges for Services	175,950	175,950	181,201	5,251

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Miscellaneous				
Delinquent tax administrative fees	130,000	130,000	133,324	3,324
Insurance adjustments	-	62,810	62,107	(703)
Other miscellaneous	21,515	48,208	73,635	25,427
Total Miscellaneous	151,515	241,018	269,066	28,048
Recovered Costs	175,560	175,560	163,390	(12,170)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	15,000	15,000	15,133	133
Auto rental tax	2,900	2,900	2,181	(719)
Moped ATV tax	1,500	1,500	5,616	4,116
Personal Property Tax Relief Act	1,454,006	1,454,006	1,454,006	-
Receipt from state - Occoneechee Park	3,000	3,000	5,695	2,695
Communications tax from State	435,000	435,000	432,681	(2,319)
Game of Skills tax	-	-	117,792	117,792
Mobile home titling tax	21,000	21,000	89,085	68,085
Overpayment - revenue sharing	-	-	9,962	9,962
Total Non-Categorical Aid	1,932,406	1,932,406	2,132,151	199,745
<i>Categorical Aid</i>				
Shared Expenses				
Commonwealth's Attorney	497,413	497,413	466,428	(30,985)
Sheriff and Sheriff's auto	1,669,307	1,683,307	1,680,381	(2,926)
Commissioner of the Revenue	123,463	123,463	124,192	729
Treasurer	128,381	128,381	128,390	9
Electoral Board and General Registrar	43,000	43,000	44,536	1,536
Clerk of the Court	378,512	405,953	398,259	(7,694)
Library grant	138,993	154,083	154,083	-
Tourism grant	-	10,000	10,000	-
Transtech - GOVA and TICF funds	68,500	143,500	114,500	(29,000)
Virginia's Retreat - TICF funds	-	-	28,564	28,564
Next Generation Grant	-	-	7,770	7,770
School Security Grant	20,000	20,000	-	(20,000)
Deputies Lake Patrol	34,000	34,000	33,120	(880)
Piedmont Court Services	418,518	418,518	418,518	-
Victim Witness Grant	72,100	72,100	18,004	(54,096)
Virginia Domestic Violence (VDVVF)	45,000	45,000	45,000	-
VJCCCA	34,000	34,000	31,360	(2,640)
Fire Program Grant	85,780	85,780	89,757	3,977
Alien Assistance Grant	1,630	1,630	-	(1,630)
Emergency 911 Grant	14,000	14,000	-	(14,000)
Wireless 911	145,000	145,000	191,956	46,956
Four for Life Grant	32,366	32,366	33,155	789
Plastic pesticide Grant	1,875	1,875	1,796	(79)
Records clerk grant	-	16,748	16,748	-
Sheriff CSB Mental Transports	54,000	54,000	36,569	(17,431)
Animal Friendly Plates Grant	350	350	423	73
Election Primary Grant	10,000	10,000	-	(10,000)
Grant - Colonial Center for Performing Arts	4,500	4,500	4,500	-
Local health department refund	-	-	1,679	1,679
Litter Grant	10,000	10,000	11,318	1,318
Jury Witness Reimbursement	3,000	3,000	3,432	432
Total Categorical Aid	4,033,688	4,191,967	4,094,438	(97,529)
Total Revenue from the Commonwealth of Virginia	5,966,094	6,124,373	6,226,589	102,216

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	-
Victim Witness Grant	-	-	54,013	54,013
COVID-19 Relief Funds	-	-	2,575,920	2,575,920
Election CARES Act funds	-	80,427	80,427	-
Library CARES Act funds	-	35,424	35,424	-
Byrne Grant	2,800	2,800	-	(2,800)
Small Business Recovery Grant	-	293,672	305,607	11,935
Violence Against Women	42,920	42,920	32,190	(10,730)
Payment in lieu of taxes	150,000	150,000	170,863	20,863
Total Revenue from the Federal Government	203,220	612,743	3,261,944	2,649,201
Total Intergovernmental Revenue	6,169,314	6,737,116	9,488,533	2,751,417
Total Revenues	90,188,441	94,642,148	104,022,230	9,380,082

Expenditures

Current

General Government Administration

Board of Supervisors	234,989	234,989	223,203	11,786
County Administrator	504,188	518,882	511,126	7,756
Commissioner of Revenue	771,632	755,884	709,849	46,035
Treasurer	687,756	697,630	685,909	11,721
County Attorney and other legal	206,535	228,521	228,521	-
Data processing	258,620	258,620	242,702	15,918
Multipurpose	125,000	125,000	93,042	31,958
Equalization Board	5,000	5,000	1,927	3,073
Shared office expenses	353,000	327,396	321,761	5,635
Retirees hospitalization	91,740	91,740	89,408	2,332
Annual OPEB contribution	75,136	75,136	-	75,136
Workman's compensation/unemployment	276,534	276,387	259,106	17,281
Electoral Board	91,380	113,862	100,841	13,021
Registrar	160,725	218,670	209,420	9,250
Total General Government Administration	3,842,235	3,927,717	3,676,815	250,902

Judicial Administration

Circuit Court	70,430	69,709	65,924	3,785
General District Court	3,700	3,700	2,024	1,676
Magistrate	2,000	2,000	283	1,717
Juvenile and Domestic Relations Court	287,500	314,193	201,627	112,566
Pretrial Court	134,826	134,826	134,441	385
VJCCCA	34,400	34,400	27,889	6,511
Victim Witness Program	74,350	75,353	71,550	3,803
Center for Violence	10,000	10,000	-	10,000
Piedmont Court Services - Corrections Act	347,706	331,388	323,146	8,242
Clerk of the Circuit Court	668,537	727,785	724,176	3,609
Commonwealth's Attorney	832,581	848,110	794,647	53,463
Total Judicial Administration	2,466,030	2,551,464	2,345,707	205,757

