

COUNTY OF MONTGOMERY, VIRGINIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

**FINANCIAL AND MANAGEMENT SERVICES
DEPARTMENT**

COUNTY OF MONTGOMERY, VIRGINIA

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INTRODUCTORY SECTION

March 28, 2023

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

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the County of Montgomery for the fiscal year ended June 30, 2022, as required by state law. The financial statements and supplemental schedules contained herein have been audited by the independent certified public accounting firm of Brown, Edwards & Company L.L.P., and that firm's unmodified opinion is included in the Financial Section of this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

THE REPORTING ENTITY

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

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

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

ORGANIZATION OF GOVERNMENT

The County of Montgomery was established in 1776, and is located in southwestern Virginia approximately 30 miles southwest of the City of Roanoke, along the Interstate 81 corridor. The County encompasses approximately 389 square miles and has a population of 102,061 including that of two incorporated towns, Blacksburg and Christiansburg, per the Weldon Cooper Center for Public Service population estimates. The 2020 Census indicates Montgomery County's population increased by 5.6% over the prior decade.

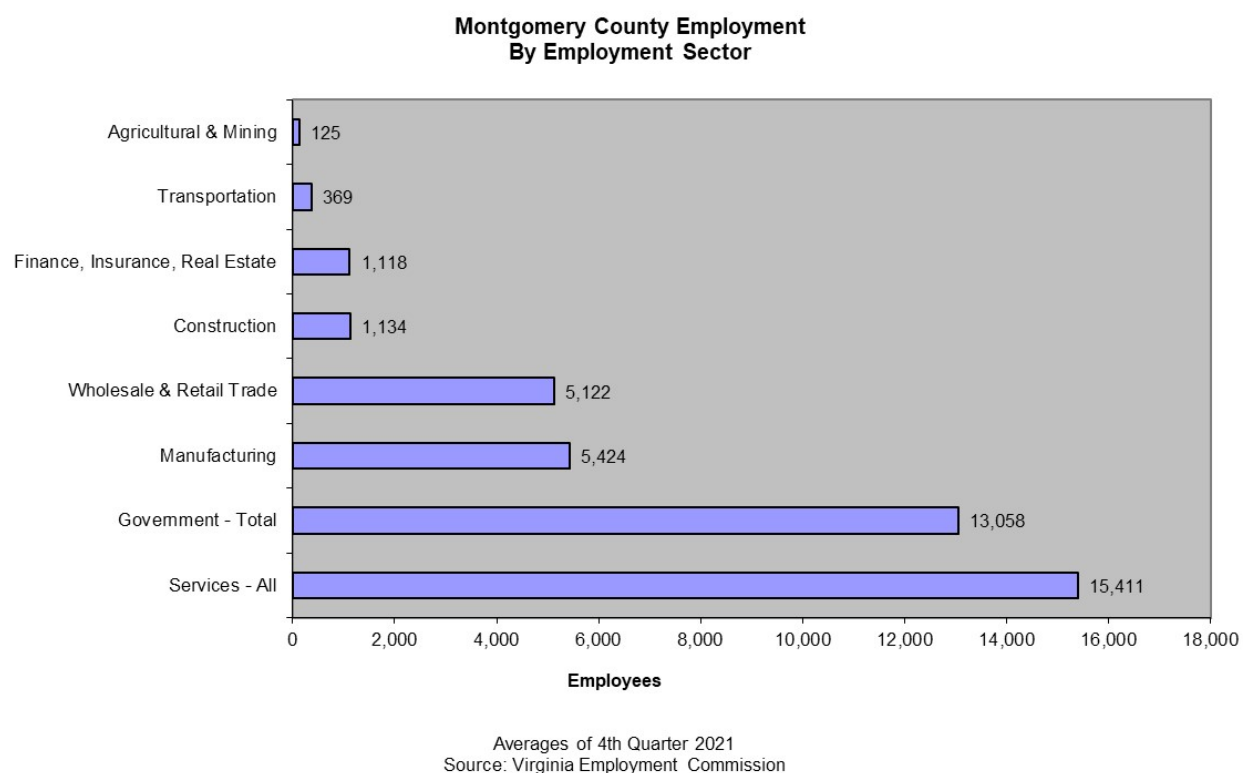
Montgomery County operates under the traditional County form of government. Policymaking and legislative authority are vested in the Board of Supervisors (Board), which consists of seven members elected from within their respective election districts. Each member must be a resident of the district he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

LOCAL ECONOMIC CONDITION AND OUTLOOK

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

Montgomery County's labor market remains consistent with the state as a whole. The average unemployment rate in the County between July 2021 and June 2022 was 2.6%, which remains historically below the average in the New River Valley. The percentage ranged from a low of 2.0% in December 2021 and April 2022 to a high of 3.3% in July 2021. The unemployment rate for the County over the past 10 years (2012-2021) averaged 4.2%, reaching a high of 5.8% in 2012 and a low of 2.8% in 2019. The pool of available labor has also remained stable for the past decade in Montgomery County, and surrounding New River Valley counties. Average unemployment among New River Valley localities was lower than the statewide rate of 3.9% for calendar year 2021, with Montgomery (3.0%) and Floyd (3.1%) Counties reporting the lowest rates for the year. Giles County, Pulaski County, and the City of Radford averaged 3.9% unemployment during the same period. Employment within Montgomery County represented 55.0% of the total civilian labor force in the New River Valley.

As in prior years, the service industry remained the largest employment sector within the County. The following illustration presents the proportion of individuals in each of the major industry sectors based on averages for the 4th quarter of 2021:



Slight increases in employment were broad based, covering several economic sectors. The total increase in the number of jobs was 737 across all sectors, resulting in an increase of 1.8% from the previous year. Only three areas experienced declines – the transportation area was down 3.4% while wholesale and retail trade area was down 5.3% and agricultural and mining was down 13.8%, both for the second consecutive year.

The service and manufacturing sectors provide a significant number of jobs in Montgomery County. Two hospitals, Carillion New River Valley Medical Center and Lewis Gale Hospital at Montgomery, collectively employ over 1,600 employees. The region is a hub for the manufacturing industry with the County's largest industrial employer, BAE Systems, Inc., employing approximately 1,300 workers through contracts with the federal government to manufacture defense products. Other large companies in the County include Tenneco, formerly known as Federal-Mogul Corporation (automotive bearings), MOOG Components Group (aerospace, transportation, military, and communications components), Rowe Furniture (residential furniture), Wolverine Advanced Materials (automotive gaskets), Backcountry.com (outdoor product distribution), and 1901 Group (software development and management).

The Virginia Tech Corporate Research Center (VTCRC), developed by the Virginia Tech Foundation, is a business/research park that is the catalyst for Montgomery County's high-tech industry cluster. The 230-acre park includes more than 1.3 million square feet of office and lab space, and is home to over 225 research, technology and support companies, which collectively employ more than 3,500 workers. An expansion on the northwest side of the park provides enough land to construct 15 buildings, (870,000 square feet) in addition to the 36 single and multi-tenant buildings currently on site. The VTCRC anticipates a continued increase in employment, bringing the total number of employees to 5,000. The majority of the tenants located in the VTCRC are research and development-oriented companies operating in the information technology, biotechnology, and advanced materials industries. In the summer of 2022, CMG Leasing opened the Vue, an apartment complex of 207 units adjacent to the VTCRC.

Montgomery County's second largest industry sector, government, provides 31.3% of the County's jobs and helps stabilize the local economy during times of recession. This percentage reflects the large number of state workers employed by Virginia Tech, one of the Commonwealth's largest public universities and the largest employer in the County with approximately 13,000 employees. Approximately 1,600 additional individuals are employed through the Montgomery County Public School System, making education the largest area in the government sector.

Several new commercial and residential developments announced in fiscal year 2020 continued progress in fiscal year 2022. In the Town of Christiansburg, the Marketplace shopping center continued redevelopment for new restaurants and retailers, with an expected investment of \$53 million. Fiscal year 2022 brought about the opening of several new restaurants and a grocery retailer on the property, and construction of Summit Community Bank. Academy Sports + Outdoors, a national sporting-goods chain recently announced a store to open in the development in 2023. In downtown Blacksburg, a local developer is constructing a \$120 million development on property that was previously home to the Blacksburg Middle School. The project will include a total of over 150,000 mixed-use square feet consisting of office space, retail space, a 100-room hotel and 150 residential housing units. In June 2022, the Blacksburg Police Department held a ribbon cutting for their new \$16 million, 37,000 square foot, state-of-the-art police facility, the first completed building on the former middle school property, and construction continued on a parking garage that will serve the businesses at the front of the property.

In 2022, Federal Express announced a 251,000 sq. ft. building in Falling Branch Corporate Park Phase II. The company purchased 41 acres from the Economic Development Authority. The building is scheduled to open in the first quarter of 2023 with 175 employees.

Since January 2014, companies working with the Montgomery County Economic Development Authority have announced over \$116.09 million in new capital investment (industrial/commercial, non-retail) and the addition of nearly 2,159 related jobs as shown in the chart below.

Business Announcements, Montgomery County, Virginia:

Company Name	Business Description	New Jobs	Investment (millions)
Federal Express	Shipping and delivery service	175	\$20.00
Corning	Manufacturers Catalytic Converters for cars & heavy trucks	0	\$15.80
Qualtrax	Software company that manages documents/training	75	\$2.00
TORC Robotics	Autonomous vehicles and robotics	413	\$14.20
Moog, Inc.	Electrical Equipment Manufacturer	75	\$10.70
Modea	Provider of web, application development, and marketing of analytics solutions	75	\$0.20
Ozmo, Inc.	Builder of software products for mobile operations	95	\$0.76
Inorganic Ventures	Manufacturer of higher-class certified reference materials	10	\$0.60
1901 Group	Managed IT services provider	580	\$8.80
Block.One	Blockchain technology	344	\$7.00
Aeroprobe	Producer of air data measurement tools	10	\$0.30
Spectrum Brands	Pet, home, and garden division of consumer products manufacturer	0	\$7.28
Polymer Solutions Incorporated	Laboratory, chemical analysis, physical testing, research and development and litigation services	24	\$3.55
Luna Innovations	Research & Development for Biomedical	0	\$1.70
InMotion US	Electric Motors	24	\$5.00
Wolverine	Gaskets	93	\$10.60
Hubbell Lighting	LED Lighting Products	100	\$6.10
VPT, Inc.	Manufacturer of power components for use in avionics, military, and space	16	\$1.00
Java Productions	Custom solutions for technology and business problems	20	\$0.10
ProChem Inc.	Industrial water and wastewater treatment	30	\$0.40
Total		2,159	\$116.09

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

MAJOR INITIATIVES

Recent initiatives of the Board of Supervisors promote Montgomery County's economic progress, improve the community's quality of life, and poise the County to respond to future development needs. New jobs, expanded employment within industry and service sectors, and a comparatively low unemployment rate all suggest a trend of stable, manageable growth despite the COVID-19 pandemic.

For the Year

The County staff, following specific directives of the Board of Supervisors, has been involved in a variety of projects throughout the year. These projects reflect the government's commitment to ensuring that its citizens are able to live and work in an enviable environment. Major initiatives for 2022 include:

The 2022-2026 Capital Improvement Program

The Capital Improvement Program (CIP) for 2022 through 2026 serves as a planning tool for the efficient and effective distribution of public improvements throughout the County and the school system. The five-year CIP totals \$78.0 million, and is comprised of County Capital Improvements of \$37.1 million and School Capital Improvements of \$40.9 million.

Since 2009, the Board of Supervisors has earmarked a portion of the real estate tax rate to provide the County's Fire and Rescue Commission with an ongoing source of funding to purchase fire and rescue capital equipment. One and a half cents of the tax rate have been set aside annually since fiscal year 2017 for fire and rescue equipment. Each year the Commission, comprised of representatives from each fire and rescue agency, the Board of Supervisors and County staff, decide how to effectively distribute this funding based on existing and future capital needs of the County's fire and rescue agencies, as outlined in their replacement plan. For 2022, approximately \$1.3 million was provided for fire and rescue capital needs.

The County provides \$750,000 annually to address major capital repairs and large-scale components of County facilities that cannot be addressed within the General Fund. These funds may be used for projects such as roof replacements, heating ventilation and air conditioning (HVAC) upgrades, flooring, paving, and other major facility system upgrades.

In 2022, the County also provided \$425,000 for Parks and Recreation for the Auburn Park project, \$210,000 for Information Technology infrastructure improvements within County facilities, and also added \$878,258 or one cent of the real estate tax rate for future County capital needs. Of this amount, \$100,000 is earmarked for the Valley to Valley Trail project, a proposed hiking/bike trail that would connect Montgomery County to the Roanoke Valley area to the northeast.

Capital Projects Completed During the Year

Public safety remains a priority with \$1,160,112 in fire and rescue equipment purchases in fiscal year 2022 based on recommendations of the Fire and Rescue Commission. Equipment purchases included:

- Two attack vehicles for Riner Fire Department,
- Equipment for an Elliston Fire Department fire truck, and
- Ambulance for Riner Rescue Squad.

The County received \$30 million in bond proceeds in October 2019 through the Virginia Public School Authority. This funding, along with \$5 million in County dollars is financing renovations and additions at Christiansburg Primary School, Christiansburg Elementary School and Belview Elementary School, which were completed in 2022.

For the Future

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

- Since 2014, the County has set aside cash-to-capital monies for future new school capital construction, currently earmarking two and a half cents of the real estate tax rate on a yearly basis for future school capital projects. For fiscal year 2022, this amount totaled approximately \$2.2 million. Since fiscal year 2014, these funds have been combined with other funds to fund projects including renovations to Falling Branch Elementary School, renovation of a portion of the Christiansburg High School athletic facilities, renovations to house the new County Schools Operations Center, a portion of the renovation costs of Christiansburg Primary, Christiansburg Elementary and Belview Elementary Schools, and architectural studies of Christiansburg High School renovations and future school projects.
- The County received \$90 million in bond proceeds in April 2022 through the Virginia Public School Authority. This funding will be used to finance the renovations and additions to Christiansburg High School. Architectural and engineering studies for the renovations are underway.
- The County received \$10 million in bond proceeds in May 2022. This funding will be used for several projects including improvements and renovations to the County Government Center, Creed Fields Park lighting, Auburn Park and the Cinnabar Green Space and Storage project.
- The County received \$19.2 million in American Rescue Plan funds (half of these funds were received in fiscal year 2021 and half were received in fiscal year 2022). These funds are planned to be used to expand broadband to unserved/underserved areas of the County, improve water/sewer infrastructure and assist in several County Capital projects including construction of a facility for the Magistrates and Court Services operations, a new emergency services facility in the eastern part of the County, Creed Fields Park lighting (in addition to bond funding) and library improvements.
- The construction of the Combined County Maintenance Facility and Garage is nearly complete at a total cost of approximately \$5.1 million (\$3.9 million County and \$1.2 million PSA). The facility will provide maintenance services space to General Services, Lawns and Landscaping, Parks and Recreation, the Garage and PSA.
- The Auburn Park in the Riner area is under development with grading complete and construction planning in process. The park is expected to be complete by the end of 2023.
- Improvements in the Government Center are continuing. Some improvements including renovations to the Treasurer's office area were completed in fiscal year 2022. Further office renovations including the Commissioner of the Revenue, Planning and Administration are planned for fiscal year 2023.

Montgomery County Fire - Emergency Medical Services (EMS)

Montgomery County has enjoyed a long and successful history of volunteerism within the various fire and rescue departments across the County. In recent years, areas of the County have been impacted by a decrease in volunteerism, while calls for service have continued to grow. In the fall of 2020, the County began assessing the volunteer rescue squads to determine the need for paid EMS staff. After a few months of reviewing calls for service reports, response times, and various other aspects of the EMS system, it was determined the County needed paid staff to supplement the volunteers. The County looked at the feasibility of hiring an outside contractor to provide these services, but determined the most effective and fiscally responsible approach was for the County to hire staff.

Montgomery County Fire-EMS was formed in the spring of 2022 after applying for an EMS license from the State, developing protocols and procedures, hiring staff, and purchasing all necessary equipment. The Montgomery County Fire-EMS Department consists of paid first responders who assist volunteer agencies with call coverage. This new program provides full-time and part-time positions. The purpose of this program is not to replace our volunteer agencies, but to provide first response capabilities when a citizen calls for an emergency in areas of the County that are struggling to support rescue calls with volunteer staff.

Montgomery County Fire-EMS has two different mission statements, as they are responsible for the agency's operations and providing support to the County's volunteer agencies:

- *"To provide citizens and visitors of Montgomery County high-quality, timely Emergency Medical and Fire Services."*
- *"To provide our volunteers the resources, training, and information needed to respond to any emergency."*

On April 24, 2022, Montgomery County Fire-EMS placed two ambulance crews in service providing supplemented coverage to the Shawsville/Elliston and Riner areas of the County, as well as a nighttime response vehicle staffed by a paramedic. Since that time, an additional 12-hour shift has been placed in service in the Shawsville/Elliston area of the County. In the first ten months of operation, the staff has responded to 1,218 calls for service, putting the agency on pace to run approximately 13% of the 12,000 EMS calls annually.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

Although the County budgets and manages its financial affairs using the cash basis of accounting, generally accepted accounting principles require localities to use the accrual or modified accrual basis of accounting to prepare financial statements. The modified accrual basis of accounting recognizes revenues when measurable and available and recognizes expenditures when the services or goods are received and the liabilities incurred. The accruals recorded on the financial statements for the fiscal year ended June 30, 2022, reflect cash that will not be received or disbursed until fiscal year 2023.

County management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

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

INDEPENDENT AUDIT

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

AWARDS OF ACHIEVEMENT

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Montgomery for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the 35th consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

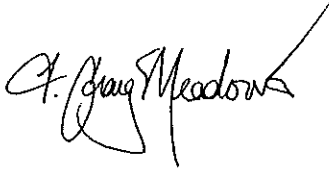
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "F. Craig Meadows". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

F. Craig Meadows
County Administrator

A handwritten signature in black ink, appearing to read "Lisa Rayne". The signature is cursive and elegant, with a long, sweeping underline that extends to the right.

Lisa Rayne
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Montgomery County
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

BOARD OF SUPERVISORS

Sherri M. Blevins, Chair
Mary W. Biggs, Vice Chair

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April N. DeMotts
Steve R. Fijalkowski

M. Todd King
Darrell O. Sheppard

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Charles E. Campbell
A. Michelle Dickerson
Kelly M. Edmonson
Michael P. Geary
Brian T. Hamilton
Jennifer T. Harris
Mitchell B. Haugh
Angela M. Hill
Brea G. Hopkins
Karim H. Khan
Marc M. Magruder
Clay M. McCoy
Martin M. McMahon
F. Craig Meadows
Lisa Rayne
Vacant
Connie M. Viar
Andrea W. Whitaker
Tonia D. Winn
Scott A. Woodrum

Director of Public Service Authority
Virginia Cooperative Extension Unit Coordinator
Director of Social Services
Director of Emergency Services
Director of Economic Development
Director of Public Information
Director of Parks and Recreation
Deputy County Administrator/CFO
Interim Director of Planning
Director of Montgomery Regional Library
Director of Management Services and Budget
Director of Human Resources
County Attorney
County Administrator
Director of Finance
Director of Information Technology
General Registrar
Interim Superintendent of Schools
Director of Human Services
Director of Engineering and Regulatory Compliance

CONSTITUTIONAL OFFICERS

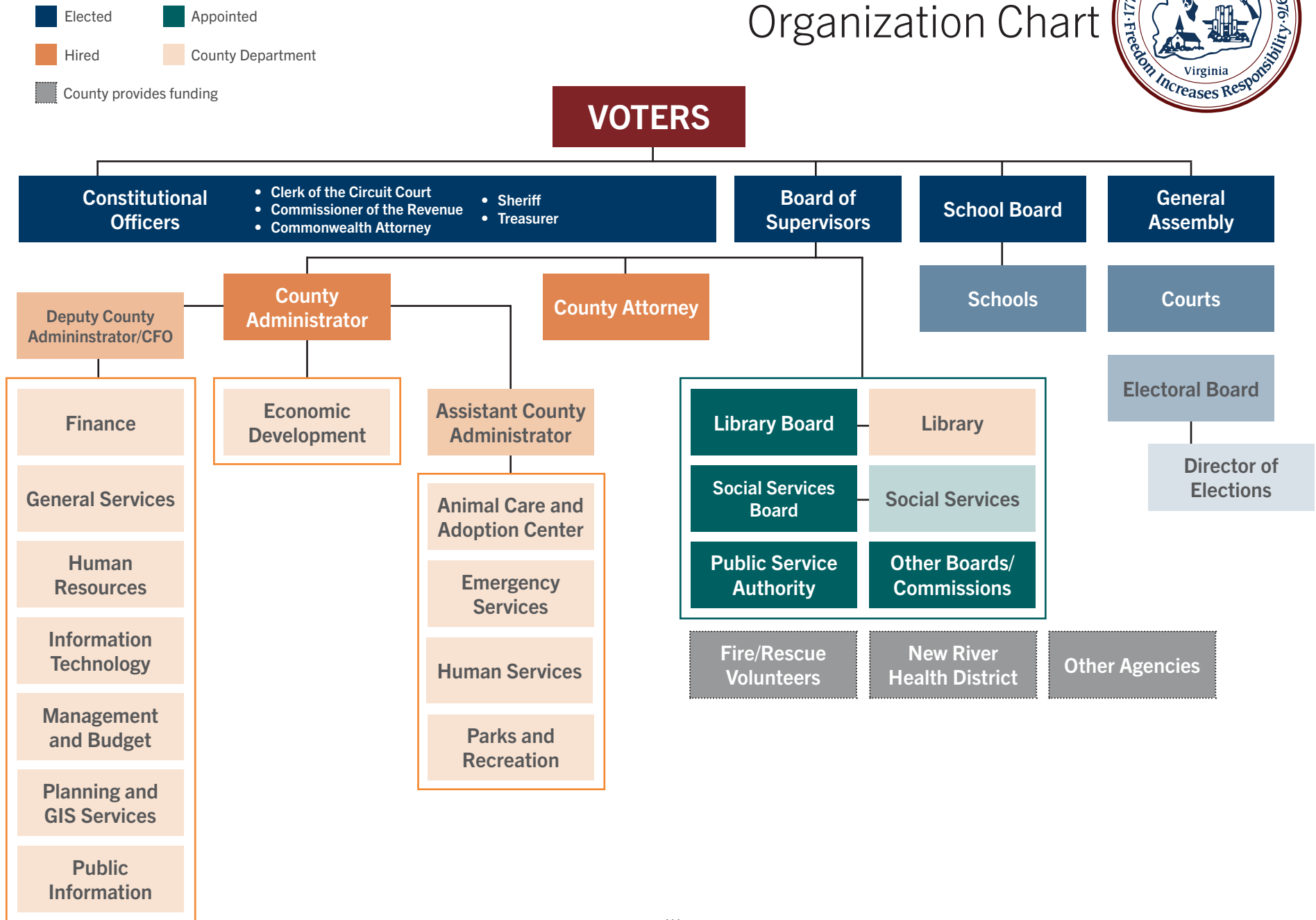
Erica W. Conner
Charles H. Partin
Mary K. Pettitt
Helen P. Royal
Helen V. St. Clair

Clerk of the Circuit Court
Sheriff
Commonwealth Attorney
Commissioner of the Revenue
Treasurer

MONTGOMERY COUNTY, VIRGINIA



Organization Chart



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia (the "County"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the County, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Notes 5 and 8 to the financial statements, in 2022, the County adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 28, 2023

Management's Discussion and Analysis

The following discussion and analysis of the County of Montgomery's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the transmittal letter at the front of this report and with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

- The total assets and deferred outflows of resources of the governmental activities exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$220 million (net position). Of this amount \$60 million (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- Total general fund revenues exceeded the final budgeted amount by \$16 million.

Grant funding does not follow the fiscal year; therefore, the original appropriation of funds does not always coincide with the year the funds are received. As a result, intergovernmental revenues exceeded budgeted amounts by approximately \$8.6 million. This was primarily due to the receipt of the second American Rescue Plan Act (ARPA) payment of \$9.6 million which was received but not appropriated before June 30. Property tax revenue exceeded the budgeted estimate by \$3.8 million primarily from unbudgeted delinquent tax collections of \$2.1 million, real estate tax collections of \$1.0 million and personal property tax collections of \$0.7 million. Other local tax exceeded budget by \$3.1 million due to sales and use tax exceeding the budget estimate by \$2.2 million and recordation tax by \$0.8 million.

- Actual expenditures were \$20.6 million less than the final expenditure appropriation. As always, the County received and included in the final approved budget various grant awards during the year; however, not all were expended before year-end. Orders had been placed, but goods not received at year-end of approximately \$1.6 million for the County and approximately \$0.5 million for the Schools.

County administration expenditures totaled approximately \$1.2 million less than appropriated. The Human Resources Department carried over funds for an employee career development program, which, when combine with the current year allocation, resulted in unspent funds totaling \$219,000. Emergency Services had \$584,000 appropriated for equipment. This equipment had not been purchased as of June 30, 2022. The remaining funds resulted from vacancy savings. Information Technology, the Treasurer's Office and the Commonwealth Attorney's Office also had vacancies savings resulting in unspent funds of \$36,000, \$39,000 and \$86,000, respectively. \$434,000 were appropriated to the Commissioner of Revenue for the general reassessment. The reassessment was ongoing as of year end. The General Registrar of Elections had \$397,000 appropriated for voting equipment. This equipment had not been purchased as of June 30, 2022.

Sheriff's office expenditures were \$1.2 million less than budgeted. The County's payments to the Western Virginia Regional Jail were \$899,000 less than planned as the County's inmate population at the jail was less than expected. Vacancy savings combined with grants and related restricted funds with cycles that did not follow the fiscal year made up the remaining \$301,000. The County fire and rescue departments had approximately \$197,000 in year-end funding that was allocated for projects that were not yet complete at year end.

The Animal Care and Adoption Center had unspent funds of \$109,000 including \$41,000 in vacancy savings and \$51,000 appropriated for equipment and site improvements not incurred at year end. General Services expenditures were approximately \$609,000 less than budget. This is due in part to \$240,000 appropriated for equipment not received at year end along with vacancy savings of \$157,000. Each year funds are budgeted for sustainability projects. Approximately \$88,000 of budgeted funds were not needed for these projects in FY 22. Funds are budgeted each year in Engineering and Regulatory Compliance for maintenance and remediation of the County's two closed landfills. Approximately \$89,000 of budgeted funds were unspent at year end.

Funds are budgeted each year for Children's Service Act services. Approximately \$96,000 of budgeted funds were not needed for these services in FY 22. Human Services and Social Services had unspent funds of \$81,000 and \$336,000, respectively, primarily due to salaries savings resulting from position turnover. Parks and recreation had expenditure savings of more than \$166,000; \$95,000 was the result of salary savings. The library also realized salary savings of approximately \$173,000.

Planning and GIS had vacant positions during the year resulting in salary savings of \$98,000. Funds were budgeted but not yet spent for consultants for the transportation plan; the Old Price's Fork Elementary School project; and Neighbors in Need grants totaling savings of almost \$174,000. Similarly, ARPA funds for the expansion of broadband service of \$6 million and the Virginia Telecommunications Initiative (VATI) broadband grant totaling over \$1 million were appropriated to Economic Development. Costs had not been incurred for these projects as of June 30, 2022. Also, ARPA funds of \$1.5 million were appropriated to other agencies for water and sewer projects. These projects had not been started at year end.

General and Special Contingencies had remaining balances of just over \$332,000 and \$8,000, respectively. The use of General Contingencies varies from year to year based on the amount of funding needed for unanticipated costs. The County's financial policies require one percent of the County's general fund be set aside for contingencies each year. Of the \$536,000 designated in fiscal year 2022, a balance of \$332,000 remained at year end.

Finally, the Montgomery County School Board (the Schools) spent \$4.3 million less than appropriated during the year. This resulted in corresponding lower general fund expenditures for education as the amount required to be provided by the County to the Schools was lower. The schools had placed orders for goods that were not received by year end of approximately \$0.5 million.

Net position of the Public Service Authority at June 30, 2022 was up \$216,000 from the previous year. This was primarily the result of facilities fees increasing \$170,000 from the prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$38.8 million, or 17% of fiscal year 2022 general and school operating fund revenues less the general fund transfer to the school operating fund. The Board of Supervisors has adopted a policy to maintain this percentage at a minimum of 12%. The percentage exceeds the target at year end as a result of the increase in General Fund balance of \$2.0 million, primarily due to revenues exceeding budgeted amounts as discussed above.

- In the current year, the County implemented GASB Statement No. 87, Leases, which improves the accounting and financial reporting for leases by governments.

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All funds of the County can be divided into two categories: governmental funds and proprietary funds.

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

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

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

- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds. As of the end of the current fiscal year, the County's total governmental funds reported an ending fund balance of \$186.8 million, an increase of \$83.2 million in comparison with the prior year. Bond proceeds of more than \$101 million, were received during the current fiscal year for Christiansburg High School renovations and other County capital projects. This \$101 million increase was offset by a reduction of revenues due to the CARES revenue recognized in the prior year. Ending fund balance was comprised of: \$6.1 million, nonspendable; \$106.4 million, restricted; \$24.9 million, committed; \$10.6 million, assigned; and \$38.8 million, unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 28% of total general fund expenditures, while total fund balance represents 47% of that same amount.

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

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

Proprietary funds present functions that are intended to account for the revenues and expenses of providing those services to citizens and businesses, where the intent is that the costs are financed through user charges. The Montgomery County Public Service Authority's water and wastewater funds are proprietary funds.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

	Governmental Activities		Component Units	
	2022	2021	2022	2021
Current and other assets	\$ 229.5	\$ 134.9	\$ 29.1	\$ 28.6
Capital assets	286.5	265.5	64.0	61.8
Total assets	\$ 516.0	\$ 400.4	\$ 93.1	\$ 90.4
Deferred outflows of resources	\$ 10.3	\$ 13.1	\$ 28.3	\$ 33.0
Long-term liabilities	\$ 233.9	\$ 163.2	\$ 81.0	\$ 131.8
Other liabilities	57.4	50.0	23.1	23.6
Total liabilities	\$ 291.3	\$ 213.2	\$ 104.1	\$ 155.4
Deferred inflows of resources	\$ 14.9	\$ 0.8	\$ 43.8	\$ 6.7
Net position:				
Net investment in				
capital assets	\$ 157.0	\$ 140.8	\$ 59.7	\$ 57.8
Restricted	3.2	3.7	0.8	-
Unrestricted	59.9	55.0	(87.0)	(96.5)
Total net position	\$ 220.1	\$ 199.5	\$ (26.5)	\$ (38.7)

Governmental Activities

Total net position shown above for governmental activities is \$220.1 million or \$20.6 million more than in 2021. Total assets increased \$115.6 million primarily due to bond proceeds received but not spent during the year and additions to construction in progress. Total liabilities increased \$78.1 million due to an increase in unearned revenue and new debt; which was partially offset by a decrease in net pension liability.

Component Units

Total net position shown above for component units is \$(26.5) million for 2022, an increase from \$(38.7) million in 2021. This consists of a net position for the Public Service Authority of \$12.1 million, a deficit in net position of \$39.9 million for the School Board, and a net position of \$1.3 million for the Economic Development Authority.

Summary of Activities:

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

	Governmental Activities		Component Units	
	2022	2021	2022	2021
Revenues				
Program revenues:				
Charges for services	\$ 2.7	\$ 2.6	\$ 12.8	\$ 12.0
Operating grants and contributions	17.4	19.2	80.1	76.3
General revenues:				
Property taxes	105.4	101.7	-	-
Other taxes	16.9	15.1	-	-
Payments from Montgomery County	-	-	54.4	66.8
Intergovernmental revenue, unrestricted	5.5	22.6	-	-
Other	2.8	1.5	-	-
Total revenues	150.7	162.7	147.3	155.1
Expenses				
General government	10.1	9.0	-	-
Judicial administration	4.3	4.2	-	-
Public safety	20.2	19.8	-	-
Public works	8.5	9.0	-	-
Health and welfare	11.0	23.8	-	-
Education	61.1	73.7	127.9	134.4
Parks, recreation and cultural	4.4	3.7	-	-
Community development	2.6	3.8	2.3	4.8
Water	-	-	3.0	2.8
Waste water	-	-	1.9	2.1
Interest on long-term debt	7.9	7.0	-	-
Total expenses	130.1	154.0	135.1	144.1
Change in net position	20.6	8.7	12.2	11.0
Net position-beginning	199.5	190.8	(38.7)	(49.7)
Net position-ending	<u>\$ 220.1</u>	<u>\$ 199.5</u>	<u>\$ (26.5)</u>	<u>\$ (38.7)</u>

Revenues

For the fiscal year ended June 30, 2022, revenues from governmental activities totaled \$150.7 million, a decrease of \$12.0 million compared to fiscal year 2021. Primary reasons for this decrease include:

- In the prior year, revenue of more than \$17.1 million in CARES funding was recognized;
- In the current year this decrease was offset by an increase of \$3.7 million in property taxes and \$1.8 million in other taxes.

Component unit revenues total \$147.3 million, including a \$54.4 million transfer from the general fund to the schools. This includes \$53.9 million for operations. GASB 34 requires that school debt service be included in the general fund, as the schools cannot issue debt on their own. County funds associated with school debt service totaled \$21.1 million, which brings the total provided for school purposes to \$75 million.

Expenses

Expenses for governmental activities totaled \$130.1 million in 2022, a decrease of \$23.9 million from 2021. General government administration increased \$1.1 million as the County began implementing paid Emergency Medical Services in fiscal year 2022; health and welfare decreased \$12.8 million due to CARES funding spent in fiscal year 2021; education decreased \$12.6; parks, recreational and cultural increased \$0.7 million, community development decreased \$1.2 million and interest on long term debt increased \$0.9 million. The County's original approved budget included an increased transfer to the schools of \$500,000 more than 2021; and, the County provided additional funds on a cash basis of approximately \$0.9 million during the year. Total school board expenses decreased \$6.5 million on a full accrual basis. This includes adjustments for pension expenses.

Expenses for component unit – Public Service Authority expenses remained flat at \$4.9 million.

Education is a very high priority in the Montgomery County community; consequently, the Board of Supervisors contributed \$54.4 million to the operation of the schools. Depreciation expense related to the schools totaled \$6.8 million.

Total expenses for education were \$61.1 million. This amount represented about 47% of governmental activity expenses. When interest for school related projects is included, the County contributed \$67.1 million, or 52%. On the cash basis of accounting, total school expenses, including expenses funded through the state and federal government and debt service for school related projects, were equal to 72% of the general fund expenses (excluding payments to the schools), plus school operating fund expenses for 2022.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

For the fiscal year ended June 30, 2022, the governmental funds reflect a combined fund balance of \$186.8, an increase of \$83.3 million from June 30, 2021. The total consisted of \$64.6 million in the general fund and \$122.2 million in the County capital fund. The general fund balance increased \$2.0 million in fiscal year 2022. The school operating fund spent \$1.6 million less than permitted by the revised budget, which resulted in a correspondingly lower than budgeted transfer to the schools from the general fund. The balance was transferred to the schools after year end for one-time uses. The County capital projects fund balance increased \$81.3 million, including debt proceeds of \$101.1 million and transfers from the general fund of \$11.6 million. Transfers of almost \$6 million are included in the budget for large fire and rescue equipment purchases, capital maintenance projects, parks and recreation projects, IT projects, and other future County and School capital projects. Additionally, transfers of \$5.8 million will be used for various County and school projects, including \$5.0 million for the Christiansburg High School renovation project. The funds for the Christiansburg High School renovation project were returned to the County from School bond proceeds in fiscal year 2023.

The following table presents budgeted and actual revenues and expenditures (cash basis) for the general fund for fiscal year 2022 in millions:

	Original Final		
	Original Budget	Amended Budget	Actual
Revenues			
Taxes	\$ 115.8	\$ 115.8	\$ 122.7
Intergovernmental	19.8	23.9	32.4
Other	2.5	2.6	3.2
Total	138.1	142.3	158.3
Expenditures and transfers	138.1	167.3	147.1
Change in fund balance	\$ -	\$ (25.0)	\$ 11.2

Increases in intergovernmental and other revenue categories made up the changes from the original to the final budget. The increase in intergovernmental revenue included an appropriation of \$920,000 for the VATI grant and \$501,000 for CARES Act funds; \$646,000 to reconcile the Department of Social Services to the state approved budget; \$236,000 for Children Services Act services; \$440,000 to reconcile shared expenses to the state approved Compensation Board funding; \$405,000 for Neighbors in Need funding; and \$851,000 in various additional small grants.

The increase in the final budget for expenditures over the original budget of \$29.2 million resulted primarily from:

- ARPA funds totaling \$7.5 million;
- Encumbrances of \$0.6 million and \$3.1 million for the County and Schools, respectively;
- Carryovers of unspent grant funds and other donations of \$0.3 million;
- Carryovers from the fiscal year 2021 budget of \$1.2 million for the general fund, and \$5.6 million for the Schools;
- Funding for the school capital needs of \$5 million;
- Funding for a one time pay supplement of \$800,000; paid Emergency Medical Services of \$600,000; reassessment services of \$685,000; and \$400,000 for voting machines.

Actual tax revenue exceeded the budgeted by \$6.9 million. Personal property taxes and real estate collections exceeded the estimates by \$3.8 million. Sales tax revenue exceeded the estimate by \$2.2 million. Recordation tax, which varies with home sales exceeded the expected amount by \$0.8 million. American Rescue Plan Act funds of \$9.6 million are included in the intergovernmental category but were not budgeted before June 30. Actual expenditures and transfers were \$20.2 less than the budgeted amount for several reasons, including the timing of grants and other special projects. The transfer from the general fund to the school operating fund *on the budgetary basis (cash)* was \$4.3 million less than the budgeted amount. This is due in part to the schools receiving more state and federal revenue than budgeted, which resulted in a lower than budgeted amount needed from the County and the schools spending \$1.6 million less than budgeted. The balance of the transfer to the Schools and the funds associated with 2022 outstanding purchase orders for the schools were approved by the Board of Supervisors and transferred to the Schools in fiscal year 2023.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the County had invested \$286.5 million, net of accumulated depreciation, in a variety of capital assets including buildings, park facilities, and sheriff and fire protection.

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

	Governmental Activities		Component Units	
	2022	2021	2022	2021
Non-depreciable assets				
Land	\$ 14.7	\$ 14.7	\$ 0.8	\$ 0.5
Intangible asset	-	-	0.9	0.9
Construction in progress	29.2	4.3	16.7	15.9
Depreciable capital assets				
Infrastructure	-	-	32.6	32.6
Buildings and improvements	330.5	326.4	55.4	55.0
Machinery and equipment	32.5	31.4	25.0	23.1
Accumulated depreciation	(121.9)	(111.3)	(67.9)	(66.2)
Intangible right-to-use assets:				
Leased equipment	1.4	-	0.3	-
Leased buildings	0.4	-	0.5	-
Leased land	0.1	-	-	-
Accumulated amortization	(0.4)	-	(0.3)	-
Total	\$ 286.5	\$ 265.5	\$ 64.0	\$ 61.8

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

	Balance June 30, 2021	Net Additions/ (Deletions)	Balance June 30, 2022
Non-depreciable assets			
Land	\$ 15.2	\$ 0.3	\$ 15.5
Intangible assets	0.9	-	0.9
Construction in progress	20.2	25.7	45.9
Depreciable capital assets			
Infrastructure	32.6	-	32.6
Buildings and improvements	381.4	4.5	385.9
Machinery and equipment	54.5	3.0	57.5
Accumulated depreciation	(177.5)	(12.3)	(189.8)
Intangible right-to-use assets			
Leased equipment	-	1.7	1.7
Leased buildings	-	0.9	0.9
Leased land	-	0.1	0.1
Accumulated amortization	-	(0.7)	(0.7)
Total	\$ 327.3	\$ 23.2	\$ 350.5

Governmental Activities

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

Long-Term Debt

The following table displays the Governmental and Component Unit outstanding debt at June 30, 2022, in millions of dollars:

	Governmental Activities		Component Units	
	2022	2021	2022	2021
General obligation bonds	\$ 124.7	\$ 45.1	\$ -	\$ -
Lease revenue bonds	12.0	3.6	-	-
Literary loans	-	0.3	-	-
Refunding bonds	79.6	89.8	-	-
Revenue bonds	-	-	3.7	4.0
Total	\$ 216.3	\$ 138.8	\$ 3.7	\$ 4.0

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

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

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

As of June 30, 2022, the County was in compliance with all debt policies.