	<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	5,827,676	5,874,702	5,786,169	88,533
Jail	3,800,906	3,800,906	3,799,276	1,630
Fire departments	843,736	825,727	805,243	20,484
Rescue squads	752,522	753,311	753,167	144
911 department	1,350,843	1,369,771	1,275,702	94,069
Emergency services	119,062	119,062	116,498	2,564
Inspections	274,909	329,688	328,429	1,259
Animal control	213,294	213,294	202,029	11,265
Medical Examiner	3,000	3,000	1,470	1,530
American Red Cross	4,000	4,000	4,000	-
Total Public Safety	13,189,948	13,293,461	13,071,983	221,478
<i>Public Works</i>				
Refuse disposal	2,174,612	2,139,414	2,112,686	26,728
Roanoke River Service Authority	20,000	20,000	20,000	-
Maintenance of buildings and grounds	736,148	736,148	720,150	15,998
Total Public Works	2,930,760	2,895,562	2,852,836	42,726
<i>Health and Welfare</i>				
Health department	217,510	217,510	217,509	1
Mental health	149,188	149,188	149,188	-
Comprehensive services	73,262	73,262	72,340	922
Lake Country Area Agency on Aging	14,000	14,000	14,000	-
Welfare and social services	7,282	7,642	7,631	11
Total Health and Welfare	461,242	461,602	460,668	934
<i>Education</i>				
Community college	17,853	17,853	17,853	-
Appropriation to public school system	24,360,180	24,360,180	24,137,108	223,072
Total Education	24,378,033	24,378,033	24,154,961	223,072
<i>Parks, Recreation, and Cultural</i>				
Library	723,605	765,525	696,666	68,859
Parks and recreation	13,000	13,000	13,000	-
Cultural contributions	70,000	70,000	70,000	-
Total Parks, Recreation, and Cultural	806,605	848,525	779,666	68,859

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Community Development</i>				
Miscellaneous community development	254,110	302,969	300,193	2,776
Town of Boynton	60,000	60,000	60,000	-
Airports	112,150	112,150	92,150	20,000
Tourism	85,800	98,686	96,272	2,414
Economic development	857,091	927,938	822,921	105,017
Zoning	112,711	114,401	106,926	7,475
SBR Grant	-	293,672	293,672	-
Industrial tax refunds to Meck. IDA	36,525,488	40,321,890	40,321,890	-
Soil and Water Conservation District	157,272	161,425	161,317	108
Cooperative extension program	92,301	99,732	88,588	11,144
Total Community Development	38,256,923	42,492,863	42,343,929	148,934
<i>Capital Projects</i>				
Capital outlay	500,000	500,000	280,755	219,245
Total Expenditures	86,831,776	91,349,227	89,967,320	1,381,907
Excess (Deficiency) of Revenues Over Expenditures	3,356,665	3,292,921	14,054,910	10,761,989
Other Financing Sources (Uses)				
Transfers in	284,844	284,844	-	(284,844)
Transfers (out)	(3,977,583)	(6,553,503)	(10,248,771)	(3,695,268)
Total Other Financing Sources (Uses)	(3,692,739)	(6,268,659)	(10,248,771)	(3,980,112)
Net Change in Fund Balance	(336,074)	(2,975,738)	3,806,139	6,781,877
From Surplus	336,074	2,975,738	-	(2,975,738)
Net Change in Fund Balance After Surplus	\$ -	\$ -	3,806,139	\$ 3,806,139
Fund Balance - Beginning of Year			16,478,365	
Fund Balance - End of Year			\$20,284,504	

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	\$ 287,844	\$ 287,844	\$ 7,646	\$ (280,198)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,321,068	1,321,068	896,422	(424,646)
Revenue from the Federal Government	<u>1,863,124</u>	<u>1,863,124</u>	<u>1,733,889</u>	<u>(129,235)</u>
Total Intergovernmental Revenues	<u>3,184,192</u>	<u>3,184,192</u>	<u>2,630,311</u>	<u>(553,881)</u>
Total Revenues	3,472,036	3,472,036	2,637,957	(834,079)
Expenditures				
Current				
Health and welfare	<u>4,353,661</u>	<u>4,353,661</u>	<u>3,598,540</u>	<u>755,121</u>
Total Expenditures	<u>4,353,661</u>	<u>4,353,661</u>	<u>3,598,540</u>	<u>755,121</u>
Excess (Deficiency) of Revenues Over Expenditures	(881,625)	(881,625)	(960,583)	(78,958)
Other Financing Sources (Uses)				
Transfers in	<u>820,721</u>	<u>820,721</u>	<u>700,833</u>	<u>(119,888)</u>
Total Other Financing Sources (Uses)	<u>820,721</u>	<u>820,721</u>	<u>700,833</u>	<u>(119,888)</u>
Net Change in Fund Balance	(60,904)	(60,904)	(259,750)	(198,846)
From Surplus	<u>60,904</u>	<u>60,904</u>	-	<u>(60,904)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(259,750)	<u>\$ (259,750)</u>
Fund Balance - Beginning of Year			<u>1,655,506</u>	
Fund Balance - End of Year			<u>\$ 1,395,756</u>	

Children's Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ -	\$ -	\$ 30,620	\$ 30,620
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	<u>1,694,000</u>	<u>2,071,000</u>	<u>2,134,910</u>	<u>63,910</u>
Total Intergovernmental Revenues	<u>1,694,000</u>	<u>2,071,000</u>	<u>2,134,910</u>	<u>63,910</u>
Total Revenues	1,694,000	2,071,000	2,165,530	94,530
Expenditures				
Current				
Health and welfare	<u>2,200,000</u>	<u>2,577,000</u>	<u>2,575,321</u>	<u>1,679</u>
Total Expenditures	<u>2,200,000</u>	<u>2,577,000</u>	<u>2,575,321</u>	<u>1,679</u>
Excess (Deficiency) of Revenues Over Expenditures	(506,000)	(506,000)	(409,791)	96,209
Other Financing Sources (Uses)				
Transfers in	<u>506,000</u>	<u>506,000</u>	<u>606,000</u>	<u>100,000</u>
Total Other Financing Sources (Uses)	<u>506,000</u>	<u>506,000</u>	<u>606,000</u>	<u>100,000</u>
Net Change in Fund Balance	-	-	196,209	196,209
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	196,209	<u>\$ 196,209</u>
Fund Balance - Beginning of Year			<u>429,579</u>	
Fund Balance - End of Year			<u>\$ 625,788</u>	

CARES Act 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	\$ -	\$ 4,265,708	\$ 4,265,708	\$ -
Total Intergovernmental Revenues	-	4,265,708	4,265,708	-
Total Revenues	-	4,265,708	4,265,708	-
Expenditures				
Current				
Public safety	-	6,841,628	6,823,243	18,385
Total Expenditures	-	6,841,628	6,823,243	18,385
Excess (Deficiency) of Revenues Over Expenditures	-	(2,575,920)	(2,557,535)	18,385
Other Financing Sources (Uses)				
Transfers in	-	2,575,920	2,575,920	-
Total Other Financing Sources (Uses)	-	2,575,920	2,575,920	-
Net Change in Fund Balance	-	-	18,385	18,385
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	18,385	<u>\$ 18,385</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 18,385</u>	

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

	Primary Government						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 1,056,282	\$ 907,552	\$ 937,718	\$ 924,738	\$ 911,199	\$ 910,898	\$ 905,148
Interest	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	1,388,868	739,382	196,694	(406,065)	(1,634,116)	(302,779)	-
Changes of assumptions	-	1,451,726	-	(344,713)	-	-	-
Benefit payments	(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	3,605,993	3,992,247	2,050,520	1,256,222	31,298	1,898,907	2,016,016
Total pension liability - beginning	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)	\$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	\$ 860,331	\$ 780,573	\$ 781,980	\$ 759,803	\$ 1,062,180	\$ 1,019,265	\$ 1,046,057
Contributions - employee	477,138	464,450	418,507	412,162	430,437	386,744	392,052
Net investment income	862,922	2,857,242	3,025,578	4,522,743	638,328	1,644,329	4,904,522
Benefit payments	(2,134,761)	(2,240,904)	(2,080,462)	(1,834,965)	(2,149,802)	(1,502,945)	(1,540,432)
Administrator charges	(29,325)	(28,580)	(26,328)	(26,214)	(23,330)	(22,291)	(26,249)
Other	(1,018)	(1,801)	(2,687)	(4,023)	(273)	(350)	258
Net change in plan fiduciary net position	35,287	1,830,980	2,116,588	3,829,506	(42,460)	1,524,752	4,776,208
Plan fiduciary net position - beginning	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)	\$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)	\$ 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	84.40%	90.43%	94.31%	93.89%	87.67%	87.84%	88.19%
Covered payroll	\$ 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	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>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	\$ 112,162	\$ 86,898	\$ 89,304	\$ 78,043	\$ 77,859	\$ 78,891	\$ 85,532
Interest	402,342	401,768	396,509	392,142	395,956	388,886	390,807
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	122,886	66,421	51,611	31,540	(64,524)	104,213	-
Changes of assumptions	-	138,410	-	19,065	-	-	-
Benefit payments	(477,212)	(467,647)	(456,938)	(459,880)	(467,652)	(474,332)	(533,242)
Net change in total pension liability	160,178	225,850	80,486	60,910	(58,361)	97,658	(56,903)
Total pension liability - beginning	<u>6,199,221</u>	<u>5,973,371</u>	<u>5,892,885</u>	<u>5,831,975</u>	<u>5,890,336</u>	<u>5,792,678</u>	<u>5,849,581</u>
Total pension liability - ending (a)	<u>\$ 6,359,399</u>	<u>\$ 6,199,221</u>	<u>\$ 5,973,371</u>	<u>\$ 5,892,885</u>	<u>\$ 5,831,975</u>	<u>\$ 5,890,336</u>	<u>\$ 5,792,678</u>
Plan fiduciary net position							
Contributions - employer	\$ 115,507	\$ 95,435	\$ 98,571	\$ 96,332	\$ 83,627	\$ 86,114	\$ 81,094
Contributions - employee	64,711	52,831	50,633	49,396	37,264	38,876	39,402
Net investment income	102,645	349,473	388,191	600,499	84,931	241,239	773,139
Benefit payments	(477,212)	(467,647)	(456,938)	(459,880)	(467,652)	(474,332)	(533,242)
Administrator charges	(3,684)	(3,721)	(3,543)	(3,700)	(3,487)	(3,598)	(4,473)
Other	(119)	(218)	(338)	(525)	(38)	(52)	41
Net change in plan fiduciary net position	(198,152)	26,153	76,576	282,122	(265,355)	(111,753)	355,961
Plan fiduciary net position - beginning	<u>5,470,149</u>	<u>5,443,996</u>	<u>5,367,420</u>	<u>5,085,298</u>	<u>5,350,653</u>	<u>5,462,406</u>	<u>5,106,445</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,271,997</u>	<u>\$ 5,470,149</u>	<u>\$ 5,443,996</u>	<u>\$ 5,367,420</u>	<u>\$ 5,085,298</u>	<u>\$ 5,350,653</u>	<u>\$ 5,462,406</u>
Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 1,087,402</u>	<u>\$ 729,072</u>	<u>\$ 529,375</u>	<u>\$ 525,465</u>	<u>\$ 746,677</u>	<u>\$ 539,683</u>	<u>\$ 330,272</u>
Plan fiduciary net position as a percentage of the total pension liability	82.90%	88.24%	91.14%	91.08%	87.20%	90.84%	94.30%
Covered payroll	\$ 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	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, 2020, 2019, 2018, 2017, 2016, 2015, and 2014

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.28704%	0.27559%	0.28410%	0.28099%	0.29082%	0.28578%	0.29757%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$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	\$25,081,396	\$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	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	71.47%	73.51%	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2020 is the seventh year for this presentation, only seven 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 116 and 117 of the VRS 2020 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, 2012 through 2021

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					
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
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
Component Unit School Board - General Employees					
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
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
Component Unit School Board - Teachers					
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
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a

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, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. 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 a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

School Division:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

County of Mecklenburg, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan
For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Primary Government				
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.04797%	0.04536%	0.45180%	0.04504%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 500,541	\$ 738,128	\$ 686,000	\$ 678,000
Employer's Covered Payroll	\$ 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	5.07%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 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, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School Board				
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.00703%	0.00599%	0.00582%	0.00581%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 117,319	\$ 97,473	\$ 88,000	\$ 87,000
Employer's Covered Payroll	\$ 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	8.10%	8.30%	7.95%	8.12%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 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, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Teacher				
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.12193%	0.11768%	0.12075%	0.12038%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 2,034,812	\$ 1,914,967	\$ 1,834,000	\$ 1,811,000
Employer's Covered Payroll	\$ 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	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 128 of the VRS 2020 Annual Report.