ECONOMIC FACTORS

As of October 2022, the County's and state's unemployment rates were 2.7 percent and 2.8 percent, which is an increase of 0.3 percent from the previous year's rate for the County and a decrease of 0.3 percent for the state.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2022

	Primary Government	Component Units		
	Governmental Activities	Public Service Authority	School Board	Economic Development Authority
Assets				
Cash and cash equivalents (Note 4)	\$ 106,203,261	\$ 2,460,985	\$ 6,071,553	\$ 2,405,362
Receivables, net (Note 5)	5,498,868	832,086	-	-
Leases receivable	1,879,235	-	-	-
Receivables, other	-	20,000	-	-
Due from primary government	-	17,163	7,819,290	222,317
Due from other governmental units (Note 6)	3,876,785	-	3,633,750	-
Prepays	273,858	-	567,629	2,440
Inventories	-	103,886	103,333	3,983,587
Advances to component units (Note 17)	5,631,837	-	-	-
Restricted assets:				
Cash and cash equivalents (Note 4)	1,023,436	98,260	-	787,125
Investments (Note 4)	104,637,946	-	-	-
Notes receivable (Note 17)	516,627	-	-	-
Capital assets: (Note 8)				
Non-depreciable	43,933,441	2,801,384	15,577,223	-
Depreciable, net	241,033,860	12,436,917	32,350,459	283,511
Intangible, right-to-use, net	1,496,028	-	507,535	-
Total assets	516,005,182	18,770,681	66,630,772	7,684,342
Deferred Outflows of Resources				
Deferred charge on refunding	3,993,454	-	-	-
Deferred outflows related to pensions (Notes 11 and 12)	5,634,128	276,004	23,979,637	-
Deferred outflows related to other postemployment benefits (Notes 13 and 14)	655,599	49,137	4,061,110	-
Total deferred outflows of resources	10,283,181	325,141	28,040,747	-
Liabilities				
Accounts payable and accrued expenses	6,031,045	641,257	2,238,133	249,724
Accrued payroll and related liabilities	1,239,161	62,191	9,288,545	-
Accrued interest payable	2,824,467	3,762	-	-
Amounts held for others	1,023,436	-	-	-
Advances from primary government (Note 17)	-	5,728	-	5,626,109
Due to other governmental units (Note 6)	417,938	-	-	-
Due to component units	8,058,770	-	-	-
Unearned revenue	19,092,963	-	97,548	-
Customer deposits	-	98,260	-	-
Long-term liabilities due within one year (Note 9 and 17)	18,680,091	471,202	3,771,413	516,627
Non-current liabilities due in more than a year:				
Long-term liabilities (Note 9)	223,357,569	4,488,643	1,471,997	-
Lease liabilities	1,038,673	-	252,294	-
Net pension liability (Notes 11 and 12)	5,836,001	285,892	53,318,677	-
Net other postemployment benefit liability (Notes 13 and 14)	3,645,550	314,146	20,890,128	-
Total liabilities	291,245,664	6,371,081	91,328,735	6,392,460
Deferred Inflows of Resources				
Property taxes (Note 5)	661,620	-	-	-
Leases	1,879,235	-	-	-
Deferred inflows related to pensions (Notes 11 and 12)	11,530,370	564,846	40,532,103	-
Deferred inflows related to other postemployment benefits (Notes 13 and 14)	861,207	64,371	2,680,455	-
Total deferred inflows of resources	14,932,432	629,217	43,212,558	-
Net Position				
Net investments in capital assets	156,974,193	11,553,509	47,927,682	283,511
Restricted for debt service	1,450,972	-	-	-
Restricted for grants	1,733,337	-	-	-
Restricted, cash held in escrow	-	-	-	787,125
Unrestricted	59,951,765	542,015	(87,797,456)	221,246
Total net position	\$ 220,110,267	\$ 12,095,524	\$ (39,869,774)	\$ 1,291,882

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

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Public Service Authority	School Board	Economic Development Authority
Primary Government:								
Governmental activities:								
General government administration	\$ 10,111,221	\$ 181,139	\$ 556,529	\$ -	\$ (9,373,553)			
Judicial administration	4,302,290	418,238	1,649,530	-	(2,234,522)			
Public safety	20,156,558	950,241	5,538,391	-	(13,667,926)			
Public works	8,522,510	303,709	41,061	-	(8,177,740)			
Health and welfare	10,977,546	293,087	7,553,610	-	(3,130,849)			
Education	61,141,885	-	345,745	-	(60,796,140)			
Parks, recreational, and cultural	4,416,474	419,228	1,270,643	-	(2,726,603)			
Community development	2,637,527	177,679	458,566	-	(2,001,282)			
Interest on long-term debt	7,866,056	-	-	-	(7,866,056)			
Total governmental activities	\$ 130,132,067	\$ 2,743,321	\$ 17,414,075	\$ -	(109,974,671)			
Component Units:								
Public Service Authority	\$ 4,977,015	\$ 5,190,955	\$ -	\$ -		\$ 213,940	\$ -	\$ -
School Board	127,854,252	4,086,799	80,147,146	-		-	(43,620,307)	-
Economic Development Authority	2,260,993	3,491,282	-	-		-	-	1,230,289
Total component units	\$ 135,092,260	\$ 12,769,036	\$ 80,147,146	\$ -		213,940	(43,620,307)	1,230,289
General Revenues:								
General property taxes (Note 5)					105,361,429	-	-	-
Sales and use tax					12,510,891	-	-	-
Utility tax					1,568,651	-	-	-
Motor vehicle license tax					827,457	-	-	-
Other local taxes					2,019,019	-	-	-
Intergovernmental revenue, unrestricted					5,525,751	-	-	-
Investment earnings, unrestricted					1,356,782	2,429	17,446	199
Payments from Montgomery County					-	-	53,948,130	404,246
Other revenue					1,410,653	-	-	-
Total general revenues					130,580,633	2,429	53,965,576	404,445
Change in net position					20,605,962	216,369	10,345,269	1,634,734
Net position – beginning					199,504,305	11,879,155	(50,215,043)	(342,852)
Net position – ending					\$ 220,110,267	\$ 12,095,524	\$ (39,869,774)	\$ 1,291,882

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

COUNTY OF MONTGOMERY, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 84,394,248	\$ 21,809,013	\$ 106,203,261
Receivables, net	5,498,868	-	5,498,868
Lease receivable	1,879,235	-	1,879,235
Due from other governmental units	3,876,785	-	3,876,785
Advances to component unit	5,631,837	-	5,631,837
Restricted assets:			
Cash and cash equivalents	1,023,436	-	1,023,436
Investments	-	104,637,946	104,637,946
Notes receivable	516,627	-	516,627
Total assets	<u><u>\$ 102,821,036</u></u>	<u><u>\$ 126,446,959</u></u>	<u><u>\$ 229,267,995</u></u>
Liabilities			
Accounts payable and accrued liabilities	\$ 1,805,438	\$ 4,225,607	\$ 6,031,045
Accrued payroll and related liabilities	1,239,161	-	1,239,161
Due to other governmental units	417,938	-	417,938
Due to component unit	8,058,770	-	8,058,770
Unearned revenue	19,092,963	-	19,092,963
Amounts held for others	1,023,436	-	1,023,436
Total liabilities	<u>31,637,706</u>	<u>4,225,607</u>	<u>35,863,313</u>
Deferred Inflows of Resources			
Leases	1,879,235	-	1,879,235
Unavailable/unearned property taxes	4,766,787	-	4,766,787
	<u>6,646,022</u>	<u>-</u>	<u>6,646,022</u>
Fund Balances			
Nonspendable	6,148,464	-	6,148,464
Restricted	1,733,337	104,637,946	106,371,283
Committed	7,305,763	17,583,406	24,889,169
Assigned	10,593,255	-	10,593,255
Unassigned	38,756,489	-	38,756,489
Total fund balances	<u>64,537,308</u>	<u>122,221,352</u>	<u>186,758,660</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 102,821,036</u></u>	<u><u>\$ 126,446,959</u></u>	<u><u>\$ 229,267,995</u></u>

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

COUNTY OF MONTGOMERY, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

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

Ending fund balance – governmental funds	\$ 186,758,660
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	284,967,301
Right-to-use assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	1,496,028
Certain amounts are recognized as expenditures when paid in the fund statements, but are capitalized and recorded in future periods for governmental activities.	273,858
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,105,167
Deferred premiums and charges on refunding are not financial resources and, therefore, are not reported in the funds.	3,993,454
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	5,634,128
Other postemployment benefits	655,599
Deferred inflows related to:	
Pensions	(11,530,370)
Other postemployment benefits	(861,207)
Net pension liability	(5,836,001)
Net other postemployment benefit liability	(3,645,550)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(245,900,800)
Net position of governmental activities	<u><u>\$ 220,110,267</u></u>

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

COUNTY OF MONTGOMERY, VIRGINIA

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

For the Year Ended June 30, 2022

	General	County Capital Improvements	Total Governmental Funds
REVENUES			
General property taxes	\$ 105,242,661	\$ -	\$ 105,242,661
Other local taxes	16,926,019	-	16,926,019
Permits, privilege fees, and regulatory licenses	618,948	-	618,948
Fines and forfeitures	48,728	-	48,728
Revenue from use of money and property	490,234	965,045	1,455,279
Charges for services	617,142	-	617,142
Recovered costs	1,458,504	-	1,458,504
Other revenue	49,000	-	49,000
Intergovernmental	22,939,827	-	22,939,827
Total revenues	148,391,063	965,045	149,356,108
EXPENDITURES			
Current operating			
General government administration	9,712,687	-	9,712,687
Judicial administration	4,331,390	-	4,331,390
Public safety	19,830,140	-	19,830,140
Public works	6,967,845	-	6,967,845
Health and welfare	10,889,400	-	10,889,400
Education	54,149,352	-	54,149,352
Parks, recreation, and cultural	4,155,712	-	4,155,712
Community development	2,615,465	-	2,615,465
Debt service			
Principal retirement	17,445,920	-	17,445,920
Interest and fiscal charges	6,557,195	935,299	7,492,494
Capital projects	-	31,355,578	31,355,578
Total expenditures	136,655,106	32,290,877	168,945,983
Excess (deficiency) of revenues over expenditures	11,735,957	(31,325,832)	(19,589,875)
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	-	94,465,000	94,465,000
Premium on issuance of bonds	-	6,488,389	6,488,389
Inception of leases	1,884,964	-	1,884,964
Transfers in	-	11,604,874	11,604,874
Transfers out	(11,604,874)	-	(11,604,874)
Total other financing sources (uses)	(9,719,910)	112,558,263	102,838,353
Net changes in fund balances	2,016,047	81,232,431	83,248,478
FUND BALANCES AT JULY 1	62,521,261	40,988,921	103,510,182
FUND BALANCES AT JUNE 30	\$ 64,537,308	\$ 122,221,352	\$ 186,758,660

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

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

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

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

Net change in fund balances – total governmental funds		\$ 83,248,478
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$30,900,393 exceeded depreciation \$11,248,726 in the current period.		19,651,667
In the statement of activities, only the <i>gain or loss</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the <i>net book value</i> of the property sold.		(188,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,480,421
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Employer pension contributions		2,358,265
Pension expense		(2,367,042)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions		107,556
Other postemployment benefit expense		(148,407)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Issuance of general obligation bonds	(84,690,000)	
Issuance of lease revenue bonds	(9,775,000)	
Premiums on general obligation bonds	(6,488,389)	
Principal repayments		
General obligation bonds	5,147,614	
Lease revenue bonds	1,399,370	
Literary fund loans	250,000	
Refunding bonds	10,260,000	
		(83,896,405)
Governmental funds report the effect of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In statement of activities, interest is recognized as it accrues, regardless of when it is due. The net effect of those differences are as follows:		
Bond premiums and discounts	998,532	
Interest expense	(373,561)	
		624,971
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(265,173)
Change in net position of governmental activities		\$ 20,605,962

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

COUNTY OF MONTGOMERY, VIRGINIA

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

GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
General property taxes	\$ 102,073,692	\$ 102,073,692	\$ 105,834,110	\$ 3,760,418
Other local taxes	13,745,157	13,745,157	16,836,886	3,091,729
Permits, privilege fees, and regulatory licenses	696,239	696,239	617,718	(78,521)
Fines and forfeitures	50,000	50,000	45,264	(4,736)
Revenue from use of money and property	476,693	476,693	489,185	12,492
Charges for services	514,084	592,231	581,183	(11,048)
Recovered costs	725,398	801,122	1,447,008	645,886
Intergovernmental	19,856,187	23,856,688	32,436,262	8,579,574
Total revenues	138,137,450	142,291,822	158,287,616	15,995,794
EXPENDITURES				
Current operating				
Board of Supervisors	282,503	282,503	248,575	33,928
County Administration	2,139,175	4,203,976	3,045,243	1,158,733
County Attorney	392,712	441,930	416,741	25,189
Financial & Management Services	1,026,940	1,085,902	1,068,638	17,264
Insurance	210,695	215,893	201,383	14,510
Information Technology	2,166,844	2,338,276	2,302,726	35,550
Commissioner of the Revenue	1,105,510	1,857,438	1,423,214	434,224
Treasurer & Collections	1,005,587	1,058,990	1,019,699	39,291
Electoral Board/Registrar	480,599	975,953	562,322	413,631
Commonwealth Attorney	1,363,990	1,704,753	1,613,299	91,454
Circuit Court	224,704	251,665	248,166	3,499
General District Court	21,711	27,711	12,383	15,328
Juvenile & Domestic Court	20,524	24,080	8,556	15,524
Magistrate	5,000	17,342	13,961	3,381
Clerk of the Circuit Court	777,980	949,262	903,843	45,419
Sheriff	15,788,330	16,960,575	15,756,611	1,203,964
Fire & Rescue	1,494,981	1,946,686	1,749,505	197,181
Animal Care & Adoption Center	665,885	790,684	681,529	109,155
General Services	6,046,488	6,923,397	6,313,959	609,438
Engineering & Regulatory Compliance	728,853	757,515	668,255	89,260
Children's Services Act	1,651,969	1,981,969	1,886,411	95,558
Human Services	401,863	443,108	362,424	80,684
New River Valley Health District	604,488	604,488	604,488	-
Social Services	6,467,965	7,251,003	6,914,553	336,450
Parks & Recreation	1,321,070	1,382,055	1,216,032	166,023
Regional Library	2,398,052	2,963,452	2,679,968	283,484
Planning & GIS	965,982	1,707,007	1,366,254	340,753
Economic Development	850,549	8,152,432	600,348	7,552,084
Other agencies	2,804,425	4,524,403	3,029,817	1,494,586
Contingencies	544,448	339,988	-	339,988
Law Library	17,600	17,600	12,224	5,376
Montgomery County Schools	53,877,273	58,968,108	54,717,246	4,250,862
Revenue refunds	195,000	195,000	192,978	2,022
Debt service				
Principal retirement	16,540,461	17,056,984	17,056,984	-
Interest and fiscal charges	8,182,264	7,665,741	6,550,343	1,115,398
Total expenditures	132,772,420	156,067,869	135,448,678	20,619,191
Excess (deficiency) of revenues over expenditures	5,365,030	(13,776,047)	22,838,938	36,614,985
OTHER FINANCING USES				
Transfers in	408,660	408,660	-	(408,660)
Transfers out	(5,773,690)	(11,604,874)	(11,604,874)	-
Total other financing uses	(5,365,030)	(11,196,214)	(11,604,874)	(408,660)
Net change in fund balance	\$ -	\$ (24,972,261)	\$ 11,234,064	\$ 36,206,325

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

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Montgomery County School Board

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

Montgomery County Public Service Authority

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

Montgomery County Economic Development Authority

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

The following entities are excluded from the accompanying financial statements:

Jointly Governed Organizations:

New River Valley Community Services

The County and the Counties of Floyd, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services (“NRVCS”). The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the current year, the County contributed \$208,811 to NRVCS.

Virginia Tech Montgomery Executive Airport Authority

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

Montgomery Regional Solid Waste Authority

The County is a member of the Montgomery Regional Solid Waste Authority (the “Waste Authority”), which was created by a joint resolution by the County, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Waste Authority is governed by a five member board whereby the governing body of each member jurisdiction appoints one board member and all jurisdictions jointly appoint a fifth member. The Waste Authority, which began operation in August 1995, serves as a solid waste transfer station and recycling facility. Each jurisdiction provides collection of solid waste and recyclables from within its jurisdiction and delivers the collected materials to the Waste Authority. All Waste Authority operations are financed by tipping fees and the individual jurisdictions are not liable for the debt of the Waste Authority. The Waste Authority has negotiated with New River Resource Authority for shared use of a landfill with an anticipated operating life of 50 years. For the current year, the County paid \$864,593 in tipping fees to the Waste Authority.

New River Valley Metropolitan Planning Organization

The County is a member of the New River Valley Metropolitan Planning Organization (“MPO”). In 2003, the Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization was created as a transportation policy-making organization serving the Blacksburg, Christiansburg, and Montgomery area. In 2012, the MPO was expanded to also include the City of Radford and a portion of Pulaski County. The Blacksburg/Christiansburg/Montgomery Area Metropolitan Planning Organization was renamed and provides the information, tools, and public input necessary to improve the performance of the transportation system of the region. Future transportation needs are addressed, giving consideration to all possible strategies and the community’s vision. The County has three members within this organization, two of which are voting members. For the current year, the County paid \$19,800 toward operations of the MPO.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Jointly Governed Organizations: (Continued)

Western Virginia Regional Jail Authority

The County, along with the Counties of Franklin and Roanoke and the City of Salem, is a member of the Western Virginia Regional Jail Authority (WVRJA) which was created in June 2005. The WVRJA was formed to own, operate, manage, maintain, regulate, plan for and finance the regional jail. The Board consists of twelve members, three from each jurisdiction consisting of the Sheriff, one elected member of the governing body, and the chief administrative officer. The member jurisdictions are responsible for a portion of the debt service and per diem cost based on prisoner days used. For the current year, the County paid \$3,179,655 to the WVRJA.

New River Valley Emergency Communications Regional Authority

The County is a member of the New River Valley Emergency Communications Regional Authority (the "Communications Authority"). The Communications Authority is a regional partnership, serving the County of Montgomery, the Towns of Blacksburg and Christiansburg, and Virginia Tech. The Communications Authority began providing 911 dispatch and emergency communication services to the community and agencies in these localities on July 1, 2016. The Board consists of 5 members, one from each member and all members jointly appoint a fifth member. For the current year, the County paid \$926,379 toward the operations of the Communications Authority.

Montgomery Tourism Development Council

The County, along with the Towns of Blacksburg and Christiansburg, is a member of the Montgomery Tourism Development Council (the "Council"). The Council was formed to stimulate economic opportunity and enhance quality of life by celebrating and sharing the region's culture, heritage, and natural beauty through authentic visitor experiences. The operating board consists of the County Administrator and Town Managers. For the current year, the County paid \$40,652 toward the operations of the Council.

NRV Regional Water Authority

The NRV Regional Water Authority (NRVRWA) operates and maintains a water supply system for the Town of Christiansburg, Town of Blacksburg, Virginia Tech, and Montgomery County. Each governing body appoints one member to the five person Board of Directors, and one at large member. Initially, until the term of one of the current at large members expires, the Board will be comprised of six members. The Board will then be reduced to five and the one at large member will be appointed by the members of the authority. All indebtedness of the NRVRWA is payable solely from the revenues of the water system. Although the Montgomery County Public Service Authority is one of NRVRWA's customers, neither the County nor the PSA have an obligation for any of its indebtedness. During fiscal year 2022, the PSA paid \$891,924 to NRVRWA. This consists of an annual payment of \$47,522, which is the \$1,300,000 membership fee being spread over 40 years (see Note 20). The balance of \$844,402 was for water purchases.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental funds:

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

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

Receivables

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

Inventories

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and right-to-use lease assets, are reported in the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The leases section of this note provides additional information about right-to-use lease assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

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

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

Right-to-use lease assets are amortized as described in the leases section of this note.

Deferred Outflows/Inflows of Resources

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

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

Leases

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

Leases (Continued)

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

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

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

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

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

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

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Long-term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but do not recognize long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

Pensions and Other Postemployment Benefits (OPEB)

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

Estimates

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

Net Position/Fund Balances

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balances (Continued)

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

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

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

Restricted Amounts

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Fund Balance Policy

General Fund unassigned fund balance at the close of each fiscal year should be at least 12% of the General Fund plus School operating fund revenues, excluding the General Fund transfer to the School operating fund. Should the County find it necessary to access these funds in an emergency situation the unassigned fund balance would be allowed to fall below the target described above. Any appropriation which causes unassigned fund balance to drop below 12% will occur only after the County Administrator presents to the Board of Supervisors a plan and timeline for replenishing the balance to a minimum of 12%. The General Fund unassigned fund balance at June 30, 2022 was 17%.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30, 2022 total \$1,556,354 in the general fund.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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

- Prior to March 30, the County Administrator submits to the Board a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the organizational level. Each organization represents a major County function, such as County Administration, Financial and Management Services, Information Management Services, etc. Only the Board can revise the appropriation for each fund and organization. The County Administrator may amend the budget within organizations. Approval by the Board of Supervisors is required for the School Board to transfer budgeted amounts within its major categories, which include administration, instruction, attendance, health, etc.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Budgetary Information (Continued)

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

- Formal budgetary integration is employed as a management control device for the General and Capital Fund. Program and project budgets are utilized for the Capital Fund where funds remaining at the end of the year are reappropriated until project completion. The School Fund is integrated only at the level of legal adoption.
- All budgets are adopted on a cash basis.
- The Board approved additional General Fund appropriations of \$29,126,633 during the current year primarily for public safety, education, special community development projects, and capital projects.
- All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

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

	<u>Primary Government General Fund</u>	<u>Component Unit – School Board Operating</u>	<u>Cafeteria</u>
Net change in fund balance (budgetary basis)	\$ 11,234,064	\$ (34,748)	\$ 733,000
Adjustments:			
Tax and other accruals and due from other entities/funds, net of deferred/unearned revenue:			
June 30, 2022	10,757,330	11,399,291	(43,799)
June 30, 2021	(11,150,404)	(12,645,257)	(847,020)
Inventory:			
June 30, 2022	-	-	103,333
June 30, 2021	-	-	(106,243)
Accounts, salaries, and other amounts payable to other entities/funds:			
June 30, 2022	(30,614,270)	(11,399,291)	(208,897)
June 30, 2021	21,789,327	11,715,278	1,100,415
Net change in fund balance (GAAP basis)	<u>\$ 2,016,047</u>	<u>\$ (964,727)</u>	<u>\$ 730,789</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

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

Expenditures of School Board – Component Unit (Exhibit A-5)	\$ 130,949,628
Principal and other debt service expenditures included in primary Government (Exhibit 4)	<u>21,062,338</u>
Total expenditures for school activities	<u>\$ 152,011,966</u>

Note 4. Deposits and Investments

Deposits

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

Investments

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Deposits and Investments (Continued)

Investments (Continued)

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

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

	<u>Fair Value</u>	<u>Standard and Poor's Credit Rating</u>	<u>Percentage of Portfolio</u>
Primary Government			
Demand deposits	\$ 107,226,697	NA	51%
Money market accounts	104,637,946	AAAm	49
Total	<u>\$ 211,864,643</u>		<u>100%</u>
Component Units			
PSA			
Demand deposits	<u>\$ 2,559,245</u>	NA	<u>100%</u>
School Board			
Demand deposits	<u>\$ 6,071,553</u>	NA	<u>100%</u>

Deposits and investments are reflected in the statements as follows:

	<u>Primary Government</u>	<u>Component Unit – PSA</u>	<u>Component Unit – School Board</u>
Deposits and investments			
Cash and cash equivalents	\$ 106,203,261	\$ 2,460,985	\$ 6,071,553
Investments, restricted	104,637,946	-	-
Cash and cash equivalents, restricted	1,023,436	98,260	-
	<u>\$ 211,864,643</u>	<u>\$ 2,559,245</u>	<u>\$ 6,071,553</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Deposits and Investments (Continued)

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Custodial Credit Risk

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

Restricted Amounts

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5. Receivables

Leases Receivable

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

		Component Unit		
		Public Service Authority		
	General	Water	Wastewater	
Taxes	\$ 5,922,583	\$ -	\$ -	
Accounts	1,439,208	595,316	360,770	
Gross receivables	7,361,791	595,316	360,770	
Allowance for uncollectibles	(1,862,923)	(78,000)	(46,000)	
Net receivables	<u>\$ 5,498,868</u>	<u>\$ 517,316</u>	<u>\$ 314,770</u>	

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is approximately 31% of the total taxes receivable and is based on historical collection rates.

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

Unavailable	\$ 4,105,167
Unearned	661,620
Total	<u>\$ 4,766,787</u>

Lease Receivables

In fiscal year 2022, the County implemented the guidance in GASB No. 87, Leases, for accounting and reporting of leases that had previously been reported as operating and capital leases. The County, as a lessor, has entered into lease agreements involving a County owned office space and space on a County-owned antenna. The total amount of inflows of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$191,292.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Lease receivable	\$ -	\$ 2,063,078	\$ 183,843	\$ 1,879,235

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5. Receivables (Continued)

Property Taxes

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

Real estate taxes are billed in equal semi-annual installments due June 5 and December 5. The taxes receivable balance at June 30 includes amounts not yet received from the January 1 levy (due June 5), less an allowance for uncollectible amounts. Property taxes attach an enforceable lien on property as of January 1. In addition, any uncollected amounts from previous years' levies are included in the taxes receivable balance. The real estate tax rate for calendar year 2022 is \$0.89 per \$100 of assessed value.