County of Mecklenburg, Virginia

Schedule of County Contributions Group Life Insurance OPEB Plan

For the Years Ended June 30, 2012 through 2021

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					
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%
2013	38,949	38,949	-	7,348,933	0.53%
2012	35,843	35,843	-	8,146,093	0.44%
School Board - General Employees					
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%
2013	4,504	4,504	-	849,897	0.53%
2012	5,766	5,766	-	1,310,563	0.44%
School Board - Teachers					
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%
2013	121,293	121,293	-	22,885,435	0.53%
2012	96,161	96,161	-	21,854,835	0.44%

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, 2021

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

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

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers

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

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2020, 2019, 2018 and 2017

Component Unit School Board General Employees

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total HIC OPEB liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Changes in benefit terms	157,704	-	-	-
Changes of assumptions	-	-	-	-
Difference between expected and actual experience	-	-	-	-
Benefit payments	-	-	-	-
Net change in total HIC OPEB liability	157,704	-	-	-
Total HIC OPEB liability - beginning	-	-	-	-
Total HIC OPEB liability - ending (a)	<u>\$ 157,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-
Benefit payments	-	-	-	-
Administrator charges	-	-	-	-
Other	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Political subdivision's net HIC OPEB liability - ending (a) - (b)	<u>\$ 157,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%	0.00%	0.00%	0.00%
 Covered payroll	\$ -	\$ -	\$ -	\$ -
 Political subdivision's net HIC OPEB liability as a percentage of covered payroll	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, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net HIC OPEB Liability (Asset)	0.28610%	0.27476%	0.28361%	0.28055%
Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	\$ 3,732,222	\$ 3,596,876	\$ 3,601,000	\$ 3,559,000
Employer's Covered Payroll	\$ 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	14.88%	15.61%	15.70%	16.07%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	9.95%	8.97%	8.08%	7.04%

*Schedule is intended to show information for 10 years.
Since 2020 is the fourth year of presentation, only four 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 134 of the VRS 2020 Annual Report.

County of Mecklenburg, Virginia

Schedule of County Contributions

Health Insurance Credit

For the Years Ended June 30, 2012 through 2021

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					
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
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
School Board - Teachers					
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%
2013	260,249	260,249	-	22,243,489	1.17%
2012	234,841	234,841	-	21,744,498	1.08%

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, 2021

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

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

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teacher

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2021
Retirement Rates	Lowered rate at older ages and changes final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 33,801	\$ 38,570	\$ 38,632	\$ 35,557
Interest on OPEB liability	158,486	156,539	179,985	168,581
Changes of benefit terms	-	-	-	-
Effect of economic/demographic gains or (losses)	(303,800)	-	129,489	-
Effect of assumption changes or inputs	24,636	(16,719)	(222,862)	-
Benefit payments	<u>(137,188)</u>	<u>(149,953)</u>	<u>(166,821)</u>	<u>(180,521)</u>
Net change in total OPEB liability	(224,065)	28,437	(41,577)	23,617
Total OPEB liability - beginning	<u>2,471,954</u>	<u>2,443,517</u>	<u>2,485,094</u>	<u>2,461,477</u>
Total OPEB liability - ending (a)	<u>\$ 2,247,889</u>	<u>\$ 2,471,954</u>	<u>\$ 2,443,517</u>	<u>\$ 2,485,094</u>
Fiduciary net position				
Employer contributions	\$ 137,188	\$ 254,753	\$ 271,921	\$ 285,621
Net investment income	671,858	63,277	86,472	155,371
Benefit payments	(137,188)	(149,953)	(166,821)	(180,521)
Administrative expense	<u>(3,014)</u>	<u>(2,779)</u>	<u>(2,525)</u>	<u>(2,291)</u>
Net change in plan fiduciary net position	668,844	165,298	189,047	258,180
Plan fiduciary net position - beginning	<u>2,235,406</u>	<u>2,070,108</u>	<u>1,881,061</u>	<u>1,622,881</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,904,250</u>	<u>\$ 2,235,406</u>	<u>\$ 2,070,108</u>	<u>\$ 1,881,061</u>
Political subdivision's net OPEB liability - ending (a) - (b)	<u>\$ (656,361)</u>	<u>\$ 236,548</u>	<u>\$ 373,409</u>	<u>\$ 604,033</u>
Plan fiduciary net position as a % of the total OPEB liability	129.20%	90.43%	84.72%	75.69%
Covered payroll	\$ 8,212,621	\$ 7,047,742	\$ 7,047,422	\$ 6,248,858
Political subdivision's net OPEB liability as a % of covered payroll	-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, 2012 through 2021

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
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%
2013	149,000	334,400	(185,400)	5,810,900	5.75%
2012	158,200	327,500	(169,300)	8,119,800	4.03%

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

	<u>School Board</u>			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 125,813	\$ 133,949	\$ 130,048	\$ 146,236
Interest on OPEB liability	71,386	67,852	81,285	78,026
Changes of benefit terms	-	-	-	-
Difference between expected and actual changes	(313,384)	-	(319,524)	-
Effect of assumption changes or inputs	(159,134)	-	(241,483)	-
Benefit payments	<u>(91,722)</u>	<u>(93,672)</u>	<u>(118,772)</u>	<u>(105,819)</u>
Net change in total OPEB liability	(367,041)	108,129	(468,446)	118,443
Total OPEB liability - beginning	1,959,252	1,851,123	2,319,569	2,201,126
Total OPEB liability - ending (a)	<u>\$ 1,592,211</u>	<u>\$ 1,959,252</u>	<u>\$ 1,851,123</u>	<u>\$ 2,319,569</u>
Fiduciary net position				
Employer contributions	\$ -	\$ -	\$ -	\$ -
Net investment income	-	-	-	-
Benefit payments	-	-	-	-
Administrative expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Political subdivision's net OPEB liability - ending (a) - (b)	<u>\$ 1,592,211</u>	<u>\$ 1,959,252</u>	<u>\$ 1,851,123</u>	<u>\$ 2,319,569</u>
Plan fiduciary net position as a % of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 25,341,427	\$ 25,075,903	\$ 24,345,537	\$ 23,486,845
Political subdivision's net OPEB liability as a % of covered payroll	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, 2012 through 2021

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
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
2013	N/A	N/A	N/A	N/A	N/A
2012	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 2019 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, 2021

Capital Outlay Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Judicial administration	400,000	580,550	580,550	-
Public works	<u>1,925,000</u>	<u>1,864,947</u>	<u>363,166</u>	<u>1,501,781</u>
Total Expenditures	<u>2,325,000</u>	<u>2,445,497</u>	<u>943,716</u>	<u>1,501,781</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,325,000)	(2,445,497)	(943,716)	1,501,781
Other Financing Sources (Uses)				
Transfers in	2,366,018	2,366,018	11,366,018	9,000,000
Transfers (out)	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Total Other Financing Sources (Uses)	<u>2,366,018</u>	<u>2,366,018</u>	<u>6,366,018</u>	<u>4,000,000</u>
Net Change in Fund Balance	41,018	(79,479)	5,422,302	5,501,781
From Surplus	<u>(41,018)</u>	<u>79,479</u>	<u>-</u>	<u>(79,479)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	5,422,302	<u>\$ 5,422,302</u>
Fund Balance - Beginning of Year			<u>29,916,864</u>	
Fund Balance - End of Year			<u>\$35,339,166</u>	