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

Note 6. Due to/from Other Governmental Units

Due to other governmental units consists of the following:

	General Fund
<u>Commonwealth of Virginia:</u>	
Governor's Opportunity Fund	\$ 380,000
Delinquent fees collected by the Commonwealth's Attorney	37,938
	<u>\$ 417,938</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Due from other governmental units consists of the following:

	General Fund	Component Unit – School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 1,971,069	\$ -
State sales tax	-	2,639,648
Categorical aid	682,577	-
Non-categorical aid	277,136	-
Excess clerk fees	80,000	-
Virginia public assistance funds	177,649	-
Comprehensive services act	326,711	-
<u>Federal Government:</u>		
Virginia public assistance funds	298,879	-
Categorical aid	62,764	994,102
	<u>\$ 3,876,785</u>	<u>\$ 3,633,750</u>

Note 7. Interfund Balances and Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
County Capital	General	\$ 11,604,874

Transfers to the County Capital fund from the General fund were to support capital projects including Auburn Park, Garage/Maintenance Facility, major fire and rescue equipment, capital maintenance projects, information technology systems and future unspecified school and county projects.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Capital Assets

Capital asset activity for the year was as follows:

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 14,679,564	\$ -	\$ -	\$ 14,679,564
Construction in progress	4,339,271	28,628,457	(3,713,851)	29,253,877
Total capital assets, not depreciated	19,018,835	28,628,457	(3,713,851)	43,933,441
Capital assets, depreciated:				
Buildings and improvements	326,408,932	4,054,209	-	330,463,141
Machinery and equipment	31,374,554	1,931,578	(819,736)	32,486,396
Total capital assets, depreciated	357,783,486	5,985,787	(819,736)	362,949,537
Less accumulated depreciation:				
Buildings and improvements	91,655,524	9,163,696	-	100,819,220
Machinery and equipment	19,642,794	2,085,030	(631,367)	21,096,457
Total accumulated depreciation	111,298,318	11,248,726	(631,367)	121,915,677
Total capital assets, depreciated, net	246,485,168	(5,262,939)	(188,369)	241,033,860
Intangible right-to-use assets:				
Leased equipment	-	1,384,065	-	1,384,065
Leased buildings	-	444,566	-	444,566
Leased land	-	56,333	-	56,333
Total intangible right-to-use	-	1,884,964	-	1,884,964
Less accumulated amortization:				
Leased equipment	-	291,532	-	291,532
Leased buildings	-	84,684	-	84,684
Leased land	-	12,720	-	12,720
Total accumulated amortization	-	388,936	-	388,936
Total intangible right-to-use, net	-	1,496,028	-	1,496,028
Capital assets, net	<u>\$265,504,003</u>	<u>\$ 24,861,546</u>	<u>\$ (3,902,220)</u>	<u>\$286,463,329</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Capital Assets (Continued)

Primary Government (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 276,179
Judicial administration	5,884
Public safety	1,511,032
Public works	2,206,645
Health and welfare	153,462
Education	6,798,167
Parks, recreation, and cultural	281,718
Community development	<u>15,639</u>
	<u><u>\$ 11,248,726</u></u>

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

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Balance</u>
Garage/Maintenance Facility	\$ 3,513,218	\$ 915,632
Auburn Park	1,530,168	60,332
Commissioner of Revenue Office Renovations	40,786	82,092

Intangible Right-to-Use Assets

In fiscal year 2022, the County implemented the guidance in GASB Statement No. 87, *Leases*, and recognized right-to-use assets for the value of equipment, buildings, and land leased under long-term contracts. The intangible right-to-use assets are being amortized over the lease term for each lease. Terms of the leases are described in Note 9.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Capital Assets (Continued)

Component Unit – Public Service Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land, improvements, and rights	\$ 340,389	\$ -	\$ (18,000)	\$ 322,389
Construction in progress	767,325	834,670	-	1,601,995
Intangible asset (Note 20)	877,000	-	-	877,000
Total capital assets, not depreciated	1,984,714	834,670	(18,000)	2,801,384
Capital assets, depreciated:				
Wastewater systems	17,421,620	-	-	17,421,620
Water systems	15,216,222	-	-	15,216,222
Buildings and improvements	267,622	-	-	267,622
Machinery and equipment	1,844,645	-	-	1,844,645
Total capital assets, depreciated	34,750,109	-	-	34,750,109
Less accumulated depreciation:				
Wastewater systems	11,621,044	408,405	-	12,029,449
Water systems	8,621,515	372,855	-	8,994,370
Buildings and improvements	180,385	12,290	-	192,675
Machinery and equipment	996,393	100,305	-	1,096,698
Less accumulated depreciation	21,419,337	893,855	-	22,313,192
Total capital assets, depreciated, net	13,330,772	(893,855)	-	12,436,917
Capital assets, net	<u>\$ 15,315,486</u>	<u>\$ (59,185)</u>	<u>\$ (18,000)</u>	<u>\$ 15,238,301</u>

Depreciation expense was charged to functions as follows:

Water	\$ 423,232
Wastewater	470,623
	<u>\$ 893,855</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Capital Assets (Continued)

Component Unit – School Board

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 220,297	\$ 302,805	\$ -	\$ 523,102
Construction in progress	15,103,485	-	(49,364)	15,054,121
Total capital assets, not depreciated	15,323,782	302,805	(49,364)	15,577,223
Capital assets, depreciated:				
Buildings and improvements	54,186,955	370,827	-	54,557,782
Machinery and equipment	21,222,818	2,600,550	(672,748)	23,150,620
Total capital assets, depreciated	75,409,773	2,971,377	(672,748)	77,708,402
Less accumulated depreciation:				
Buildings and improvements	32,656,959	263,119	-	32,920,078
Machinery and equipment	11,913,863	1,196,750	(672,748)	12,437,865
Total accumulated depreciation	44,570,822	1,459,869	(672,748)	45,357,943
Total capital assets, depreciated, net	30,838,951	1,511,508	-	32,350,459
Intangible right-to-use assets:				
Leased equipment	-	253,746	-	253,746
Leased buildings	-	516,070	-	516,070
Total Intangible right-to-use	-	769,816	-	769,816
Less accumulated amortization:				
Leased equipment	-	69,185	-	69,185
Leased buildings	-	193,096	-	193,096
Total accumulated amortization	-	262,281	-	262,281
Total intangible Right-to-use, net	-	507,535	-	507,535
Capital assets, net	<u>\$ 46,162,733</u>	<u>\$ 2,321,848</u>	<u>\$ (49,364)</u>	<u>\$ 48,435,217</u>

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Capital Assets (Continued)

Component Unit – School Board (Continued)

Intangible Right-to-Use Assets

In fiscal year 2022, the Schools implemented the guidance in GASB Statement No. 87, Leases, and recognized right to-use assets for the value of equipment and buildings leased under long-term contracts. The intangible right-to-use assets are being amortized over the lease term for each lease. Terms of the leases are described in Note 9.

Note 9. Long-Term Liabilities

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

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
General obligation bonds	\$ 45,129,084	\$ 84,690,000	\$ (5,147,614)	\$ 124,671,470	\$ 3,250,294
Lease revenue bonds	3,610,023	9,775,000	(1,399,370)	11,985,653	1,868,475
Literary fund loans	250,000	-	(250,000)	-	-
Refunding bonds	89,810,000	-	(10,260,000)	79,550,000	10,350,000
Lease liability	-	1,884,964	(388,936)	1,496,028	457,355
Issuance premiums	15,487,641	6,488,389	(1,558,645)	20,417,385	-
Landfill post-closure (Note 10)	1,133,844	49,336	-	1,183,180	113,135
Compensated absences	3,507,209	2,906,240	(2,640,832)	3,772,617	2,640,832
Governmental activities long-term liabilities	<u>\$ 158,927,801</u>	<u>\$ 105,793,929</u>	<u>\$ (21,645,397)</u>	<u>\$ 243,076,333</u>	<u>\$ 18,680,091</u>
Component Unit – Public Service Authority					
Revenue bonds	\$ 3,993,137	\$ -	\$ (308,345)	\$ 3,684,792	\$ 315,984
Note payable	35,941	-	(35,941)	-	-
Membership fee payable (Note 20)	1,115,272	-	(25,216)	1,090,056	25,721
Compensated absences	165,437	135,365	(115,805)	184,997	129,497
Component Unit – Public Service Authority long-term liabilities	<u>\$ 5,309,787</u>	<u>\$ 135,365</u>	<u>\$ (485,307)</u>	<u>\$ 4,959,845</u>	<u>\$ 471,202</u>
Component Unit – School Board					
Lease liability	\$ -	\$ 769,816	\$ (262,281)	\$ 507,535	\$ 255,241
Compensated absences	4,880,505	3,599,383	(3,491,719)	4,988,169	3,516,172
Component unit – School Board long-term liabilities	<u>\$ 4,880,505</u>	<u>\$ 4,369,199</u>	<u>\$ (3,754,000)</u>	<u>\$ 5,495,704</u>	<u>\$ 3,771,413</u>

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	General Obligation Bonds		Lease Revenue Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,250,294	\$ 4,896,589	\$ 1,868,475	\$ 376,746	\$ 10,350,000	\$ 3,562,425
2024	3,295,294	5,660,091	1,067,178	409,808	10,135,000	3,067,800
2025	3,345,294	5,609,841	335,000	378,338	9,950,000	2,561,050
2026	4,420,294	5,557,091	350,000	361,588	8,935,000	2,063,550
2027	6,220,294	5,445,591	370,000	344,088	7,620,000	1,616,800
2028-2032	31,400,000	19,040,219	2,130,000	1,425,438	32,560,000	3,225,000
2033-2037	35,175,000	9,901,544	2,670,000	890,038	-	-
2038-2042	37,565,000	3,734,644	3,195,000	357,613	-	-
	<u>\$ 124,671,470</u>	<u>\$59,845,610</u>	<u>\$ 11,985,653</u>	<u>\$ 4,543,657</u>	<u>\$ 79,550,000</u>	<u>\$ 16,096,625</u>

Year Ended June 30	Revenue Bonds		Membership Fee Payable	
	Principal	Interest	Principal	Interest
2023	\$ 315,984	\$ 86,745	\$ 25,721	\$ 21,801
2024	323,813	78,916	26,236	21,287
2025	331,836	70,893	26,760	20,762
2026	340,058	62,671	27,296	20,227
2027	348,484	54,245	27,842	19,681
2028 – 2032	1,833,029	138,617	147,786	89,825
2033 – 2037	191,588	1,371	163,168	74,444
2038 – 2042	-	-	180,151	57,461
2043 – 2047	-	-	198,901	38,711
2048 – 2052	-	-	219,603	18,009
2053	-	-	46,592	932
	<u>\$ 3,684,792</u>	<u>\$ 493,458</u>	<u>\$ 1,090,056</u>	<u>\$ 383,140</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Public Service Authority
General Obligation Bonds:						
Qualified School Construction Bonds	- %	11/13/09	2027	\$ 8,249,998	\$ 2,426,470	\$ -
Qualified School Construction Bonds	-	07/08/11	2027	13,370,000	4,525,000	-
Virginia Public School Authority Bonds	4.0 – 5.0	12/06/11	2032	86,115,000	7,500,000	-
Virginia Public School Authority Bonds	2.25 – 5.0	10/24/19	2040	27,315,000	25,530,000	-
Virginia Public School Authority Bonds	3.50 – 5.0	04/26/22	2042	84,690,000	84,690,000	-
					<u>\$ 124,671,470</u>	<u>\$ -</u>
Revenue Bonds:						
Lease Revenue Bond	4.2%	01/14/04	2024	\$ 5,000,000	\$ 553,478	\$ -
Lease Revenue Bond	4.2	01/14/04	2024	5,000,000	553,478	-
Lease Revenue Bond	4.2	01/14/04	2024	10,000,000	1,103,697	-
Lease Revenue Bond	3.25 – 5.0	05/11/22	2042	9,775,000	9,775,000	-
Water and Sewer Refunding Bond	2.45	03/28/13	2032	6,275,000	-	3,684,792
					<u>\$ 11,985,653</u>	<u>\$ 3,684,792</u>
Refunding Bonds:						
Refunding Bond	3.0 - 5.0%	07/09/09	2021	\$ 12,705,000	\$ 1,220,000	\$ -
Refunding Bond	4.7	02/03/16	2029	32,835,000	20,475,000	-
Refunding Bond	4.3	11/10/16	2032	64,605,000	57,855,000	-
					79,550,000	-
Plus bond premium					20,417,385	-
					<u>\$ 99,967,385</u>	<u>\$ -</u>

Current year bonds:

On April 26, 2022, the County issued \$84,690,000 in Virginia Public School Authority general obligation bonds. The net proceeds of \$90,000,000 (including an issuance premium of \$5,931,167 and net of \$621,167 issuance costs), with an average interest rate of 3.836%, will be used to renovate Christiansburg High School.

On May 11, 2022, the County issued \$9,775,000 in lease revenue bonds. The net proceeds of \$10,000,000 (including an issuance premium of \$557,222 and net of \$332,222 issuance costs), with an average interest rate of 3.957%, will be used to fund various county capital projects.

Leases Payable – County

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Leases Payable – County (Continued)

On October 1, 2020, the County entered into a 72 month lease as Lessee for the use of an office building. An initial lease liability was recorded in the amount of \$444,566. As of June 30, 2022, the value of the lease liability is \$362,148. The County is required to make monthly fixed payments of \$7,046 through September 30, 2023, increasing to \$7,257 a month through September 30, 2026. The lease has an interest rate of 0.5773%. The value of the right to use asset as of year end of \$359,882 with accumulated amortization of \$84,684 is included with Buildings on the Lease Class activities table found below. The County has 1 extension option, for 36 months.

On November 1, 2020, the County entered into a 60 month lease as Lessee for the use of land. An initial lease liability was recorded in the amount of \$30,311. As of June 30, 2022, the value of the lease liability is \$23,223. The County is required to make monthly fixed payments of \$600. The lease has an interest rate of 0.4570%. The value of the right to use asset as of year end of \$23,183 with accumulated amortization of \$7,128 is included with Land on the Lease Class activities table found below. The County has 3 extension options, each for 12 months.

On April 1, 2018, the County entered into an 120 month lease as Lessee for the use of land. An initial lease liability was recorded in the amount of \$17,559. As of June 30, 2022, the value of the lease liability is \$15,195. The County is required to make monthly fixed payments of \$212 through March 31, 2023, increasing 2.5% each year. The lease has an interest rate of 0.8333%. The value of the right to use asset as of year end of \$14,955 with accumulated amortization of \$2,604 is included with Land on the Lease Class activities table found below. The County has 1 extension option, each for 60 months.

On May 1, 2004, the County entered into a 240 month lease as Lessee for the use of land. An initial lease liability was recorded in the amount of \$8,463. As of June 30, 2022, the value of the lease liability is \$5,485. The County is required to make annual fixed payments of \$3,000. The lease has an interest rate of 0.3147%. The value of the right to use asset as of year end of \$5,475 with accumulated amortization of \$2,988 is included with Land on the Lease Class activities table found below. After the expiration of the initial term at April 30, 2024, the lease reverts to automatic renewal on a year-to-year basis.

On January 1, 2021, the County entered into a 48 month lease as Lessee for the use of equipment. An initial lease liability was recorded in the amount of \$389,981. As of June 30, 2022, the value of the lease liability is \$279,228. The County is required to make monthly annual payments of \$112,540. The lease has an interest rate of 0.5773%. The value of the right to use asset as of year end of \$278,561 with accumulated amortization of \$111,420 is included with Equipment on the Lease Class activities table found below.

On September 1, 2021, the County entered into a 48 month lease as Lessee for the use of equipment. An initial lease liability was recorded in the amount of \$742,475. As of June 30, 2022, the value of the lease liability is \$604,063. The County is required to make monthly annual payments of \$187,284. The lease has an interest rate of 0.4570%. The value of the right to use asset as of year end of \$603,263 with accumulated amortization of \$139,212 is included with Equipment on the Lease Class activities table found below.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Leases Payable – County (Continued)

The County also has leases for various equipment for periods expiring December 2022 through March 2027. The County uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 8. The related debt as well as principal and interest requirements to maturity are disclosed below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Equipment	\$ 1,384,065	\$ 291,532
Building	444,566	84,684
Land	56,333	12,720
Total Leases	<u>\$ 1,884,964</u>	<u>\$ 388,936</u>

Principal and Interest Requirements to Maturity

Year Ended June 30	Governmental Activities		Total Payments
	Principal	Interest	
2023	\$ 457,355	\$ 7,916	\$ 465,271
2024	444,512	5,356	449,868
2025	379,482	2,846	382,328
2026	169,423	1,080	170,503
2027	43,124	186	43,310
2028 – 2032	2,132	6	2,138
	<u>\$ 1,496,028</u>	<u>\$ 17,390</u>	<u>\$ 1,513,418</u>

Leases Payable – Schools

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On June 1, 2021, the Schools entered into a 36 month lease as Lessee for the use of a building. An initial lease liability was recorded in the amount of \$483,126. As of June 30, 2022, the value of the lease liability is \$321,406. The Schools is required to make monthly fixed payments of \$13,666. The lease has an interest rate of 0.7270%. The value of the right to use asset as of year end of \$483,126 with accumulated amortization of \$165,643 is included with Buildings on the Lease Class activities table found below. The Schools has 2 extension options, each for 36 months.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Long-Term Liabilities (Continued)

Leases Payable – Schools (Continued)

On September 1, 2021, the Schools entered into a 12 month lease as Lessee for the use of a building. An initial lease liability was recorded in the amount of \$32,944. As of June 30, 2022, the value of the lease liability is \$5,497. The Schools is required to make monthly fixed payments of \$2,750. The lease has an interest rate of 0.3710%. The value of the right to use asset as of year end of \$32,944 with accumulated amortization of \$27,453 is included with Buildings on the Lease Class activities table found below. The Schools has 12 extension options, each for 1 month.

The Schools also have leases for various equipment for periods expiring January 2023 through December 2026. The Schools uses its estimated incremental borrowing rate as the discount rate unless an interest rate is explicitly stated in each lease. The value of right to use lease asset balances and related accumulated amortization as of year-end are disclosed in Note 8. The related debt as well as principal and interest requirements to maturity are disclosed below.

Amount of Lease Assets by Major Classes of Underlying Asset

Asset Class	As of Fiscal Year-end	
	Lease Asset Value	Accumulated Amortization
Equipment	\$ 253,746	\$ 69,185
Building	516,070	193,096
Total Leases	<u>\$ 769,816</u>	<u>\$ 262,281</u>

Principal and Interest Requirements to Maturity

Year Ended June 30	Governmental Activities		Total Payments
	Principal	Interest	
2023	\$ 255,241	\$ 3,007	\$ 258,248
2024	213,517	1,206	214,723
2025	19,176	322	19,498
2026	15,240	144	15,384
2027	4,361	10	4,371
	<u>\$ 507,535</u>	<u>\$ 4,689</u>	<u>\$ 512,224</u>

Note 10. Landfill Post-Closure Care

The County maintains the Thompson and Mid County Landfills, which were closed in 1993 and 1997, respectively. State and federal laws and regulations required the County to perform certain maintenance and monitoring functions at the site for ten years after closure. Certain contaminants and a high concentration of gas were detected at the landfills in prior years; therefore, the Department of Environmental Quality required an additional ten-year monitoring period. During 2013, the monitoring period was extended for another ten years. The \$1,183,180 reported post-closure care liability represents what it would cost to perform all post-closure care in 2022. Actual costs may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans

Primary Government – County

Plan Description

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>334</u>
Inactive members:	
Vested inactive members	90
Non-vested inactive members	76
Inactive members active elsewhere in VRS	<u>203</u>
Total inactive members	369
Active members	<u>392</u>
Total covered employees	<u><u>1,095</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2022 was 12.44% 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 political subdivision were \$2,358,265 and \$2,391,422 for the years ended June 30, 2022 and June 30, 2021, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

Actuarial Assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

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

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.39 %

- * The above allocation provides for a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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 at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the actuarially determined employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever is greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 98,482,696	\$ 78,885,305	\$ 19,597,391
Changes for the year:			
Service cost	2,183,508	-	2,183,508
Interest	6,503,321	-	6,503,321
Changes in assumptions	3,512,742	-	3,512,742
Differences between expected and actual experience	(1,197,793)	-	(1,197,793)
Contributions – employer	-	2,294,175	(2,294,175)
Contributions – employee	-	918,567	(918,567)
Net investment income	-	21,602,161	(21,602,161)
Benefit payments, including refunds of employee contributions	(4,727,172)	(4,727,172)	-
Administrative expenses	-	(53,769)	53,769
Other changes	-	2,034	(2,034)
Net changes	6,274,606	20,035,996	(13,761,390)
Balances at June 30, 2021	\$ 104,757,302	\$ 98,921,301	\$ 5,836,001

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability (asset)	<u>\$ 19,991,270</u>	<u>\$ 5,836,001</u>	<u>\$ (5,805,248)</u>

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

For the year ended June 30, 2022, the political subdivision recognized pension expense of \$2,286,839. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 878,663	\$ 799,380
Change in assumptions	2,397,200	-
Net difference between projected and actual earnings on pension plan investments	-	10,730,990
Employer contributions subsequent to the measurement date	<u>2,358,265</u>	<u>-</u>
Total	<u><u>\$ 5,634,128</u></u>	<u><u>\$ 11,530,370</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Primary Government – County (Continued)

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

The \$2,358,265 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	\$ (823,008)
2024	(1,691,108)
2025	(2,484,520)
2026	(3,255,871)
2027	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Component Unit – Public Service Authority

Plan Description

All full-time, salaried permanent employees of the Montgomery County Public Service Authority, (the "Component Unit") are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Component Unit – Public Service Authority (Continued)

Contributions

The component unit's contractually required contribution rate for the year ended June 30, 2022 was 12.44% 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 component unit were \$115,526 and \$113,209 for the years ended June 30, 2022 and June 30, 2021, respectively.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 4,830,261	\$ 3,902,528	\$ 927,733
Changes for the year:			
Service cost	101,840	-	101,840
Interest	303,320	-	303,320
Changes in assumptions	163,837	-	163,837
Differences between expected and actual experience	(55,866)	-	(55,866)
Contributions – employer	-	107,002	(107,002)
Contributions – employee	-	42,843	(42,843)
Net investment income	-	1,007,540	(1,007,540)
Benefit payments, including refunds of employee contributions	(220,479)	(220,479)	-
Administrative expenses	-	(2,508)	2,508
Other changes	-	95	(95)
Net changes	292,652	934,493	(641,841)
Balances at June 30, 2021	\$ 5,122,913	\$ 4,837,021	\$ 285,892

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Component Unit – Public Service Authority (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Component Unit's net pension liability (asset)	\$ 979,325	\$ 285,892	\$ (284,385)

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

For the year ended June 30, 2022, the political subdivision recognized pension expense of \$112,027. At June 30, 2022, the component unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 43,045	\$ 39,160
Change in assumptions	117,433	-
Net difference between projected and actual earnings on pension plan investments	-	525,686
Employer contributions subsequent to the measurement date	<u>115,526</u>	<u>-</u>
Total	<u>\$ 276,004</u>	<u>\$ 564,846</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Component Unit – Public Service Authority (Continued)

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

The \$115,526 reported as deferred outflows of resources related to pensions resulting from the component unit's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	\$ (40,317)
2024	(82,844)
2025	(121,711)
2026	(159,496)
2027	-
Thereafter	-

School Nonprofessionals

Plan Description

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>164</u>
Inactive members:	
Vested inactive members	17
Non-vested inactive members	83
Inactive members active elsewhere in VRS	<u>77</u>
Total inactive members	177
Active members	<u>134</u>
Total covered employees	<u><u>475</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2022 was 10.31% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

Contributions to the pension plan from the school division were \$458,903 and \$471,007 for the years ended June 30, 2022 and June 30, 2021, respectively.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2020	\$ 26,720,548	\$ 21,609,932	\$ 5,110,616
Changes for the year:			
Service cost	397,042	-	397,042
Interest	1,756,489	-	1,756,489
Changes of assumptions	1,046,571	-	1,046,571
Differences between expected and actual experience	(437,607)	-	(437,607)
Contributions – employer	-	472,050	(472,050)
Contributions – employee	-	227,896	(227,896)
Net investment income	-	5,851,591	(5,851,591)
Benefit payments, including refunds of employee contributions	(1,396,986)	(1,396,986)	-
Administrative expenses	-	(14,840)	14,840
Other changes	-	549	(549)
Net changes	1,365,509	5,140,260	(3,774,751)
Balances at June 30, 2021	\$ 28,086,057	\$ 26,750,192	\$ 1,335,865

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability (asset)	\$ 4,866,265	\$ 1,335,865	\$ (1,583,351)

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

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

For the year ended June 30, 2022, the school division recognized pension expense of \$(133,111). At June 30, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 213,350
Change in assumptions	507,101	-
Net difference between projected and actual earnings on pension plan investments	-	2,895,268
Employer contributions subsequent to the measurement date	<u>458,903</u>	<u>-</u>
Total	<u><u>\$ 966,004</u></u>	<u><u>\$ 3,108,618</u></u>

The \$458,903 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Reduction to Pension Expense
2023	\$ (383,775)
2024	(660,183)
2026	(674,175)
2026	(883,384)
2027	-
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

School Nonprofessionals (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Teacher Cost Sharing Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2022 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 employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$10,403,180 and \$9,462,900 for the years ended June 30, 2022 and June 30, 2021, respectively.

In June 2021, the Commonwealth made a special contribution of approximately \$61.3 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 552 of the 2021 Appropriation Act, and is classified as a non-employer contribution.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Teacher Cost Sharing Plan (Continued)

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

At June 30, 2022, the school division reported a liability of \$51,982,812 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2021 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the school division's proportion was 0.6696% as compared to 0.6610% at June 30, 2020.

For the year ended June 30, 2022, the school division recognized pension expense of \$2,081,630. 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, 2022, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,427,487
Change in assumptions	9,107,058	-
Net difference between projected and actual earnings on pension plan investments	-	32,757,506
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,503,395	238,492
Employer contributions subsequent to the measurement date	<u>10,403,180</u>	<u>-</u>
Total	<u><u>\$ 23,013,633</u></u>	<u><u>\$ 37,423,485</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Teacher Cost Sharing Plan (Continued)

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

The \$10,403,180 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2023	\$ (5,384,092)
2024	(4,899,307)
2025	(5,712,662)
2026	(8,828,132)
2027	11,161
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2021, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 53,381,141
Plan Fiduciary Net Position	<u>45,617,878</u>
Employers' Net Pension Liability	<u>\$ 7,763,263</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.46%

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Defined Benefit Pension Plans (Continued)

Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 100,321,867</u>	<u>\$ 51,982,812</u>	<u>\$ 12,215,457</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 12. Summary of Pension Elements

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

	<u>Governmental Activities</u>	<u>Public Service Authority</u>	<u>School Board</u>
Net pension liability			
VRS Basic Pension Plan	\$ (5,836,001)	\$ (285,892)	\$ (53,318,677)
Deferred outflows of resources			
Difference between expected and actual experience	\$ 878,663	\$ 43,045	\$ -
Change in assumptions	2,397,200	117,433	9,614,159
Change in proportion	-	-	3,503,395
Pension contributions subsequent to measurement date	2,358,265	115,526	10,862,083
Total deferred outflows of resources	<u>\$ 5,634,128</u>	<u>\$ 276,004</u>	<u>\$ 23,979,637</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ (799,380)	\$ (39,160)	\$ (4,640,837)
Net difference between projected and actual earnings on plan investments	(10,730,990)	(525,686)	(35,652,774)
Change in proportion	-	-	(238,492)
Total deferred inflows of resources	<u>\$ (11,530,370)</u>	<u>\$ (564,846)</u>	<u>\$ (40,532,103)</u>
Net pension expense	<u>\$ 2,286,839</u>	<u>\$ 112,027</u>	<u>\$ 1,948,519</u>

Note 13. Other Postemployment Benefits Liability

Local Plans – County and Public Service Authority

Plan Description and Benefits Provided

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>66</u>
Total inactive employees	66
Active plan members	<u>416</u>
	<u><u>482</u></u>

Total OPEB Liability

The County and Public Service Authority's total OPEB liability of \$2,560,041 and \$262,162, respectively, were measured as of June 30, 2022 and were determined based on an actuarial valuation performed as of July 1, 2021.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50 %
Salary increases, including inflation	3.50 % - 5.35 %
Healthcare cost trend rates	3.90 % - 5.60 %
Retirees' share of benefit-related costs	100 %
Mortality rates	.016 % - .970 %

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of VRS experience studies for the period from July 1, 2012 through June 30, 2016.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Changes in assumptions and other inputs since the July 1, 2019 valuation include:

- The healthcare trend assumption was updated. These rates are consistent with information from the Getzen Trend Mode, Milliman's Health Cost Guidelines, and actuarial judgement.

Changes in the Total OPEB Liability

County

Balance at June 30, 2021	\$ 2,832,053
Changes for the year:	
Service cost	136,355
Interest	63,088
Economic/demographic gains or losses	49,698
Assumption or other input changes	(425,308)
Benefit payments	(95,845)
Net changes	(272,012)
Balance at June 30, 2022	\$ 2,560,041

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

Changes in the Total OPEB Liability (Continued)

Public Service Authority

Balance at June 30, 2021	\$ 290,018
Changes for the year:	
Service cost	13,963
Interest	6,461
Economic/demographic gains or losses	5,089
Assumption or other input changes	(43,554)
Benefit payments	(9,815)
Net changes	(27,856)
Balance at June 30, 2022	\$ 262,162

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

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

	<u>1.00% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1.00% Increase (3.16%)</u>
County			
Total OPEB liability	\$ 2,845,654	\$ 2,560,041	\$ 2,311,757
Public Service Authority			
Total OPEB liability	\$ 291,411	\$ 262,162	\$ 236,737

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

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

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

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1.00% Increase</u>
County			
Total OPEB liability	<u>\$ 2,232,314</u>	<u>\$ 2,560,041</u>	<u>\$ 2,956,856</u>
Public Service Authority			
Total OPEB liability	<u>\$ 228,601</u>	<u>\$ 262,162</u>	<u>\$ 302,799</u>

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

For the year ended June 30, 2022, the County and Public Service Authority recognized OPEB expense of \$198,852 and \$20,364, respectively. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

County	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 34,612	\$ 424,240
Economic/demographic gains	<u>290,801</u>	<u>-</u>
Total	<u>\$ 325,413</u>	<u>\$ 424,240</u>
Public Service Authority	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 3,545	\$ 43,445
Economic/demographic gains	<u>29,780</u>	<u>-</u>
Total	<u>\$ 33,325</u>	<u>\$ 43,445</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – County and Public Service Authority (Continued)

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

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

County:

Year Ending June 30,	Reduction to OPEB Expense
2023	\$ (591)
2024	(1,289)
2025	(2,919)
2026	(2,919)
2027	(2,919)
Thereafter	(88,190)

Public Service Authority:

Year Ending June 30,	Reduction to OPEB Expense
2023	\$ (60)
2024	(132)
2025	(299)
2026	(299)
2027	(299)
Thereafter	(9,031)

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board

Plan Description and Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>62</u>
Total inactive employees	62
Active plan members	<u>1,405</u>
	<u><u>1,467</u></u>

Total OPEB Liability

The School Board's total OPEB liability of \$8,307,848 was measured as of June 30, 2022 and was determined based on an actuarial valuation performed as of July 1, 2021.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation	3.5% - 5.95%
Healthcare cost trend rates	3.9% - 5.0%
Retirees' share of benefit-related costs	0% - 100%
Mortality rates	.014% - 9.70%

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

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

Changes in assumptions and other inputs since the July 1, 2019 valuation include:

- The healthcare trend assumption was updated. These rates are consistent with information from the Getzen Trend Mode, Milliman's Health Cost Guidelines, and actuarial judgement.

Changes in the Total OPEB Liability

Balance at June 30, 2021	<u>\$ 9,221,062</u>
Changes for the year:	
Service cost	545,360
Interest	203,763
Economic/demographic gains/losses	(589,763)
Assumption or other input changes	(403,112)
Benefit payments	<u>(669,462)</u>
Net changes	<u>(913,214)</u>
Balance at June 30, 2022	<u><u>\$ 8,307,848</u></u>

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COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current discount rate:

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
Total OPEB liability	\$ 8,834,716	\$ 8,307,848	\$ 7,806,138

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

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

	1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
Total OPEB liability	\$ 7,458,783	\$ 8,307,848	\$ 9,298,018

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

For the year ended June 30, 2022, the School Board recognized OPEB expense of \$980,932. At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 344,817	\$ 512,163
Change in assumptions	1,029,834	395,895
Total	\$ 1,374,651	\$ 908,058

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Local Plans – School Board (Continued)

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

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2023	\$ 231,809
2024	229,029
2025	226,248
2026	119,177
2027	(130,641)
Thereafter	(209,029)

Virginia Retirement System Plans – County and Public Service Authority

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

Plan Descriptions

Group Life Insurance Program

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

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2022 Contribution – County	\$ 107,556
June 30, 2021 Contribution – County	\$ 103,949
June 30, 2022 Contribution – Public Service Authority	\$ 5,150
June 30, 2021 Contribution – Public Service Authority	\$ 4,977

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

The net OPEB liabilities were measured as of June 30, 2021 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the net OPEB liabilities, were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program – County

June 30, 2022 proportionate share of liability	\$ 1,085,509
June 30, 2021 proportion	.09770 %
June 30, 2020 proportion	.09663 %
June 30, 2022 expense	\$ 45,685

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

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

Group Life Insurance Program – Public Service Authority

June 30, 2022 proportionate share of liability	\$ 51,984
June 30, 2021 proportion	.09770 %
June 30, 2020 proportion	.09663 %
June 30, 2022 expense	\$ 2,188

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

At June 30, 2022, the County and Public Service Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – County

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 123,806	\$ 8,271
Change in assumptions	59,844	148,520
Net difference between projected and actual earnings on OPEB plan investments	-	259,088
Changes in proportion	38,980	21,088
Employer contributions subsequent to the measurement date	107,556	-
Total	<u>\$ 330,186</u>	<u>\$ 436,967</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

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

Group Life Insurance Program – Public Service Authority

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,929	\$ 396
Change in assumptions	2,866	7,113
Net difference between projected and actual earnings on OPEB plan investments	-	12,407
Changes in proportion	1,867	1,010
Employer contributions subsequent to the measurement date	5,150	-
Total	<u>\$ 15,812</u>	<u>\$ 20,926</u>

The deferred outflows of resources related to OPEB resulting from the County and Public Service Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program – County

Year Ending June 30,	Reduction to OPEB Expense
2023	\$ (52,263)
2024	(38,093)
2025	(34,172)
2026	(76,780)
2027	(13,029)
Thereafter	-

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COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

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

Group Life Insurance Program – Public Service Authority

Year Ending June 30,	Reduction to OPEB Expense
2023	\$ (2,503)
2024	(1,824)
2025	(1,636)
2026	(3,677)
2027	(624)
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazardous duty employees	3.50 – 4.75%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.375 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2021, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,577,346
Plan fiduciary net position	2,413,074
Employers' net OPEB liability (asset)	\$ 1,164,272
Plan fiduciary net position as a percentage of total OPEB liability	67.45%

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

Long-Term Expected Rate of Return

Group Life Insurance

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.39 %

- * The above allocation provides for a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, 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 at that time, providing a median return of 7.11%, including inflation of 2.50%.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

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

Discount Rate

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – County	\$ 1,585,969	\$ 1,085,509	\$ 681,366
GLI Net OPEB liability – Public Service Authority	\$ 75,950	\$ 51,984	\$ 32,630

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

General Employee Health Insurance Credit Program

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

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>75</u>
Inactive members:	
Vested inactive members	<u>1</u>
Total inactive members	76
Active members	<u>134</u>
Total covered employees	<u><u>210</u></u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2020 (General Employee HIC Program) and June 30, 2019 (GLI and Teacher HIC). The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.55% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2022 Contribution – Professionals	\$ 352,207
June 30, 2021 Contribution – Professionals	\$ 319,395
June 30, 2022 Contribution – Non-professionals	\$ 26,034
June 30, 2021 Contribution – Non-professionals	\$ 26,619

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.</i>
Total rate:	1.21% of covered employee compensation.
June 30, 2022 Contribution	\$ 788,422
June 30, 2021 Contribution	\$ 714,653

General Employee Health Insurance Credit Program

Governed by:	<i>Code of Virginia 51.1-1402(E) and may be impacted as a result of funding provided to governmental agencies by the Virginia General Assembly.</i>
Total rate:	0.66% of covered employee compensation.
June 30, 2022 Contribution	\$31,801
June 30, 2021 Contribution	\$32,564

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

The net OPEB liabilities were measured as of June 30, 2021 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program – Professionals

June 30, 2022 proportionate share of liability	\$ 3,335,288
June 30, 2021 proportion	0.28647%
June 30, 2020 proportion	0.28162%
June 30, 2022 expense	\$ 192,416

Group Life Insurance Program – Non-professionals

June 30, 2022 proportionate share of liability	\$ 278,261
June 30, 2021 proportion	.02390 %
June 30, 2020 proportion	.02247 %
June 30, 2022 expense	\$ (8,996)

Teacher Health Insurance Credit Program

June 30, 2022 proportionate share of liability	\$ 8,572,317
June 30, 2021 proportion	0.66785 %
June 30, 2020 proportion	0.66101 %
June 30, 2022 expense	\$ 768,855

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

General Employee Health Insurance Credit Program

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2020	\$ 393,796	\$ -	\$ 393,796
Changes for the year:			
Service cost	5,150	-	5,150
Interest	26,581	-	26,581
Assumption changes	7,999	-	7,999
Contributions – employer	-	32,564	(32,564)
Net investment income	-	4,694	(4,694)
Administrative expenses	-	(146)	146
Net changes	39,730	37,112	2,618
Balances at June 30, 2021	\$ 433,526	\$ 37,112	\$ 396,414

In addition, for the year ended June 30, 2021, the School Board recognized OPEB expense of \$31,881 related to the General Employee Health Insurance Credit Program.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

At June 30, 2022, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program – Professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 380,401	\$ 25,413
Change in assumptions	183,874	456,339
Net difference between projected and actual earnings on OPEB plan investments	-	796,062
Changes in proportion	201,312	-
Employer contributions subsequent to the measurement date	352,207	-
Total	\$ 1,117,794	\$ 1,277,814

Group Life Insurance Program – Non-professionals

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,737	\$ 2,120
Change in assumptions	15,340	38,072
Net difference between projected and actual earnings on OPEB plan investments	-	66,415
Changes in proportion	17,607	60,057
Employer contributions subsequent to the measurement date	26,034	-
Total	\$ 90,718	\$ 166,664

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 149,586
Change in assumptions	231,725	34,452
Net difference between projected and actual earnings on OPEB plan investments	-	112,923
Changes in proportion	419,818	28,078
Employer contributions subsequent to the measurement date	788,422	-
Total	<u>\$ 1,439,965</u>	<u>\$ 325,039</u>

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 6,181	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	2,880
Employer contributions subsequent to the measurement date	31,801	-
Total	<u>\$ 37,982</u>	<u>\$ 2,880</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

The deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program – Professionals

Year Ending June 30,	Reduction to OPEB Expense
2023	\$ (108,534)
2024	(79,430)
2025	(87,828)
2026	(207,882)
2027	(28,553)
Thereafter	-

Group Life Insurance Program – Non-professionals

Year Ending June 30,	Reduction to OPEB Expense
2023	\$ (34,104)
2024	(31,016)
2025	(17,855)
2026	(18,438)
2027	(567)
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

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

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase to OPEB Expense
2023	\$ 60,221
2024	58,938
2025	58,789
2026	46,950
2027	66,310
Thereafter	35,296

General Employee Health Insurance Credit Program

Year Ending June 30,	Increase to OPEB Expense
2023	\$ 1,098
2024	1,098
2025	1,098
2026	7
2027	-
Thereafter	-

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2020, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021:

Inflation 2.50%

Salary increases, including inflation:

- Locality - general employees 3.50 – 5.35%
- Teachers 3.50 – 5.95%

Healthcare cost trend rates:

- Under age 65 7.00 – 4.75%
- Ages 65 and older 5.375 – 4.75%

Investment rate of return, net of expenses,
including inflation GLI & HIC: 6.75%

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2021, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 3,577,346	\$ 1,477,874
Plan fiduciary net position	2,413,074	194,305
Employers' net OPEB liability (asset)	\$ 1,164,272	\$ 1,283,569
Plan fiduciary net position as a percentage of total OPEB liability	67.45%	13.15%

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.00 %	1.70 %
Fixed Income	15.00	0.57	0.09
Credit Strategies	14.00	4.49	0.63
Real Assets	14.00	4.76	0.67
Private Equity	14.00	9.94	1.39
MAPS – Multi-Asset Public Strategies	6.00	3.29	0.20
PIP – Private Investment Partnership	3.00	6.84	0.21
Total	100.00 %		4.89 %
	Inflation		2.50 %
			7.39 %

*Expected arithmetic nominal return

- * The above allocation provides for a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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 at that time, providing a median return of 7.11%, including inflation of 2.50%.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. Other Postemployment Benefits Liability (Continued)

Virginia Retirement System Plans – School Board (Continued)

Discount Rate

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability – Professionals	\$ 4,872,977	\$ 3,335,288	\$ 2,093,535
GLI Net OPEB liability – Non-professionals	\$ 406,549	\$ 278,261	\$ 174,662
Teacher HIC Net OPEB liability	\$ 9,650,053	\$ 8,572,317	\$ 7,660,295
General Employee HIC Net OPEB liability	\$ 437,968	\$ 396,414	\$ 360,826

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 14. Summary of Other Postemployment Benefit Elements

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

	Governmental Activities	Public Service Authority	School Board
Net other post-employment benefits liability			
Local Sponsored Health Insurance	\$ (2,560,041)	\$ (262,162)	\$ (8,307,848)
VRS – Group Life Insurance	(1,085,509)	(51,984)	(3,613,549)
VRS – HIC	-	-	(8,968,731)
Total net other postemployment benefit liability	<u>\$ (3,645,550)</u>	<u>\$ (314,146)</u>	<u>\$ (20,890,128)</u>
Deferred outflows of resources			
Differences between expected and actual experience –			
Local Sponsored Health Insurance	\$ -	\$ -	\$ 344,817
VRS – Group Life Insurance	123,806	5,929	412,138
Change in actuarial assumptions-			
Local Sponsored Health Insurance	34,612	3,545	1,029,834
VRS – Group Life Insurance	59,844	2,866	199,214
VRS – HIC	-	-	237,906
Change in proportion –			
VRS – Group Life Insurance	38,980	1,867	218,919
VRS – HIC	-	-	419,818
Economic/Demographic Gains or Losses			
Local Sponsored Health Insurance	290,801	29,780	-
Contributions subsequent to measurement date-			
VRS – Group Life Insurance	107,556	5,150	378,241
VRS – HIC	-	-	820,223
Total deferred outflows of resources	<u>\$ 655,599</u>	<u>\$ 49,137</u>	<u>\$ 4,061,110</u>
Deferred inflows of resources			
Differences between expected and actual experience –			
Local Sponsored Health Insurance	\$ -	\$ -	\$ (512,163)
VRS – Group Life Insurance	(8,271)	(396)	(27,533)
VRS – HIC	-	-	(149,586)
Net difference between projected and actual investment earnings –			
VRS – Group Life Insurance	(259,088)	(12,407)	(862,477)
VRS – HIC	-	-	(115,803)
Change in actuarial assumptions-			
Local Sponsored Health Insurance	(424,240)	(43,445)	(395,895)
VRS – Group Life Insurance	(148,520)	(7,113)	(494,411)
VRS – HIC	-	-	(34,452)
Change in proportion –			
VRS – Group Life Insurance	(21,088)	(1,010)	(60,057)
VRS – HIC	-	-	(28,078)
Total deferred inflows of resources	<u>\$ (861,207)</u>	<u>\$ (64,371)</u>	<u>\$ (2,680,455)</u>

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

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

	Governmental Activities	Public Service Authority	School Board
Other post-employment benefits expense			
Local Sponsored Health Insurance	\$ 198,852	\$ 20,364	\$ 980,932
VRS – Group Life Insurance	45,685	2,188	183,420
VRS – HIC	-	-	800,736
Total other postemployment benefit expense	<u>\$ 244,537</u>	<u>\$ 22,552</u>	<u>\$ 1,965,088</u>

Note 15. Risk Management

General Liability Insurance

The County and School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in the Virginia Association of Counties Liability Pool, a public risk entity pool, for its coverage of general liability, auto insurance, and workers' compensation. Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The County pays the contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims, and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage for the past three years and there have not been any significant reductions in insurance coverage over the previous year.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 15. Risk Management (Continued)

Health Insurance

The County and School Board have a professionally administered self-insurance program that provides health coverage for employees on a cost-reimbursement basis. Retired employees and dependents of employees of the County and School Board are also covered by the program, provided they pay the entire premium. Under the program, the County and School Board are obligated for claims payments. A stop loss insurance contract executed with Blue Cross and Blue Shield covers claims in excess of \$250,000 per covered individual. During the current fiscal year, total claims expense of \$5,215,687 and \$13,781,971 for the County and School Board, respectively, which did not exceed the stop loss provisions, was incurred. This represents claims processed and an estimate, based on plan experience prior and subsequent to year end, for claims incurred but not reported (IBNR) as of June 30. The estimated liability, including reported and IBNR claims, was \$496,560 and \$2,897,125 for the County and School Board, respectively, at year end. This liability is included in accounts payable and accrued expenses. Changes in the reported liability are as follows:

County

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

School Board

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 16. Commitments and Contingencies

Litigation

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

Special Purpose Grants

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

Public Service Authority

In August 2021, the Office of Drinking Water (ODW) and VA Department of Health (VDH) notified the Authority of 5 publicly regulated, privately owned water systems in the County that were non-compliant. VDH requested the Authority take over the systems as the operator of last resort. The ODW offered to provide the Authority \$4 million in grant funding and a loan of \$750,000 from the Virginia Water Supply Revolving Fund (Note 14) in exchange for the PSA agreeing to take over the systems. On February 28, 2022, the Authority Board passed a resolution to complete the receivership process for operation of the systems. The Authority has taken over the operation of the systems and is in the process of bringing the systems into compliance pursuant to a court order dated May 2, 2022 that was initiated by the state attorney general's office.