DEQ and Landfill Funds

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current				
Public works	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>554,115</u>	
Fund Balance - End of Year			<u>\$ 554,115</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>				
State Highway VDOT grant and TICR grant	<u>\$ 1,579,299</u>	<u>\$ 1,579,299</u>	<u>\$ 33,293</u>	<u>\$ (1,546,006)</u>
Total Revenue from the Commonwealth of Virginia and Intergovernmental Revenues	<u>1,579,299</u>	<u>1,579,299</u>	<u>33,293</u>	<u>(1,546,006)</u>
Total Revenues	<u>1,579,299</u>	<u>1,579,299</u>	<u>33,293</u>	<u>(1,546,006)</u>
Expenditures				
Current				
Economic development	<u>5,066,870</u>	<u>5,066,870</u>	<u>827,518</u>	<u>4,239,352</u>
Total Expenditures	<u>5,066,870</u>	<u>5,066,870</u>	<u>827,518</u>	<u>4,239,352</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,487,571)	(3,487,571)	(794,225)	2,693,346
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(3,487,571)	(3,487,571)	(794,225)	2,693,346
From Surplus	<u>3,487,571</u>	<u>3,487,571</u>	-	<u>(3,487,571)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(794,225)	<u>\$ (794,225)</u>
Fund Balance - Beginning of Year			<u>7,173,952</u>	
Fund Balance - End of Year			<u>\$ 6,379,727</u>	

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	\$ -	\$ -	\$ 4,851	\$ 4,851
Miscellaneous	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>
Total Revenues	-	-	5,004,851	5,004,851
Expenditures				
Current				
Capital project expenses	<u>-</u>	<u>4,002,788</u>	<u>4,002,788</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>4,002,788</u>	<u>4,002,788</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(4,002,788)	1,002,063	5,004,851
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(4,002,788)	1,002,063	5,004,851
From Surplus	<u>-</u>	<u>4,002,788</u>	<u>-</u>	<u>(4,002,788)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	1,002,063	<u>\$ 1,002,063</u>
Fund Balance - Beginning of Year			<u>3,925,200</u>	
Fund Balance - End of Year			<u>\$ 4,927,263</u>	

New School Funds

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous revenues	\$ -	\$ -	\$ 29,184	\$ 29,184
Revenue from component unit school board	<u>111,586</u>	<u>111,586</u>	<u>111,825</u>	<u>239</u>
Total Revenues	111,586	111,586	141,009	29,423
Expenditures				
Current				
Capital project expenses	<u>416,100</u>	<u>416,100</u>	<u>308,175</u>	<u>107,925</u>
Total Expenditures	<u>416,100</u>	<u>416,100</u>	<u>308,175</u>	<u>107,925</u>
Excess (Deficiency) of Revenues Over Expenditures	(304,514)	(304,514)	(167,166)	137,348
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(304,514)	(304,514)	(167,166)	137,348
From Surplus	<u>304,514</u>	<u>304,514</u>	<u>-</u>	<u>(304,514)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(167,166)	<u>\$ (167,166)</u>
Fund Balance - Beginning of Year			<u>13,950,764</u>	
Fund Balance - End of Year			<u>\$ 13,783,598</u>	

County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2021

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Quail Hollow</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 37,784	\$ 52,598	\$ 131,540	\$ -	\$ 221,922
Accounts receivable	496	-	-	-	496
Due from other governments	-	-	-	51,190	51,190
Total Assets	<u>\$ 38,280</u>	<u>\$ 52,598</u>	<u>\$ 131,540</u>	<u>\$ 51,190</u>	<u>\$ 273,608</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 51,190	\$ 51,190
Total Liabilities	-	-	-	51,190	51,190
Fund Balance					
Restricted	-	-	131,540	-	131,540
Assigned	<u>38,280</u>	<u>52,598</u>	<u>-</u>	<u>-</u>	<u>90,878</u>
Total Fund Balance	<u>38,280</u>	<u>52,598</u>	<u>131,540</u>	<u>-</u>	<u>222,418</u>
Total Liabilities and Fund Balance	<u>\$ 38,280</u>	<u>\$ 52,598</u>	<u>\$ 131,540</u>	<u>\$ 51,190</u>	<u>\$ 273,608</u>

County of Mecklenburg, Virginia

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

Other Governmental Funds

At June 30, 2021

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Quail Hollow Project</u>	<u>Total Other Governmental Funds</u>
Revenues					
Use of money and property	\$ -	\$ -	\$ 187	\$ -	\$ 187
Charges for services	6,329	-	-	-	6,329
Miscellaneous	-	754	-	-	754
<i>Intergovernmental</i>					
From the Commonwealth of VA	-	-	3,666	-	3,666
From the Federal Government	-	-	-	420,041	420,041
Total Revenues	6,329	754	3,853	420,041	430,977
Expenditures					
Current					
Judicial administration	10,867	-	-	-	10,867
Public safety	-	7,136	-	-	7,136
Community development	-	-	-	420,041	420,041
Total Expenditures	10,867	7,136	-	420,041	438,044
Excess (Deficiency) of Revenues Over Expenditures	(4,538)	(6,382)	3,853	-	(7,067)
Other Financing Sources (Uses)					
Transfers (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(4,538)	(6,382)	3,853	-	(7,067)
Fund Balance - Beginning of Year	42,818	58,980	127,687	-	229,485
Fund Balance - End of Year	<u>\$ 38,280</u>	<u>\$ 52,598</u>	<u>\$ 131,540</u>	<u>\$ -</u>	<u>\$ 222,418</u>

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Custodial Funds

At June 30, 2021

	<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	\$ 69,934	\$ -	\$ 127,947	\$ 28,141	\$ 226,022
Loans receivable	-	53,841	-	-	53,841
Due from other governments	-	130,704	7,723	-	138,427
	<u>-</u>	<u>130,704</u>	<u>7,723</u>	<u>-</u>	<u>138,427</u>
Total Assets	<u>\$ 69,934</u>	<u>\$ 184,545</u>	<u>\$ 135,670</u>	<u>\$ 28,141</u>	<u>\$ 418,290</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position					
Restricted for:					
Individuals, organizations, and other governments	<u>69,934</u>	<u>184,545</u>	<u>135,670</u>	<u>28,141</u>	<u>418,290</u>
Total Net Position	<u>69,934</u>	<u>184,545</u>	<u>135,670</u>	<u>28,141</u>	<u>418,290</u>
Total Liabilities and Fiduciary Net Position	<u>\$ 69,934</u>	<u>\$ 184,545</u>	<u>\$ 135,670</u>	<u>\$ 28,141</u>	<u>\$ 418,290</u>

County of Mecklenburg, Virginia

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2021

	<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	\$ 21,872	\$ 11,081	\$ 2,200	\$ -	\$ 35,153
Revenue from County of Mecklenburg	-	52,612	-	-	52,612
Contributions from members	-	127,251	62,955	-	190,206
Local grant funds and other donations	-	114,500	36,286	-	150,786
Investment earnings - interest income	96	2,748	13	40	2,897
Total additions	21,968	308,192	101,454	40	431,654
Deductions					
Program and administrative expenses	13,200	289,005	128,998	-	431,203
Total deductions	13,200	289,005	128,998	-	431,203
Net increase (decrease) in fiduciary net position	8,768	19,187	(27,544)	40	451
Net position - beginning	61,166	165,358	163,214	28,101	417,839
Net position - ending	<u>\$ 69,934</u>	<u>\$ 184,545</u>	<u>\$ 135,670</u>	<u>\$ 28,141</u>	<u>\$ 418,290</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2021

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>New High School Fund</u>	<u>School Activity Fund</u>	<u>Total Component Unit School Board</u>
Assets						
Cash and investments	\$ -	\$ -	\$ 572,201	\$ -	\$ 323,084	\$ 895,285
Cash - restricted	-	535,973	-	43,771,623	-	44,307,596
Accounts receivable	-	-	-	-	1,374	1,374
Due from other governments	<u>680,757</u>	<u>104,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>784,887</u>
Total Assets	<u>\$ 680,757</u>	<u>\$ 640,103</u>	<u>\$ 572,201</u>	<u>\$ 43,771,623</u>	<u>\$ 324,458</u>	<u>\$ 45,989,142</u>
Liabilities						
Accounts payable	<u>\$ 303,524</u>	<u>\$ 31,158</u>	<u>\$ -</u>	<u>\$ 254,062</u>	<u>\$ 10,766</u>	<u>\$ 599,510</u>
Total Liabilities	303,524	31,158	-	254,062	10,766	599,510
Fund Balance						
Restricted	-	-	-	43,517,561	313,692	43,831,253
Assigned	<u>377,233</u>	<u>608,945</u>	<u>572,201</u>	<u>-</u>	<u>-</u>	<u>1,558,379</u>
Total Fund Balance	<u>377,233</u>	<u>608,945</u>	<u>572,201</u>	<u>43,517,561</u>	<u>313,692</u>	<u>45,389,632</u>
Total Liabilities and Fund Balance	<u>\$ 680,757</u>	<u>\$ 640,103</u>	<u>\$ 572,201</u>	<u>\$ 43,771,623</u>	<u>\$ 324,458</u>	<u>\$ 45,989,142</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, 2021

Total Fund Balances for Governmental Funds	\$ 45,389,632
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 1,740,642
Buildings and improvements, net of depreciation	13,690,557
Furniture, equipment, and vehicles, net of depreciation	<u>8,728,172</u>

Total Capital Assets	24,159,371
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	13,028,866
Deferred inflows related to pensions	(4,533,581)

Assets and liabilities transferred to the Primary Government - County related to the financing and construction of the new school	(43,517,561)
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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	(298,670)
Net VRS pension liability	(42,859,260)
Capital leases	(1,887,181)
OPEB liabilities	<u>(7,634,268)</u>

Total	<u>(52,679,379)</u>
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Total Net Position of Governmental Activities	<u>\$ (18,152,652)</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, 2021

	School Operating Fund	School Food Services Fund	School Textbook Fund	New High School Fund	School Activity Fund	Total Component Unit School Board
Revenues						
Use of money and property	\$ 23,061	\$ 914	\$ 483	\$ 157,332	\$ -	\$ 181,790
Charges for services	124,086	47,807	-	-	-	171,893
Rebates and refunds	242,803	-	-	-	-	242,803
Miscellaneous	59,771	-	-	-	174,286	234,057
Payments from Primary Government - Meck. County	23,969,622	-	167,486	-	-	24,137,108
<i>Intergovernmental</i>						
From the Commonwealth of Virginia	27,229,518	52,355	250,407	-	-	27,532,280
From the Federal Government	3,532,189	1,758,901	-	-	-	5,291,090
Total Revenues	55,181,050	1,859,977	418,376	157,332	174,286	57,791,021
Expenditures						
Education						
Instruction	36,572,240	-	352,035	-	233,258	37,157,533
Technology	2,225,529	-	-	-	-	2,225,529
Administration, attendance, and health	2,043,349	-	-	-	-	2,043,349
Transportation	3,227,235	-	-	-	-	3,227,235
Operation and maintenance	3,424,886	-	-	-	-	3,424,886
Operation and maintenance - payment to County	111,825	-	-	-	-	111,825
School food service	-	1,981,225	-	-	-	1,981,225
Capital projects	-	-	-	62,188,372	-	62,188,372
Debt service	8,073,008	-	-	-	-	8,073,008
Total Expenditures	55,678,072	1,981,225	352,035	62,188,372	233,258	120,432,962
Excess (Deficiency) of Revenues Over (Under)						
Expenses Before Other Financing Sources (Uses)	(497,022)	(121,248)	66,341	(62,031,040)	(58,972)	(62,641,941)
Other Financing Sources (Uses)						
Issuance of long-term debt	387,434	-	-	-	-	387,434
Costs of issuance of debt	-	-	-	-	-	-
Total Other Financing Sources (Uses)	387,434	-	-	-	-	387,434
Net Change in Fund Balances	(109,588)	(121,248)	66,341	(62,031,040)	(58,972)	(62,254,507)
Fund Balances - Beginning of Year	486,821	730,193	505,860	105,548,601	372,664	107,644,139
Fund Balances - End of Year	\$ 377,233	\$ 608,945	\$ 572,201	\$ 43,517,561	\$ 313,692	\$ 45,389,632

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, 2021

Net Change in Fund Balances \$ (62,254,507)

**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	\$ 1,642,571	
Depreciation	<u>(2,272,693)</u>	(630,122)

Transfer of new debt activity related to new school to primary government	62,031,040
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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	(622)	
Net VRS pension account adjustments	(893,632)	
Net OPEB account adjustments	(21,746)	
Capital leases proceeds	(387,434)	
Capital lease payments	<u>1,199,273</u>	
Net Adjustment		<u>(104,161)</u>

Change in Net Position of Governmental Activities	<u>\$ (957,750)</u>
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County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