Economic Development Authority

Incentives

The County is liable for up to \$500,000 for return of certain Governor's Opportunity Funds made available as an incentive to a local business that entered bankruptcy before meeting the requirements of the incentive. Management estimates the liability will not exceed \$380,000, and has recorded a liability in that amount.

The EDA enters into performance agreement incentives with various companies. At year end, incentives not yet earned by recipient companies were \$4,822,053.

Sale of land and road construction

In June 2022, the EDA entered into an agreement to sell a parcel of land. As part of the agreement, that the EDA agreed to reimburse the purchaser up to \$1,066,000 to construct a road. In addition, the EDA agreed to hold \$787,125 in escrow to be used towards the reimbursement of the road construction cost. As of June 30, 2022, no costs had been incurred.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 17. Transactions with Component Units

Economic Development Authority

Advances to Component Unit:

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

Advances consist of the following:

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

Note Receivable from Component Unit

On June 17, 1997, the EDA signed an interest-free promissory note with the County in the amount of \$1,274,620. The EDA agreed to remit to the County all funds received pursuant to property sales or payments received on property leases from the Falling Branch Industrial Park, less reasonable costs in repayment of the note upon demand by the County. The balance due at June 30 was \$516,627.

Other

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

Note 18. Net Position/Fund Balance

Deficit Unrestricted Net Position

At June 30, School Board had a deficit in unrestricted net position of \$87,797,456. The School Board deficit results primarily from the net pension and OPEB liabilities. The deficit is anticipated to be recovered through future revenues, as well as possible transfers and contributions from the General Fund.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 18. Net Position/Fund Balance (Continued)

Fund Balance

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

	General Fund	Capital Fund
Fund Balances:		
Nonspendable:		
Long-term advances and notes receivable	\$ 6,148,464	\$ -
Restricted:		
General government administration-health insurance	-	10,020,281
Judicial administration	78,287	-
Public safety	607,369	-
Public works	-	-
Health and welfare	808,766	-
Education	-	93,166,693
Parks, recreation, and culture	66,805	-
Community development	172,110	
Debt service reserves	-	1,450,972
Committed:		
General government administration	3,956,422	990,988
Public safety	-	2,154,911
Public works	133,734	4,588,464
Education	3,048,900	7,845,307
Parks, recreation, and culture	166,707	1,927,881
Community development	-	75,855
Assigned:		
General government administration	1,302,954	-
Judicial administration	79,778	-
Public safety	1,118,580	-
Public works	596,055	-
Health and welfare	149,991	-
Education	6,826,864	-
Parks, recreation, and culture	297,911	-
Community development	221,122	-
Unassigned:	38,756,489	-
Total fund balance	<u>\$ 64,537,308</u>	<u>\$ 122,221,352</u>

Note 19. Concentrations

Two Public Service Authority customers provide approximately eight and seven percent, respectively, of the Authority's operating revenue.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 20. Service Contracts

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

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

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

During 2014, in accordance with joining the Water Authority, the Authority agreed to pay for a transitional meter setting with a cost of \$9,358. This was completed in fiscal year 2020 and paid in July 2020. The Authority is responsible for capital upgrades with an estimated cost of \$9,200,000. The initial design work of the capital upgrades was completed in fiscal year 2019 and additional design work was required in fiscal years 2020, 2021 and 2022. \$1,601,994 in capital upgrades were included in Construction in Progress at June 30, 2022. Funding for the construction of this project has been obtained through a loan with the Virginia Resources Authority through the Virginia Water Supply Revolving Fund (Note 23).

Note 21. Adoption of New Standard

In fiscal year 2022, the County and the Schools adopted GASB Statement No. 87, Leases. This statement required recognition of certain lease assets and liabilities for leases that were classified previously as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease agreements. The adoption of this standard had no effect on beginning net positions or assets, liabilities or deferred inflows of resources related to leases.

Note 22. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In May 2019, the GASB issued **Statement No. 91, *Conduit Debt Obligations***. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 22. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 23. Subsequent Events

Public Service Authority

On July 14, 2022, the Authority closed on a loan with the Virginia Resources Authority through the Virginia Water Supply Revolving Fund of \$7,164,626 and loan forgiveness of \$1,400,000 with an interest rate of 1.67%. The proceeds will be used by the Authority to complete capital upgrades as agreed upon with the Water Authority (Note 20) and other capital upgrades necessary as part of taking over non-compliant water systems (Note 21).

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -
PRIMARY GOVERNMENT
June 30, 2022

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

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2021 information was presented in the entity's fiscal year 2022 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

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

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SCHOOLS - NONPROFESSIONAL EMPLOYEES
June 30, 2022

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

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2021 information was presented in the entity's fiscal year 2022 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2022

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

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only eight years of data is available. Additional years will be included as they become available.

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

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 VRS TEACHER RETIREMENT PLAN
 June 30, 2022

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

Schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, data prior to 2015 is not available. Additional years will be included as they become available.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PENSION CONTRIBUTIONS

VRS TEACHER RETIREMENT PLAN

June 30, 2022

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

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, data prior to 2015 is not available. Additional years will be included as they become available.

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS – LOCAL PLAN
June 30, 2022

	Plan Year 2021		Plan Year 2020		Plan Year 2019		Plan Year 2018		Plan Year 2017	
	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools
	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Local Plan	Schools Local Plan
Total OPEB Liability										
Service cost	\$ 150,318	\$ 545,360	\$ 136,935	\$ 448,699	\$ 126,884	\$ 313,834	\$ 121,389	\$ 277,465	\$ 124,771	\$ 284,444
Interest on total OPEB liability	69,549	203,763	68,117	205,714	104,027	241,773	90,284	255,600	80,069	230,841
Economic/Demographic gains or losses	54,787	(589,763)	-	-	415,296	624,399	-	-	-	-
Changes in assumptions	(468,862)	(403,112)	17,212	30,939	(48,415)	1,730,386	85,027	198,610	(82,745)	(198,574)
Benefit payments	(105,660)	(669,462)	(90,450)	(644,318)	(74,464)	(643,132)	(81,781)	(289,441)	(65,440)	(311,743)
Net change in total OPEB liability	(299,868)	(913,214)	131,814	41,034	523,328	2,267,260	214,919	442,234	56,655	4,968
Total OPEB liability - beginning	<u>3,122,071</u>	<u>9,221,062</u>	<u>2,990,257</u>	<u>9,180,028</u>	<u>2,466,929</u>	<u>6,912,768</u>	<u>2,252,010</u>	<u>6,470,534</u>	<u>2,195,355</u>	<u>6,465,566</u>
Total OPEB liability - ending	<u>\$ 2,822,203</u>	<u>\$ 8,307,848</u>	<u>\$ 3,122,071</u>	<u>\$ 9,221,062</u>	<u>\$ 2,990,257</u>	<u>\$ 9,180,028</u>	<u>\$ 2,466,929</u>	<u>\$ 6,912,768</u>	<u>\$ 2,252,010</u>	<u>\$ 6,470,534</u>
 Covered-employee payroll	 <u>\$ 21,959,132</u>	 <u>\$ 70,763,150</u>	 <u>\$ 21,169,114</u>	 <u>\$ 68,382,124</u>	 <u>\$ 21,169,114</u>	 <u>\$ 58,706,713</u>	 <u>\$ 19,234,823</u>	 <u>\$ 54,449,438</u>	 <u>\$ 19,234,823</u>	 <u>\$ 54,449,438</u>
Net OPEB liability as a percentage of covered payroll	<u>12.85%</u>	<u>11.74%</u>	<u>14.75%</u>	<u>13.48%</u>	<u>14.13%</u>	<u>15.64%</u>	<u>12.83%</u>	<u>12.70%</u>	<u>11.71%</u>	<u>11.88%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2021 information was presented in the entity's fiscal year 2022 financial report.

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

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

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

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2022

Plan Year	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2021	0.66785%	\$ 8,572,317	\$ 59,062,085	14.51%	13.15%
2020	0.66101%	8,622,985	57,949,426	14.88%	9.95%
2019	0.63363%	8,295,000	53,147,159	15.61%	8.97%
2018	0.63726%	8,092,000	51,539,673	15.70%	8.08%
2017	0.62778%	7,964,000	49,682,607	16.03%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2021	0.09770%	1,137,493	20,171,727	5.64%	67.45%
2020	0.09663%	1,612,597	19,980,763	8.07%	52.64%
2019	0.09756%	1,588,000	19,203,741	8.27%	52.00%
2018	0.09424%	1,431,000	18,088,728	7.91%	51.22%
2017	0.09528%	1,434,000	17,669,318	8.12%	48.86%
Virginia Retirement System - Group Life Insurance - School Professionals					
2021	0.28647%	3,335,288	59,146,890	5.64%	67.45%
2020	0.28162%	4,699,777	57,958,575	8.11%	52.64%
2019	0.27133%	4,415,000	53,189,711	8.30%	52.00%
2018	0.27123%	4,119,000	51,535,678	7.99%	51.22%
2017	0.26902%	4,049,000	49,760,995	8.14%	48.86%
Virginia Retirement System - Group Life Insurance - School Non-professionals					
2021	0.02390%	278,261	4,929,309	5.65%	67.45%
2020	0.02247%	374,988	4,633,728	8.09%	52.64%
2019	0.02284%	372,000	4,527,696	8.22%	52.00%
2018	0.02359%	358,000	4,488,162	7.98%	51.22%
2017	0.03165%	476,000	5,837,706	8.15%	48.86%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2021 information was presented in the entity's fiscal year 2022 financial report.

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

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS – VRS

June 30, 2022

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2022	\$ 788,422	\$ 788,422	\$ -	\$ 65,163,671	1.21%
2021	714,653	714,653	-	59,062,085	1.21%
2020	695,400	695,400	-	57,949,426	1.20%
2019	637,770	637,770	-	53,147,159	1.20%
2018	633,915	633,915	-	51,539,673	1.23%
Virginia Retirement System - Group Life Insurance - General Employees					
2022	112,706	112,706	-	20,871,683	0.54%
2021	108,926	108,926	-	20,171,727	0.54%
2020	103,762	103,762	-	19,980,763	0.52%
2019	99,431	99,431	-	19,203,741	0.52%
2018	93,189	93,189	-	18,088,728	0.52%
Virginia Retirement System - Group Life Insurance - School Professionals					
2022	352,207	352,207	-	65,230,883	0.54%
2021	319,395	319,395	-	59,146,890	0.54%
2020	301,381	301,381	-	57,958,575	0.52%
2019	276,586	276,586	-	53,189,711	0.52%
2018	268,814	268,814	-	51,535,678	0.52%
Virginia Retirement System - Group Life Insurance - School Non-professionals					
2022	26,034	26,034	-	4,832,783	0.54%
2021	26,619	26,619	-	4,929,309	0.54%
2020	24,046	24,046	-	4,633,728	0.52%
2019	23,545	23,545	-	4,527,696	0.52%
2018	23,328	23,328	-	4,488,162	0.52%
Virginia Retirement System - Health Insurance Credit - School Non-professionals					
2022	31,801	31,801	-	4,818,275	0.66%
2021	32,564	32,564	-	4,933,880	0.66%

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

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

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

COUNTY OF MONTGOMERY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
SCHOOLS - NONPROFESSIONAL EMPLOYEES
June 30, 2022

	Plan Year	
	2021	2020
Total OPEB Liability		
Service cost	\$ 5,150	\$ -
Interest on total OPEB liability	26,581	-
Changes in benefit terms	-	393,796
Changes in assumptions	7,999	-
Net change in total OPEB liability	39,730	393,796
Total HIC OPEB liability - beginning	393,796	-
Total HIC OPEB liability - ending	433,526	393,796
Plan Fiduciary Net Position		
Contributions - employer	32,564	-
Net investment income	4,694	-
Administrative expenses	(146)	-
Net change in plan fiduciary net position	37,112	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	37,112	-
Net HIC OPEB liability - ending	\$ 396,414	\$ 393,796
Plan fiduciary net position as a percentage of total HIC OPEB liability	9%	0%
Covered payroll	\$ 4,933,880	\$ 4,901,296
Net HIC OPEB liability as a percentage of covered payroll	8%	8%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2021 information was presented in the entity's fiscal year 2022 financial report.

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

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 1. Changes of Benefit Terms

Pension

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

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

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

Largest 10 – Non-Hazardous Duty:

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

Largest 10 – Hazardous Duty/Public Safety Employees:

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

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 2. Changes of Assumptions (Continued)

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

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

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

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

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 78 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

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OTHER SUPPLEMENTARY INFORMATION

**DISCRETELY PRESENTED
COMPONENT UNIT – PUBLIC SERVICE AUTHORITY**

COUNTY OF MONTGOMERY, VIRGINIA

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

June 30, 2022

	Water	Wastewater	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,757,285	\$ 703,700	\$ 2,460,985
Accounts receivables, net	517,316	314,770	832,086
Accounts receivables, other	-	20,000	20,000
Due from County	8,872	8,291	17,163
Inventories	102,332	1,554	103,886
Total current assets	2,385,805	1,048,315	3,434,120
Noncurrent assets:			
Cash and cash equivalents, restricted	56,890	41,370	98,260
Capital assets:			
Non-depreciable	2,801,384	-	2,801,384
Depreciable, net	6,728,141	5,708,776	12,436,917
Total noncurrent assets	9,586,415	5,750,146	15,336,561
Total assets	11,972,220	6,798,461	18,770,681
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	151,299	124,705	276,004
Deferred outflows related to other postemployment benefits	23,248	25,889	49,137
Total deferred outflows	174,547	150,594	325,141
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	536,720	104,537	641,257
Accrued payroll and related liabilities	34,986	27,205	62,191
Accrued interest payable	2,295	1,467	3,762
Due to County	5,728	-	5,728
Current portion of noncurrent liabilities	271,543	173,938	445,481
Total current liabilities	851,272	307,147	1,158,419
Noncurrent liabilities:			
Net pension liability	156,720	129,172	285,892
Net other postemployment benefit liability	161,240	152,906	314,146
Customer deposits	56,890	41,370	98,260
Due in more than one year	2,087,886	1,336,422	3,424,308
Total noncurrent liabilities	2,462,736	1,659,870	4,122,606
Total liabilities	3,314,008	1,967,017	5,281,025
DEFERRED INFLOWS OF RESOURCES			
Deferred outflows related to pensions	309,637	255,209	564,846
Deferred outflows related to other postemployment benefits	33,891	30,480	64,371
	343,528	285,689	629,217
NET POSITION			
Net investments in capital assets	7,282,775	4,270,734	11,553,509
Unrestricted	1,206,456	425,615	1,632,071
Total net position	\$ 8,489,231	\$ 4,696,349	13,185,580
Reconciliation with Pulic Service Authority activities in the statement of net position (Exhibit 1)			
Long-term membership fee payable to other New River Valley Regional Water Authority legally due from the County but financed by enterprise fund revenues			(1,090,056)
Net position of Public Service Authority			\$ 12,095,524

COUNTY OF MONTGOMERY, VIRGINIA

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

For the Year Ended June 30, 2022

	Water	Wastewater	Total
OPERATING REVENUES			
Charges for services	\$ 2,566,636	\$ 1,679,162	\$ 4,245,798
Penalties and reconnection charges	61,947	22,257	84,204
Fees	302,660	136,101	438,761
Miscellaneous	63,915	6,142	70,057
Total operating revenues	2,995,158	1,843,662	4,838,820
OPERATING EXPENSES			
Salaries and wages	608,604	514,405	1,123,009
Employee benefits	259,264	205,578	464,842
Utilities and telephone	45,302	73,598	118,900
Water and wastewater services	1,044,305	412,513	1,456,818
Operating supplies, fees, permits	15,065	39,525	54,590
Professional services	252,428	37,198	289,626
Repairs and maintenance	153,945	103,708	257,653
Insurance	20,961	16,227	37,188
Vehicle supplies and miscellaneous	41,497	17,722	59,219
Bad debts	44,000	15,000	59,000
Office supplies and miscellaneous	38,334	6,618	44,952
Membership fees	47,522	-	47,522
Depreciation	423,232	470,623	893,855
Total operating expenses	2,994,459	1,912,715	4,907,174
Operating income (loss)	699	(69,053)	(68,354)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,429	-	2,429
Facility fees	183,635	166,500	350,135
Gain (loss) on sale of assets	-	2,000	2,000
Interest expense	(58,345)	(36,712)	(95,057)
Total nonoperating revenues (expenses)	127,719	131,788	259,507
Change in net position	128,418	62,735	191,153
Total net position – beginning	8,360,813	4,633,614	12,994,427
Total net position – ending	\$ 8,489,231	\$ 4,696,349	\$ 13,185,580
Reconciliation with Public Service Authority in the statement of activities:			
Change in net position			\$ 191,153
Principal repayment of initial membership fee to other government legally due from County but ultimately financed by enterprise funds revenues.			25,216
Change in net position of Public Service Authority			\$ 216,369

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT – PUBLIC SERVICE AUTHORITY
For the Year Ended June 30, 2022

	Water	Wastewater	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 2,830,900	\$ 1,798,880	\$ 4,629,780
Payments to suppliers	(1,409,535)	(684,598)	(2,094,133)
Payments to employees	(822,022)	(707,607)	(1,529,629)
Payments to County for financial services	(71,621)	-	(71,621)
Net cash provided by operating activities	<u>527,722</u>	<u>406,675</u>	<u>934,397</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(834,670)	-	(834,670)
Facility fee payments from customers	183,635	166,500	350,135
Principal payments on long-term debt	(223,951)	(120,335)	(344,286)
Interest payments on debt	(58,647)	(36,835)	(95,482)
Net cash provided by (used in) capital and related financing activities	<u>(933,633)</u>	<u>9,330</u>	<u>(924,303)</u>
INVESTING ACTIVITIES			
Interest received	2,429	-	2,429
Net increase (decrease) in cash and cash equivalents	<u>(403,482)</u>	<u>416,005</u>	<u>12,523</u>
CASH AND CASH EQUIVALENTS			
Beginning at July 1	2,217,657	329,065	2,546,722
Ending at June 30	<u>\$ 1,814,175</u>	<u>\$ 745,070</u>	<u>\$ 2,559,245</u>
RECONCILIATION TO EXHIBIT 1			
Cash and cash equivalents	\$ 1,757,285	\$ 703,700	\$ 2,460,985
Cash and cash equivalents, restricted	56,890	41,370	98,260
	<u>\$ 1,814,175</u>	<u>\$ 745,070</u>	<u>\$ 2,559,245</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 699	\$ (69,053)	\$ (68,354)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	423,232	470,623	893,855
Pension expense net of employer contributions	21,601	(1,849)	19,752
Other postemployment benefit expense net of employer contributions	3,766	3,804	7,570
(Increase) decrease in:			
Accounts receivable	(123,598)	(31,832)	(155,430)
Due from County	9,324	(848)	8,476
Inventories	(48,605)	(967)	(49,572)
(Decrease) increase in:			
Accounts payable and accrued expenses	217,426	24,326	241,752
Due to County	58	-	58
Accrued payroll and related liabilities and compensated absences	20,479	10,421	30,900
Customer deposits	3,340	2,050	5,390
Net cash provided by operating activities	<u>\$ 527,722</u>	<u>\$ 406,675</u>	<u>\$ 934,397</u>
SCHEDULE OF NON-CASH ACTIVITIES			
Proceeds from sale of capital assets in accounts receivable	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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