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 Fund				
Revenues				
Use of money and property	\$ 20,000	\$ 20,000	\$ 23,061	\$ 3,061
Charges for services	125,000	125,000	124,086	(914)
Rebates and refunds	375,262	375,262	242,803	(132,459)
Miscellaneous	60,000	60,000	59,771	(229)
Payment from Primary Govt. - Mecklenburg County	24,192,694	24,192,694	23,969,622	(223,072)
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	26,582,914	26,582,914	27,229,518	646,604
From the Federal Government	3,432,379	4,118,974	3,532,189	(586,785)
Total Revenues	54,788,249	55,474,844	55,181,050	(293,794)
Expenditures				
Current				
<i>Education</i>				
Instruction	36,371,926	36,750,974	36,572,240	178,734
Technology	1,805,393	1,912,700	2,225,529	(312,829)
Administration, attendance, and health	2,018,435	2,054,833	2,043,349	11,484
Transportation	3,383,008	3,240,392	3,227,235	13,157
Operation and maintenance - Payment to County	-	-	111,825	(111,825)
Operation and maintenance	3,024,588	3,442,633	3,424,886	17,747
Debt service	8,184,899	8,073,312	8,073,008	304
Total Expenditures	54,788,249	55,474,844	55,678,072	(203,228)
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	-	-	(497,022)	(497,022)
Other Financing Sources (Uses)				
Issuance of long-term debt and capital leases	-	-	387,434	387,434
Total Other Financing Sources (Uses)	-	-	387,434	387,434
Net Change in Fund Balances	\$ -	\$ -	(109,588)	\$ (109,588)
Fund Balance - Beginning of Year			486,821	
Fund Balance - End of Year			\$ 377,233	

	<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	\$ -	\$ -	\$ 914	\$ 914
Charges for services	540,000	540,000	47,807	(492,193)
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	47,614	47,614	52,355	4,741
From the Federal Government	<u>1,861,072</u>	<u>1,861,072</u>	<u>1,758,901</u>	<u>(102,171)</u>
Total Revenues	2,448,686	2,448,686	1,859,977	(588,709)
Expenditures				
Current				
<i>Education</i>				
School Food Service	<u>2,448,686</u>	<u>2,448,686</u>	<u>1,981,225</u>	<u>467,461</u>
Total Expenditures	<u>2,448,686</u>	<u>2,448,686</u>	<u>1,981,225</u>	<u>467,461</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(121,248)	<u>\$ (121,248)</u>
Fund Balance - Beginning of Year			730,193	
Fund Balance - End of Year			<u>\$ 608,945</u>	
School Textbook Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 483	\$ 483
Charges for services	-	-	-	-
Payment from Primary Govt. - Mecklenburg County	167,486	167,486	167,486	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	<u>251,647</u>	<u>251,647</u>	<u>250,407</u>	<u>(1,240)</u>
Total Revenues	419,133	419,133	418,376	(757)
Expenditures				
Current				
<i>Education</i>				
School textbook purchases	<u>419,133</u>	<u>419,133</u>	<u>352,035</u>	<u>67,098</u>
Total Expenditures	<u>419,133</u>	<u>419,133</u>	<u>352,035</u>	<u>67,098</u>
Net Change in Fund Balance	-	-	66,341	66,341
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	66,341	<u>\$ 66,341</u>
Fund Balance - Beginning of Year			505,860	
Fund Balance - End of Year			<u>\$ 572,201</u>	

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School New High School Project				
Revenues				
Use of money and property	\$ -	\$ -	\$ 157,332	\$ 157,332
Total Revenues	-	-	157,332	157,332
Expenditures				
Current				
<i>Education</i>				
Capital outlay	72,393,990	72,393,990	62,188,372	10,205,618
Total Expenditures	72,393,990	72,393,990	62,188,372	10,205,618
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	(72,393,990)	(72,393,990)	(62,031,040)	10,362,950
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	-	-
Costs of debt issuance	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(72,393,990)	(72,393,990)	(62,031,040)	10,362,950
From Surplus	72,393,990	72,393,990	-	(72,393,990)
Net Change in Fund Balance After Surplus	\$ -	\$ -	(62,031,040)	\$ (62,031,040)
Fund Balance - Beginning of Year			105,548,601	
Fund Balance - End of Year			\$ 43,517,561	
School Activity Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ 174,286	\$ 174,286
Total Revenues	-	-	174,286	174,286
Expenditures				
Current				
<i>Education</i>				
Instruction	-	-	233,258	(233,258)
Total Expenditures	-	-	233,258	(233,258)
Net Change in Fund Balance	-	-	(58,972)	(58,972)
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	\$ -	\$ -	(58,972)	\$ (58,972)
Fund Balance - Beginning of Year			372,664	
Fund Balance - End of Year			\$ 313,692	

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Position

June 30, 2021

Assets

Current Assets

Cash	\$ 2,636,078
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Noncurrent Assets

Capital Assets

Land and buildings held for resale (net)	<u>16,410,723</u>
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Total Assets	<u>\$ 19,046,801</u>
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Liabilities and Net Position

Liabilities

Current Liabilities

Notes payable - current portion	<u>\$ 47,101</u>
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Total Current Liabilities	47,101
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Long-Term Liabilities

Note payable - less current portion	<u>1,155,000</u>
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Total Long-Term Liabilities	<u>1,155,000</u>
-----------------------------	------------------

Total Liabilities	1,202,101
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Net Position

Net investment in capital assets	15,208,622
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Unrestricted	<u>2,636,078</u>
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Total Net Position	<u>17,844,700</u>
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Total Liabilities and Net Position	<u>\$ 19,046,801</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, 2021

Operating Revenues

Contributions from Mecklenburg County, Virginia for Economic Stimulus Grant - industrial tax refund	\$ 40,321,890
Rental income	78,000
Miscellaneous	<u>10,647</u>
Total Operating Revenues	40,410,537

Operating Expenses

Insurance	20,091
Legal and professional fees	17,484
Utility companies	43,200
Repairs and maintenance	56,421
Miscellaneous	13,741
Payouts to businesses and stimulus grants	<u>40,316,961</u>
Total Operating Expenses	<u>40,467,898</u>

Operating Loss	(57,361)
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Non-Operating Revenues (Expenses)

Interest income	2,105
Gain on sale of investment property	1,786,569
Interest expense and loan closing fees	<u>(39,097)</u>

Net Non-Operating Revenues (Expenses)	<u>1,749,577</u>
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Change in Net Position	1,692,216
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Total Net Position - Beginning of Year	<u>16,152,484</u>
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Total Net Position - End of Year	<u><u>\$ 17,844,700</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, 2021

Cash Flows from Operating Activities

Contributions from Mecklenburg County, Virginia - stimulus payments	\$ 40,321,890
Rental income	78,000
Miscellaneous	10,647
Payments to businesses and vendors	<u>(40,467,898)</u>