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

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

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

COUNTY OF MONTGOMERY, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
June 30, 2022

	<u>School Operating</u>	<u>School Cafeteria</u>	<u>School Activity</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,830,842	\$ 733,000	\$ 2,507,711	\$ 6,071,553
Due from primary government	7,819,290	-	-	7,819,290
Due from other governmental units	3,580,001	53,749	-	3,633,750
Inventories	-	103,333	-	103,333
Total assets	<u>\$ 14,230,133</u>	<u>\$ 890,082</u>	<u>\$ 2,507,711</u>	<u>\$ 17,627,926</u>
LIABILITIES				
Liabilities				
Accounts payable and accrued expenses	\$ 2,188,826	\$ 49,307	\$ -	\$ 2,238,133
Accrued payroll and related liabilities	9,128,955	159,590	-	9,288,545
Compensated absences	81,510	-	-	81,510
Unearned revenues	-	97,548	-	97,548
Total liabilities	<u>11,399,291</u>	<u>306,445</u>	<u>-</u>	<u>11,705,736</u>
FUND BALANCES				
Nonspendable	-	103,333	-	103,333
Committed	2,070,372	-	-	2,070,372
Assigned	497,014	480,304	2,507,711	3,485,029
Unassigned	263,456	-	-	263,456
Total fund balances	<u>2,830,842</u>	<u>583,637</u>	<u>2,507,711</u>	<u>5,922,190</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,230,133</u>	<u>\$ 890,082</u>	<u>\$ 2,507,711</u>	<u>\$ 17,627,926</u>
Adjustments for the Statement of Net Position (Exhibit 1)				
Total fund balances				\$ 5,922,190
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.				47,927,682
Right-to-use assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.				507,535
Certain amounts are recognized as expenditures when paid in the fund statements, but are capitalized and recorded in future periods for governmental activities.				567,629
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to pensions				23,979,637
Deferred outflows related to other postemployment benefit plans				4,061,110
Deferred inflows related to pensions				(40,532,103)
Deferred inflows related to other postemployment benefit plans				(2,680,455)
Net pension liability				(53,318,677)
Net other post employment benefit liability				(20,890,128)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.				(5,414,194)
Net position of governmental activities				<u>\$ (39,869,774)</u>

COUNTY OF MONTGOMERY, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

For the Year Ended June 30, 2022

	School Operating	School Cafeteria	School Activity	Total Governmental Funds
REVENUES				
Revenue from use of money and property	\$ 17,435	\$ 11	\$ -	\$ 17,446
Charges for services	47,411	455,710	2,567,278	3,070,399
Recovered costs	1,016,399	-	-	1,016,399
Intergovernmental	127,203,861	6,697,049	-	133,900,910
Total revenues	128,285,106	7,152,770	2,567,278	138,005,154
EXPENDITURES				
Instruction	100,877,800	-	2,457,515	103,335,315
Administration, attendance, and health	5,861,984	-	-	5,861,984
Pupil transportation	5,645,396	-	-	5,645,396
Operations and maintenance	18,009,267	-	-	18,009,267
Non-instructional	289,137	-	-	289,137
School nutrition	-	5,492,002	-	5,492,002
Debt service				
Principal retirement	262,281	-	-	262,281
Interest	3,763	-	-	3,763
Total expenditures	130,949,628	5,492,002	2,457,515	138,899,145
Deficiency of revenues over expenditures	(2,664,522)	1,660,768	109,763	(893,991)
OTHER FINANCING SOURCES/(USES)				
Inception of leases	769,816	-	-	769,816
Transfer from school nutrition	929,979	-	-	929,979
Transfer to school operating	-	(929,979)	-	(929,979)
Total other financing uses	1,699,795	(929,979)	-	769,816
Net change in fund balances	(964,727)	730,789	109,763	(124,175)
FUND BALANCE AT JULY 1	3,795,569	(147,152)	2,397,948	6,046,365
FUND BALANCE AT JUNE 30	\$ 2,830,842	\$ 583,637	\$ 2,507,711	\$ 5,922,190

Reconciliation to the Statement of Activities (Exhibit 2)

Net change in fund balances – total governmental funds \$ (124,175)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$3,224,818) exceeded depreciation (\$1,459,869). 1,764,949

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

Employer pension contributions 10,862,083

Pension expense (1,517,181)

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

Employer other postemployment benefit contributions 1,198,464

Other postemployment benefit expense (1,654,794)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (184,077)

Change in net position of governmental activities \$ 10,345,269

COUNTY OF MONTGOMERY, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – CASH BASIS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2022**

	School Operating				School Cafeteria			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from use of money and property	\$ 50,000	\$ 50,000	\$ 17,435	\$ (32,565)	\$ -	\$ -	\$ 11	\$ 11
Charges for services	25,000	25,000	47,411	22,411	2,056,931	2,056,931	413,622	(1,643,309)
Recovered costs	657,438	798,676	1,016,399	217,723	-	-	-	-
Intergovernmental	121,660,963	131,218,762	128,449,826	(2,768,936)	2,576,543	3,631,559	6,699,977	3,068,418
Total revenues	122,393,401	132,092,438	129,531,071	(2,561,367)	4,633,474	5,688,490	7,113,610	1,425,120
EXPENDITURES								
Instruction	93,998,908	101,207,791	100,906,864	300,927	-	-	-	-
Administration, attendance, and health	5,630,523	5,892,853	5,828,653	64,200	-	-	-	-
Pupil transportation	5,469,766	5,849,565	5,503,310	346,255	-	-	-	-
Operations and maintenance	16,974,170	18,822,195	17,968,745	853,450	-	-	-	-
Non-instructional	320,034	320,034	288,226	31,808	-	-	-	-
School nutrition	-	-	-	-	4,633,474	5,688,490	5,450,631	237,859
Total expenditures	122,393,401	132,092,438	130,495,798	1,596,640	4,633,474	5,688,490	5,450,631	237,859
Excess of revenues over expenditures	\$ -	\$ -	\$ (964,727)	\$ (964,727)	\$ -	\$ -	\$ 1,662,979	\$ 1,662,979
OTHER FINANCING USES								
Transfer from school cafeteria	\$ -	\$ -	\$ 929,979	\$ 929,979	\$ -	\$ -	\$ -	\$ -
Transfer to school operating	-	-	-	-	-	-	(929,979)	(929,979)
Total other financing uses	-	-	929,979	929,979	-	-	(929,979)	(929,979)
Net Change	\$ -	\$ -	\$ (34,748)	\$ (34,748)	\$ -	\$ -	\$ 733,000	\$ 733,000

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SUPPORTING SCHEDULE

SCHEDULE 1

COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title	Federal Assistance Listing Number	Pass-through Payments to Subrecipients	Cluster Amounts	Federal Expenditures
<u>Department of Agriculture:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Social Services:</u>				
SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	-	\$ 942,377	\$ 942,377
<u>Department of Agriculture and Consumer Services:</u>				
National School Lunch Program	10.555	-	314,164	
<u>Department of Education:</u>				
School Breakfast Program	10.553	-	1,216,843	
National School Lunch Program	10.555	-	4,172,251	
SNP SCA Funds	10.555	-	154,402	
Total Child Nutrition Cluster				5,857,660
Forest Service Schools and Roads Cluster – Schools and Roads - Grants to States	10.665	-	26,328	26,328
Total Department of Agriculture				6,826,365
<u>Department of Homeland Security:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Emergency Management:</u>				
Disaster Grants - Public Assistance Presidentially Declared Disasters	97.036	-		201,733
2021 Emergency Management Performance Grant	97.042	-		14,757
2019 State Homeland Security Program (SHSP)	97.067	-		538
2020 State Homeland Security Program (SHSP)	97.067	-		26,197
Total Department of Homeland Security				243,225
<u>Department of Justice:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Criminal Justice Services:</u>				
Crime Victim Assistance	16.575	-		157,728
<u>Bureau of Justice Assistance:</u>				
Local Law Enforcement Block Grant Program	16.738	-		1,884
Total Department of Justice				159,612
<u>Department of Transportation:</u>				
<u>Department of Motor Vehicles:</u>				
Highway Safety Cluster – State and Community Highway Safety	20.600	-	24,643	24,643
Total Department of Transportation				24,643
<u>Department of the Treasury:</u>				
<u>Pass-through Payments:</u>				
<u>Virginia Department of Accounts</u>				
COVID-19 Coronavirus Relief Fund	21.019	-		351,285
COVID-19 Coronavirus Relief Fund - Municipal Utility Relief Program	21.019	76,521		76,521
<u>Virginia Compensation Board</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		290,655
<u>Direct Payments:</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		43,607
Total Department of the Treasury				762,068
<u>Institute of Museum and Library Services</u>				
<u>Pass-through Payments:</u>				
<u>Library of Virginia</u>				
Grants to States	45.310	-		35,092
Total Institute of Museum and Library Services				35,092

SCHEDULE 1

**COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022**

Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title	Federal Assistance Listing Number	Pass-through Payments to Subrecipients	Cluster Amounts	Federal Expenditures
<u>Department of Education:</u>				
<u>Pass-through Payments:</u>				
<u>Department of Education:</u>				
Title I: State Agency Program for Neglected and Delinquent Children	84.013	-		\$ 9,132
Career and Technical Education - Basic Grants to States	84.048	-		200,344
English Language Acquisition State Grants	84.365	-		30,072
Improving Teacher Quality State Grants	84.367	-		357,599
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	-		60,532
COVID-19 - Governors Emergency Education Relief (GEER) Fund	84.425C	-		196,083
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	-		2,869,889
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	-		795,118
Title I: Grants to Local Educational Agencies	84.010	-		1,603,621
<u>Special Education Cluster (IDEA)</u>				
Special Education - Grants to States	84.027	-	2,550,634	
ARP Act Special Education - Grants to States	84.027X	-	117,540	
Special Education - Preschool Grants	84.173	-	77,538	
ARP Act Special Education - Preschool Grants	84.173X	-	11,738	
Total Special Education Cluster (IDEA)				2,757,450
<u>School of Education at William and Mary:</u>				
Education for Homeless Children and Youth Program	84.196	-		64,908
COVID-19 Education Stabilization Fund	84.425	-		25,915
Total Department of Education				8,970,663
<u>Department of Housing and Community Development</u>				
<u>Direct Payments:</u>				
CDBG – Entitlement Grants Cluster – Community Development Block Grants	14.218	-	35,786	35,786
Community Development Block Grants	14.228	-		350,802
Total Department of Housing and Community Development				386,588
<u>Department of Health and Human Services:</u>				
<u>Direct Payments:</u>				
Medicaid Cluster – Medical Assistance Program	93.778	-	510,476	510,476
<u>Pass-through Payments:</u>				
<u>Department of Aging:</u>				
Support Services - Title III, Part B - Grants for Supportive Services Senior Centers	93.044	-	49,393	49,393
<u>Department of Social Services:</u>				
Guardianship Assistance	93.090	-		509
Title IV-E Prevention Program	93.472	-		6,437
Promoting Safe and Stable Families	93.556	-		41,346
Temporary Assistance to Needy Families	93.558	-		472,288
Refugee and Entrant Assistance	93.566	-		2,371
Low-Income Home Energy Assistance	93.568	-		84,568
Community-Based Child Abuse Prevention Grants	93.590	-		1,000
Chafee Education and Training Vouchers Program	93.599	-		7,557
Child Welfare Services - State Grants	93.645	-		1,158
Foster Care - Title IV-E	93.658	-		424,795
Adoption Assistance	93.659	-		688,031
Social Service Block Grant	93.667	-		546,413
Chafee Foster Care Independence Program	93.674	-		18,317
	93.747	-		3,061
Children's Health Insurance Program	93.767	-		4,842
Medicaid Cluster – Medical Assistance Program	93.778	-	503,434	503,434
<u>CCDF Cluster – Child Care Mandatory and Matching Funds of the Child Care and Development Fund</u>				
	93.596	-	106,505	106,505
Total Department of Health and Human Services				3,472,501

COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

SCHEDULE 1

<u>Federal Grantor/Pass-through Grantor</u> <u>(Commonwealth of Virginia)/Program Title</u>	<u>Federal</u> <u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Pass-through</u> <u>Payments to</u> <u>Subrecipients</u>	<u>Cluster</u> <u>Amounts</u>	<u>Federal</u> <u>Expenditures</u>
<u>Federal Communications Commission (FCC)</u>				
<u>Direct Payment:</u>				
COVID-19 Emergency Connectivity Fund Program	32.009	-		\$ 887,165
Total Federal Communications Commission				<u>887,165</u>
Total Expenditures of Federal Awards				<u>\$ 21,767,922</u>

Note 1. Basis of Accounting

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

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2022, the School Board had food commodities totaling \$314,164 in inventory.

Note 3: De Minimis Indirect Cost Rate

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

Note 4: Outstanding Loan Balances

At June 30, 2022, the County had no outstanding loan balances requiring continuing disclosure.

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STATISTICAL SECTION

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

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

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

TABLE 1

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities										
Net investments in capital assets	\$ 156,974,193	\$ 140,830,627	\$ 130,388,031	\$ 120,380,197	\$ 108,865,524	\$ 101,103,840	\$ 106,790,331	\$ 99,224,847	\$ 94,390,089	\$ 83,053,651
Restricted	3,184,309	3,650,985	4,386,150	4,290,781	2,653,992	3,422,137	3,370,622	9,057,768	9,207,023	9,741,835
Unrestricted	59,951,765	55,022,693	56,030,003	50,833,284	46,583,071	41,482,649	21,079,416	8,962,437	16,446,049	19,018,360
Total governmental activities net position	<u>\$ 220,110,267</u>	<u>\$ 199,504,305</u>	<u>\$ 190,804,184</u>	<u>\$ 175,504,262</u>	<u>\$ 158,102,587</u>	<u>\$ 146,008,626</u>	<u>\$ 131,240,369</u>	<u>\$ 117,245,052</u>	<u>\$ 120,043,161</u>	<u>\$ 111,813,846</u>

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

TABLE 2

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses										
Governmental activities										
General government	\$ 10,111,221	\$ 8,976,105	\$ 7,019,625	\$ 6,955,344	\$ 7,026,591	\$ 6,710,269	\$ 6,628,073	\$ 7,355,412	\$ 7,803,244	\$ 6,839,318
Judicial administration	4,302,290	4,243,226	3,706,338	3,163,636	3,180,741	3,284,719	3,085,442	2,972,436	3,271,384	3,243,491
Public safety	20,156,558	19,811,620	16,539,064	15,445,214	14,979,387	15,607,399	16,501,276	16,075,298	15,847,489	14,993,461
Public works	8,522,510	8,963,313	9,837,708	8,295,391	7,771,908	7,043,062	6,588,634	6,183,132	5,334,776	5,514,675
Parks, recreation, and cultural	4,416,474	3,734,939	3,552,501	3,295,659	3,261,183	3,161,901	2,923,681	3,004,779	3,319,267	2,899,220
Health and welfare	10,977,546	23,797,257	9,429,593	7,714,872	7,261,426	7,601,479	7,450,377	7,260,389	7,256,247	7,590,977
Community development	2,637,527	3,796,932	4,152,985	3,822,635	6,481,797	2,257,677	2,147,334	2,029,561	1,634,581	1,431,050
Education	61,141,885	73,671,919	61,673,348	58,425,059	61,309,632	53,783,649	50,296,987	47,892,943	46,084,985	43,474,161
Interest on long-term debt	7,866,056	6,964,508	7,633,847	7,004,860	7,551,364	8,170,978	9,487,012	10,224,163	10,747,055	10,947,731
Total governmental activities	<u>\$ 130,132,067</u>	<u>\$ 153,959,819</u>	<u>\$ 123,545,009</u>	<u>\$ 114,122,670</u>	<u>\$ 118,824,029</u>	<u>\$ 107,621,133</u>	<u>\$ 105,108,816</u>	<u>\$ 102,998,113</u>	<u>\$ 101,299,028</u>	<u>\$ 96,934,084</u>
Program Revenues										
Governmental activities										
Charges for services										
Public Safety	\$ 950,241	\$ 994,527	\$ 880,994	\$ 707,011	\$ 845,614	\$ 675,191	\$ 831,545	\$ 554,537	\$ 821,283	\$ 954,882
Public Works	303,709	287,462	292,859	167,080	380,295	346,642	534,602	365,211	128,492	157,054
Other Activities	1,489,371	1,269,679	1,770,296	2,215,560	1,519,573	1,990,012	2,458,491	2,346,584	1,653,852	1,726,342
Operating grants and contributions	17,414,075	19,199,625	14,789,956	14,757,121	15,670,719	13,223,745	13,291,638	13,163,435	13,207,893	12,155,610
Total governmental activities program revenues	<u>\$ 20,157,396</u>	<u>\$ 21,751,293</u>	<u>\$ 17,734,105</u>	<u>\$ 17,846,772</u>	<u>\$ 18,416,201</u>	<u>\$ 16,235,590</u>	<u>\$ 17,116,276</u>	<u>\$ 16,429,767</u>	<u>\$ 15,811,520</u>	<u>\$ 14,993,888</u>
Net (expense) revenue										
Governmental activities	<u>\$ (109,974,671)</u>	<u>\$ (132,208,526)</u>	<u>\$ (105,810,904)</u>	<u>\$ (96,275,898)</u>	<u>\$ (100,407,828)</u>	<u>\$ (91,385,543)</u>	<u>\$ (87,992,540)</u>	<u>\$ (86,568,346)</u>	<u>\$ (85,487,508)</u>	<u>\$ (81,940,196)</u>
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes	\$ 105,361,429	\$ 101,706,526	\$ 99,496,494	\$ 93,371,101	\$ 88,892,123	\$ 86,548,199	\$ 83,468,082	\$ 80,635,361	\$ 78,850,329	\$ 75,751,806
Sales taxes	12,510,891	10,996,811	10,021,532	9,781,761	9,275,276	9,101,542	8,904,969	8,579,451	7,965,976	7,982,843
Other taxes	2,846,476	2,490,169	2,452,667	1,985,345	2,106,997	1,842,352	1,922,210	1,719,851	1,720,268	1,767,152
Utility taxes	1,568,651	1,594,161	1,676,285	1,688,319	1,829,801	1,765,984	1,790,892	1,824,174	1,825,809	1,847,570
Intergovernmental revenue not restricted	5,525,751	22,582,396	5,388,449	5,441,726	5,235,422	5,236,670	5,266,575	5,300,522	5,097,685	5,317,374
Investment earnings	1,356,782	1,538,584	2,075,399	1,409,321	6,776,236	1,659,053	635,129	408,393	630,330	669,017
Other	1,410,653	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 130,580,633</u>	<u>\$ 140,908,647</u>	<u>\$ 121,110,826</u>	<u>\$ 113,677,573</u>	<u>\$ 114,115,855</u>	<u>\$ 106,153,800</u>	<u>\$ 101,987,857</u>	<u>\$ 98,467,752</u>	<u>\$ 96,090,397</u>	<u>\$ 93,335,762</u>
Changes in Net Position										
Governmental activities	<u>\$ 20,605,962</u>	<u>\$ 8,700,121</u>	<u>\$ 15,299,922</u>	<u>\$ 17,401,675</u>	<u>\$ 13,708,027</u>	<u>\$ 14,768,257</u>	<u>\$ 13,995,317</u>	<u>\$ 11,899,406</u>	<u>\$ 10,602,889</u>	<u>\$ 11,395,566</u>

TABLE 3

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

Post-GASB 54 Implementation	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	\$ 6,148,464	\$ 6,148,406	\$ 6,149,003	\$ 6,154,603	\$ 7,147,881	\$ 6,392,736	\$ 6,392,736	\$ 6,392,736	\$ 6,142,736	\$ 6,142,736
Restricted	1,733,337	2,382,193	2,164,627	1,600,823	2,163,916	1,440,932	1,405,595	633,493	246,442	198,007
Committed	7,305,763	5,268,298	5,182,438	5,099,192	4,869,635	4,295,900	2,997,137	2,629,271	1,104,829	811,116
Assigned	10,593,255	9,720,016	11,730,604	11,601,203	10,895,212	8,883,210	10,686,220	8,006,468	6,658,479	4,983,773
Unassigned	38,756,489	39,002,348	31,769,425	33,988,214	25,502,336	21,520,152	21,458,825	21,285,382	22,579,254	31,558,055
Total general fund	<u>\$ 64,537,308</u>	<u>\$ 62,521,261</u>	<u>\$ 56,996,097</u>	<u>\$ 58,444,035</u>	<u>\$ 50,578,980</u>	<u>\$ 42,532,930</u>	<u>\$ 42,940,513</u>	<u>\$ 38,947,350</u>	<u>\$ 36,731,740</u>	<u>\$ 43,693,687</u>
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	104,637,946	25,059,805	31,616,148	2,689,958	2,653,992	3,422,137	6,390,843	15,413,668	37,782,191	60,069,709
Committed	17,583,406	15,929,116	20,712,293	14,072,490	17,976,106	21,089,287	13,552,955	10,724,002	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 122,221,352</u>	<u>\$ 40,988,921</u>	<u>\$ 52,328,441</u>	<u>\$ 16,762,448</u>	<u>\$ 20,630,098</u>	<u>\$ 24,511,424</u>	<u>\$ 19,943,798</u>	<u>\$ 26,137,670</u>	<u>\$ 37,782,191</u>	<u>\$ 60,069,709</u>