Net Cash Used in Operating Activities (57,361)

Cash Flows from Capital and Related Financing Activities

Payments on notes payable	(92,635)
Interest expense	<u>(39,097)</u>

Net Cash Used in Capital and Related Financing Activities (131,732)

Cash Flows from Investing Activities

Interest income	2,105
Gain on sale of investment property	<u>1,786,569</u>

Net Cash Provided by Investing Activities 1,788,674

Net Increase in Cash and Cash Equivalents 1,599,581

Cash and Cash Equivalents - Beginning of Year 1,036,497

Cash and Cash Equivalents - End of Year \$ 2,636,078

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (57,361)
<i>Adjustments to reconcile operating loss to net cash used in operating activities</i>	
<i>Changes in assets and liabilities</i>	<u>-</u>

Net Cash Used in Operating Activities \$ (57,361)

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 the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

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

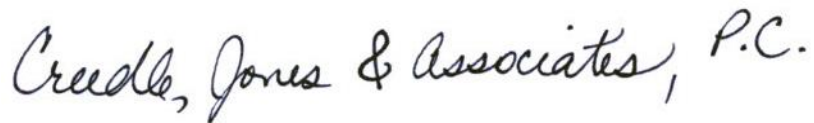
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 "Creedle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
December 15, 2021



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

We have audited the County of Mecklenburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Mecklenburg, Virginia's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2021.

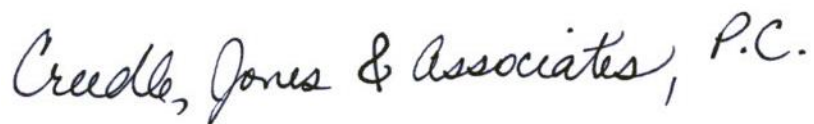
Report on Internal Control over Compliance

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

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

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

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



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

South Hill, Virginia
December 15, 2021



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, 2021, and have issued our report thereon dated December 15, 2021.

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
December 15, 2021

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of the Interior				
Direct Payments				
Payments in Lieu of Taxes Program	15.226	N/A	\$ -	\$ 170,863
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	-	489,382
<i>Child Nutrition Cluster</i>				
<i>State Department of Agriculture and Consumer Services</i>				
National School Lunch Program (NSLP) - Food Distribution - Schools	10.555	301	-	125,863
<i>Department of Education</i>				
Summer Food Service Program for Children (SFSPC)	10.559	197	-	1,506,556
Summer Food Service Program for Children (SFSPC) (CARES ACT)	10.559	197	-	196,632
Child Nutrition Cluster Total			-	1,829,051
Fresh Fruit and Vegetable Program	10.582	197	-	55,135
<i>Department of Education</i>				
Child and Adult Care Food Program (CARES ACT)	10.558	197	-	578
Child and Adult Care Food Program			-	578
Subtotal - U. S. Department of Agriculture			-	2,374,146
U. S. Department of Health and Human Services				
Pass-Through Payments				
<i>Department of Social Services</i>				
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	765	-	51,094
TANF Cluster				
Temporary Assistance for Needy Families	93.558	765	-	239,936
Medicaid Cluster				
Medical Assistance Program	93.778	765	-	366,147
Promoting Safe and Stable Families	93.556	765	-	10,496
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	-	505
Low-Income Home Energy Assistance (LIHEAP)	93.568	765	-	38,544
Chafee Education and Training Vouchers Program	93.599	765	-	1,102
Stephanie Tubbs Jones Child Welfare Services	93.645	765	-	151
Foster Care - Title IV-E	93.658	765	-	228,601
Adoption Assistance - Title IV-E	93.659	765	-	123,285
Social Services Block Grant	93.667	765	-	177,347
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	765	-	3,046
Children's Health Insurance Program (CHIP)	93.767	765	-	4,253
Subtotal - U. S. Department of Health and Human Services			-	1,244,507

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Justice				
Pass-Through Payments				
<i>Department of Criminal Justice Services</i>				
Crime Victim Assistance	16.575	140	-	54,013
Violence Against Women Formula Grants	16.588	140	-	32,190
Subtotal - U. S. Department of Justice			-	86,203
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	-	7,211
U. S. Department of Education				
Pass-Through Payments				
<i>Virginia Polytechnic Institute and State University</i>				
English Language Acquisition State Grants	84.365	208	-	8,924
<i>Department of Education</i>				
<i>Special Education Cluster (IDEA)</i>				
Special Education - Grants to States (IDEA, Part B)	84.027	197	-	971,901
Special Education - Preschool Grants (IDEA Preschool)	84.173	197	-	15,390
Special Education Cluster (IDEA) Total			-	987,291
Title I Grants to Local Educational Agencies	84.010	197	-	1,314,101
Rural Education	84.358	197	-	51,825
Career & Technical Education - Basic Grants to States	84.048	197	-	111,989
Twenty-First Century Community Learning Centers	84.287	197	-	48,918
Improving Teacher Quality State Grants	84.367	197	-	257,091
Education Stabilization Funds -	84.425	197	-	58,244
Subtotal - U. S. Department of Education			-	2,838,383
U. S. Department of Homeland Security				
Pass-Through Payments				
<i>Department of Emergency Management</i>				
Emergency Management Performance Grants	97.042	127	-	7,500
U. S. Department of the Treasury				
Pass-Through Payments				
<i>Department of Education</i>				
Coronavirus Relief Funds	21.019	197	-	686,595
<i>Department of Accounts</i>				
Coronavirus Relief Funds	21.019	151	1,334,862	6,957,479
Subtotal - U. S. Department of Treasury			1,334,862	7,644,074
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 - Small Bus. Recovery	14.228	165	-	305,607
Community Development Block Grants/State's Programs - Quail Hollow	14.228	165	-	420,041
Subtotal - U. S. Department of Housing and Urban Development			-	725,648
Grand Totals			\$ 1,334,862	\$ 15,098,535

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, 2021

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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the 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 \$125,863 at the time received were consumed during the year ended June 30, 2021. These commodities were included in the determination of federal awards expended during the year ended June 30, 2021.

5. Subrecipients

Federal awards for the Coronavirus Relief Funds were passed through to the following subrecipients:

	<u>Amount</u>
Town of Boydton	\$ 50,734
Town of Chase City	260,876
Town of Clarksville	205,063
Town of LaCrosse	56,729
Town of South Hill	<u>761,460</u>
	<u>\$ 1,334,862</u>

County of Mecklenburg, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Funds
10.555; 10.559	Child Nutrition Cluster
14.228	Community Development Block Grants

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