TABLE 4

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Taxes	\$ 122,168,680	\$ 117,373,257	\$ 112,382,615	\$ 107,042,540	\$ 102,097,460	\$ 98,690,096	\$ 96,405,280	\$ 92,947,129	\$ 90,126,172	\$ 87,359,604
Permits, privilege fees, and licenses	618,948	759,117	557,011	566,058	713,849	579,676	608,481	803,833	736,908	784,979
Fines and forfeitures	48,728	33,996	51,232	66,488	45,564	31,116	59,412	122,265	129,993	134,154
Revenue from use of money and property	1,455,279	1,647,879	2,094,141	1,571,938	6,912,778	2,611,393	642,093	1,403,653	847,556	672,961
Charges for services	617,142	383,412	497,957	711,012	731,612	797,051	533,870	491,921	632,447	678,997
Other	1,507,504	1,375,142	1,837,949	1,746,093	1,254,457	1,604,002	2,622,875	1,236,464	1,104,276	1,255,148
Intergovernmental	22,939,827	41,782,021	20,178,406	20,198,848	20,906,141	18,460,415	18,558,211	18,463,956	18,305,578	17,472,984
Total revenues	149,356,108	163,354,824	137,599,311	131,902,977	132,661,861	122,773,749	119,430,222	115,469,221	111,882,930	108,358,827
Expenditures										
General government	9,712,687	9,038,058	7,803,246	8,161,757	7,854,280	7,577,451	7,258,386	8,143,965	8,360,028	6,646,567
Judicial administration	4,331,390	4,032,319	3,673,519	3,377,188	3,289,505	3,308,287	3,173,484	3,307,130	3,263,725	3,216,924
Public safety	19,830,140	18,752,283	17,234,566	15,827,848	15,131,067	15,251,116	16,261,029	15,518,087	15,791,071	14,235,137
Public works	6,967,845	7,396,971	6,026,622	5,628,434	4,990,527	4,799,802	4,528,292	4,364,754	4,097,717	3,699,143
Parks, recreation, and cultural	4,155,712	3,708,457	3,549,783	3,372,762	3,245,857	3,197,230	2,989,271	3,042,563	3,318,180	2,868,281
Health and welfare	10,889,400	24,869,118	9,327,813	8,066,229	7,575,530	7,677,724	7,627,835	7,456,915	7,224,463	7,597,546
Education	54,149,352	54,023,094	51,558,428	47,473,143	45,356,395	46,859,043	43,841,697	42,766,205	41,136,639	40,082,257
Community development	2,615,465	3,810,748	4,129,787	3,754,882	3,970,487	2,248,407	2,131,661	1,919,458	1,626,977	1,393,140
Capital projects	31,355,578	19,830,558	7,490,885	10,163,401	14,290,730	4,387,690	4,159,785	13,956,949	31,864,447	74,446,535
Debt service										
Principal	17,445,920	16,540,461	15,692,624	14,835,199	15,023,887	15,656,725	14,561,166	13,980,224	13,495,643	12,944,479
Interest and other costs	7,492,494	7,167,113	7,286,872	7,244,729	7,768,872	8,625,448	9,940,225	10,551,067	10,953,505	11,876,151
Total expenditures	168,945,983	169,169,180	133,774,145	127,905,572	128,497,137	119,588,923	116,472,831	125,007,317	141,132,395	179,006,160
Excess of revenues over (under) expenditures	(19,589,875)	(5,814,356)	3,825,166	3,997,405	4,164,724	3,184,826	2,957,391	(9,538,096)	(29,249,465)	(70,647,333)
Other Financing Sources (Uses)										
Proceeds from borrowing	94,465,000	-	27,315,000	-	-	64,605,000	32,835,000	11,572,000	-	-
Bond premium	6,488,389	-	2,977,889	-	-	12,512,126	6,459,242	-	-	-
Inception of leases	1,884,964	-	-	-	-	-	-	-	-	-
Payments to bond escrow agents	-	-	-	-	-	(76,141,909)	(44,452,342)	(11,462,815)	-	-
Transfers in	11,604,874	8,353,625	12,699,724	6,214,420	10,325,691	8,897,271	3,938,560	3,579,323	9,677,754	1,877,120
Transfers out	(11,604,874)	(8,353,625)	(12,699,724)	(6,214,420)	(10,325,691)	(8,897,271)	(3,938,560)	(3,579,323)	(9,677,754)	(1,877,120)
Total other financing sources (uses)	102,838,353	-	30,292,889	-	-	975,217	(5,158,100)	109,185	-	-
Net change in fund balances	\$ 83,248,478	\$ (5,814,356)	\$ 34,118,055	\$ 3,997,405	\$ 4,164,724	\$ 4,160,043	\$ (2,200,709)	\$ (9,428,911)	\$ (29,249,465)	\$ (70,647,333)
Debt service as a percentage of noncapital expenditures	18.07%	14.91%	17.86%	18.15%	18.13%	21.11%	21.96%	22.43%	22.84%	23.80%

TABLE 5

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

Fiscal Year	Real Estate	Personal Property and Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total Assessed Value	Total Direct Tax Rate *
2022	\$9,130,475,400	\$939,976,428	\$174,101,515	\$ 48,564,788	\$ 273,030,766	\$ 10,566,148,897	\$ 8.31
2021	\$ 8,937,288,500	\$ 853,850,690	\$ 171,771,292	\$ 56,122,129	\$ 289,030,164	\$ 10,308,062,775	\$ 8.31
2020	\$ 8,775,035,200	\$ 833,858,782	\$ 170,149,272	\$ 47,984,352	\$ 288,419,400	\$ 10,115,447,006	\$ 8.31
2019	\$ 8,658,132,300	\$ 783,624,291	\$ 157,427,985	\$ 46,298,438	\$ 271,118,996	\$ 9,916,602,010	\$ 8.31
2018	\$ 7,918,750,500	\$ 760,903,050	\$ 148,340,969	\$ 43,636,444	\$ 264,526,997	\$ 9,136,157,960	\$ 8.31
2017	\$ 7,802,249,900	\$ 737,004,452	\$ 151,956,796	\$ 42,866,162	\$ 248,496,706	\$ 8,982,574,016	\$ 8.31
2016	\$ 7,677,904,800	\$ 664,804,040	\$ 129,605,659	\$ 41,233,623	\$ 251,993,438	\$ 8,765,541,560	\$ 8.31
2015	\$ 7,541,384,700	\$ 648,612,838	\$ 128,710,287	\$ 40,709,267	\$ 273,923,820	\$ 8,633,340,912	\$ 8.31
2014	\$ 7,297,499,100	\$ 615,927,418	\$ 122,801,871	\$ 36,729,664	\$ 252,755,710	\$ 8,325,713,763	\$ 8.31
2013	\$ 7,236,381,500	\$ 597,697,604	\$ 121,643,809	\$ 31,231,378	\$ 217,589,620	\$ 8,204,543,911	\$ 8.31

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

* Per \$100 of assessed value.

Source: Assessor's Office

TABLE 6

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

Calendar Year	County of Montgomery Real Estate	Town of Christiansburg Real Estate	Town of Blacksburg Real Estate	Total Rate for Christiansburg Residents	Total Rate for Blacksburg Residents
2022	\$ 0.8900	\$ 0.1600	\$ 0.2600	\$ 1.0500	\$ 1.1500
2021	0.8900	0.1600	0.2600	1.0500	1.1500
2020	0.8900	0.1600	0.2600	1.0500	1.1500
2019	0.8900	0.1600	0.2600	1.0500	1.1500
2018	0.8900	0.1600	0.2600	1.0500	1.1500
2017	0.8900	0.1600	0.2500	1.0500	1.1400
2016	0.8900	0.1600	0.2500	1.0500	1.1400
2015	0.8900	0.1600	0.2500	1.0500	1.1400
2014	0.8900	0.1300	0.2200	1.0200	1.1100
2013	0.8900	0.1300	0.2200	1.0200	1.1100

Calendar Year	Real Estate	Personal Property	Machinery and Tools	Merchants Capital	Total Direct Rate
2022	\$ 0.89	\$ 2.55	\$ 1.82	\$ 3.05	\$ 8.31
2021	0.89	2.55	1.82	3.05	8.31
2020	0.89	2.55	1.82	3.05	8.31
2019	0.89	2.55	1.82	3.05	8.31
2018	0.89	2.55	1.82	3.05	8.31
2017	0.89	2.55	1.82	3.05	8.31
2016	0.89	2.55	1.82	3.05	8.31
2015	0.89	2.55	1.82	3.05	8.31
2014	0.89	2.55	1.82	3.05	8.31
2013	0.89	2.55	1.82	3.05	8.31

Rates are per \$100 of assessed value.

TABLE 7

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

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

TABLE 8

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

Taxpayer	Fiscal Year 2022			Fiscal Year 2013		
	Real Estate Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Real Estate Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
CAP IX BLACKSBURG LLC	\$ 157,413,700	1	1.49%			
Foxridge/Harry Hunt III	141,965,100	2	1.34%	\$ 71,227,100	3	0.87%
Appalachian Power	139,308,800	3	1.32%	85,190,300	1	1.04%
Jeannie Stosser	98,567,200	4	0.93%	75,384,300	2	0.92%
Related Properties I LLC	69,000,000	5	0.65%			
Shelor Properties	59,730,800	6	0.57%	63,241,100	4	0.77%
Village at Bburg LLC (was SHP-The Village at Blacksburg LLC)	59,000,000	7	0.56%	38,887,900	9	0.47%
Retreat at Blacksburg LLC	58,000,000	8	0.55%			
Highlands at Huckleberry/Fieldstone/Bluestone Land	56,210,100	9	0.53%			
Norfolk and Western	44,512,300	10	0.42%	44,409,900	8	0.54%
				57,205,100	6	0.70%
				61,163,700	5	0.75%
				54,127,300	7	0.66%
				37,909,900	10	0.46%
	<u>\$ 883,708,000</u>		<u>8.36%</u>	<u>\$ 588,746,600</u>		<u>7.18%</u>

Source: Assessor's Office

TABLE 9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy *
2022	\$ 106,875,324	\$ 104,792,176	98.05%	\$ -	\$ 104,792,176	98.05%
2021	103,383,934	101,496,168	98.17%	2,292,940	103,789,108	100.39%
2020	101,236,828	98,326,734	97.13%	3,984,952	102,311,686	101.06%
2019	95,892,716	94,291,075	98.33%	2,469,163	96,760,238	100.90%
2018	91,294,308	89,655,298	98.20%	2,187,151	91,842,449	100.60%
2017	89,666,096	87,107,903	97.15%	2,942,572	90,050,475	100.43%
2016	86,189,045	84,989,258	98.61%	2,133,667	87,122,925	101.08%
2015	84,688,412	82,375,988	97.27%	2,021,776	84,397,764	99.66%
2014	82,261,271	80,650,339	98.04%	1,913,122	82,563,461	100.37%
2013	79,883,115	78,623,115	98.42%	2,092,337	80,715,452	101.04%

Note:

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

TABLE 10

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

Fiscal Year	General Bonded Debt					Other Governmental Activities Debt		
	General Obligation Bonds*	General Obligation Refunding Bonds*	Total General Bonded Debt	Percentage of Actual Value of Taxable Property	Per Capita	Lease Revenue Refunding Bonds*	Lease Revenue Bonds*	Literary Fund Loans
2022	\$ 133,130,946	\$ 65,968,332	\$ 199,099,278	1.88%	1,953	\$ 23,534,866	\$ 12,539,392	\$ -
2021	47,919,697	72,775,340	120,695,037	1.17%	1,210	28,462,896	3,610,023	250,000
2020	56,273,309	73,557,347	129,830,656	1.28%	1,297	35,155,057	4,952,684	500,000
2019	33,560,079	74,339,355	107,899,434	1.09%	1,085	42,265,513	6,240,933	750,000
2018	39,633,154	75,121,363	114,754,517	1.26%	1,164	50,479,370	7,476,976	1,000,000
2017	45,386,023	75,903,371	121,289,394	1.35%	1,230	54,639,117	12,449,589	1,250,000
2016	115,914,753	-	115,914,753	1.32%	1,187	59,707,545	17,406,657	1,500,000
2015	129,541,482	-	129,541,482	1.50%	1,330	19,330,973	63,447,580	1,750,000
2014	134,869,888	-	134,869,888	1.61%	1,402	23,337,107	68,819,486	2,000,000
2013	150,161,991	-	150,161,991	1.82%	1,570	26,993,072	73,629,273	2,250,000

Fiscal Year	Total Primary Government	Percentage of Personal Income	Per Capita
2022	\$ 235,173,536	5.11%	\$ 2,307
2021	153,017,956	3.38%	1,534
2020	170,438,397	3.87%	1,703
2019	157,155,880	3.80%	1,580
2018	173,710,863	4.47%	1,762
2017	189,628,100	5.00%	1,923
2016	194,528,955	5.36%	1,992
2015	214,070,035	6.06%	2,198
2014	229,026,481	7.87%	2,381
2013	253,034,336	9.29%	2,646

*includes issuance premiums and debt service reserves have been removed

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

TABLE 11

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

Fiscal Year	Gross Revenue		Less: Operating Expenses		Net Available Revenue	Debt Service		Coverage
						Principal	Interest	
2022	\$	5,193,384	\$	3,965,797	\$ 1,227,587	\$ 344,286	\$ 95,482	2.79
2021		4,466,822		3,853,682	613,140	305,983	103,601	1.50
2020		4,241,466		3,602,663	638,803	298,482	111,103	1.56
2019		4,133,811		3,623,286	510,525	291,168	118,417	1.25
2018		4,644,378		3,056,795	1,587,583	284,033	125,553	3.88
2017		3,753,544		3,066,780	686,764	272,828	129,901	1.71
2016		3,836,886		3,143,413	693,473	266,231	136,497	1.72
2015		3,997,594		3,033,109	964,485	259,795	142,935	2.39
2014		3,527,623		3,008,595	519,028	253,513	149,215	1.29
2013		4,792,122		2,845,324	1,946,798	344,383	221,253	3.44

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

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

TABLE 12

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

Fiscal Year Ended	Population	Total Personal Income	Per Capita Personal Income	Public School Enrollment	Unemployment Rate
2022	101,938	4,600,702,000	45,132	9,466	2.60%
2021	99,721	4,526,103,000	45,388	9,465	4.20%
2020	100,073	4,407,184,860	44,037	9,761	7.70%
2019	99,433	4,140,756,000	41,643	9,703	3.30%
2018	98,559	3,883,843,000	39,406	9,637	3.50%
2017	98,602	3,795,651,000	38,495	9,487	4.20%
2016	97,653	3,626,967,000	37,141	9,488	4.30%
2015	97,405	3,534,206,000	36,284	9,427	5.50%
2014	96,207	2,909,743,645	30,245	9,484	5.50%
2013	95,626	2,723,370,463	28,479	9,474	6.50%

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

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

TABLE 13

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

Employer	Fiscal Year 2022		Fiscal Year 2013	
	Number of Employees	Rank	Number of Employees	Rank
Virginia Polytechnic Institute and State University	5,000 and over	1	5,000 and over	1
Virginia Tech Corporate Research Center	1,000 to 4,999	2	1,000 to 4,999	2
Montgomery County School Board	1,000 to 4,999	3	1,000 to 4,999	3
BAE Systems	1,000 to 4,999	4	1,000 to 4,999	4
Moog Inc	1,000 to 4,999	5	500 to 999	5
Carilion New River Valley Medical Center	1,000 to 4,999	6	500 to 999	6
Rowe Furniture Manufacturing	500 to 999	7	500 to 999	10
LewisGale Hospital Montgomery	500 to 999	8	-	-
Federal Mogul Corp	1 to 499	9	-	-
Corning Inc	1 to 499	10	-	-
Alliant TechSystems	-	-	1 to 499	4
Dish Network	-	-	500 to 999	7
New River Valley Community Services	-	-	1 to 499	9

TABLE 14

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<u>Function/Program</u>										
General government										
County administration	18.00	15.00	14.00	13.00	13.50	13.50	13.50	13.50	14.50	13.50
Information management services	11.50	11.50	11.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Finance	7.00	9.00	9.00	9.00	10.00	9.50	9.50	9.50	9.50	7.50
Purchasing	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Commissioner of Revenue	14.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00	13.00	13.00
Treasurer	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Other	6.00	6.00	6.00	6.00	7.50	7.50	7.50	7.50	7.50	7.00
Public Safety										
Sheriff	124.50	126.50	128.50	125.50	125.50	124.50	130.50	130.50	130.50	130.50
Animal control	4.00	4.00	3.75	3.75	4.25	4.25	4.25	4.25	4.25	4.25
Animal care and adoption center	8.50	8.50	8.50	7.50	7.00	-	-	-	-	-
Inspections	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00
Judicial	27.00	26.00	25.00	24.00	23.00	23.00	23.00	23.00	23.00	23.00
Refuse collection	9.80	9.80	9.80	10.40	14.00	14.00	14.60	14.60	16.40	17.00
Other public works										
Engineering	1.00	1.00	2.00	2.00	2.00	1.00	1.00	1.00	2.00	2.00
Building and grounds	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00
Housekeeping	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00	10.00	10.00
Other	11.00	11.00	10.00	8.00	6.00	6.00	5.00	5.00	5.00	6.00
Parks, recreation, and cultural	11.00	11.00	11.00	11.00	11.00	9.00	9.00	8.00	8.00	7.00
Library	21.50	21.50	21.50	19.50	19.50	19.00	19.75	20.00	20.00	20.50
Water/Sewer	20.00	20.00	20.00	19.00	18.00	18.00	18.00	19.00	17.00	19.00
Health and welfare	72.50	72.50	72.50	68.50	67.50	67.50	67.50	67.50	67.50	68.50
Community development	11.00	11.00	11.00	10.00	10.00	9.00	9.00	9.00	9.00	9.00
Total	415.30	415.30	415.05	397.65	399.25	386.25	390.60	390.85	391.65	391.25

Source: County Approved Budget

TABLE 15

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

Function/Program	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government										
Fleet vehicles	272	266	255	250	259	245	247	245	277	251
Judicial Administration										
Sheriff										
Inmates Housed	24,589	28,966	32,743	32,439	32,188	31,808	31,113	32,823	32,819	45,505
Inmate Transports	2,817	2,248	4,100	4,189	3,262	2,814	2,833	3,258	4,075	4,017
Courts Worked	932	985	939	996	866	871	818	818	894	939
Public safety										
Sheriff										
Physical arrests	811	1,870	994	974	1,166	1,157	1,055	934	1,253	1,460
Traffic violations	1,101	942	1,168	1,469	1,085	1,041	3,643	4,475	1,899	2,083
Public works										
Refuse collection										
Refuse collected (pounds per day)	66,153	70,947	69,787	64,931	64,264	64,968	63,298	60,902	62,559	71,359
Recyclables collected (pounds per day)	7,052	6,053	5,821	5,906	5,974	5,916	6,032	5,846	5,804	6,825
* Parks, recreation, and cultural										
Parks and recreation										
Total programs	277	101	90	272	286	251	283	279	276	237
Total registrants	4,200	1,984	2,281	2,051	4,673	4,169	3,883	3,259	2,908	3,137
Joint programs	96	43	38	49	-	-	-	-	-	-
Joint participants	2,314	1,086	1,759	5,160	-	-	-	-	-	-
Pool patrons	15,688	5,703	11,103	16,379	-	-	-	-	-	-
Library										
Volumes in collection	216,607	208,205	201,249	211,970	217,814	237,227	237,603	236,904	237,054	251,261
Total volumes borrowed	602,041	472,330	529,677	674,538	672,417	666,681	675,317	709,250	721,682	745,114
Water										
Number of customer accounts	3,143	2,896	2,838	2,823	2,750	2,732	2,732	2,725	2,720	2,699
Miles of distribution lines	93	90	90	90	93	93	93	93	93	93
Average daily consumption	799,352	751,704	796,795	782,892	678,134	691,141	711,988	733,741	712,801	693,833
Sewer										
Number of customer accounts	1,737	1,704	1,674	1,650	1,544	1,525	1,512	1,503	1,482	1,475
Waste/Water treated (million gallons per year)	169	260	306	283	200	215	181	188	208	172
Average daily consumption	432,740	714,631	840,266	585,149	547,545	588,384	495,975	517,820	570,632	470,306

Source: County departments

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

TABLE 16

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

<u>Function/Program</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Public safety										
Law enforcement vehicles	102	101	103	99	98	97	97	99	93	96
Fire and Rescue stations	10	10	10	10	10	10	10	10	10	10
Parks, recreation, and cultural										
Parks/athletic fields	11	11	11	11	11	10	8	8	8	8
Water and sewage										
Water mains (miles)	93	90	90	90	93	93	93	93	93	93
Sanitary sewers (miles)	64	64	64	64	64	64	64	63	63	63

Source: County departments

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the County of Montgomery, Virginia (the "County"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a material weakness.**

Report on Compliance and Other Matters

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

County of Montgomery's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 28, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the County of Montgomery, Virginia's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
March 28, 2023

COUNTY OF MONTGOMERY, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2022

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

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Inmate Canteen Funds

Comprehensive Services Act

Sheriff Internal Controls

Fire Program Aid

State Agency Requirements

Education

Social Services

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>Assistance Listing #</u>
Child Nutrition Cluster – School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Child Nutrition Cluster – National School Lunch Program – Commodities	10.555
Child Nutrition Cluster – SNP SCA Funds	10.555
SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
COVID-19 – Emergency Connectivity Fund Program	32.009
Title I Grants to Local Educational Agencies	84.010
COVID-19 – Governor's Emergency Education Relief Fund	84.425C
COVID-19 – Elementary and Secondary School Emergency Relief Fund	84.425D
COVID-19 – American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The County was **not** determined to be a **low-risk auditee**.

COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management's Response:

Management concurs. The County and School Board have taken all steps deemed practical and cost beneficial to minimize conflicting duties.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2022-002: SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistant Program – ALN #10.561, Eligibility

Condition:

Social Services did not verify the social security number for a household member in one out of twenty five applications selected for testing which were used to determine eligibility and benefit levels.

Criteria:

Under the requirements in the Uniform Guidance, social security numbers for all household members are required to be verified when applying for SNAP benefits.

Cause:

Social Services typically verifies all social security numbers for all household members included in the application for benefits, however, one household member was overlooked during the verification process.

Effect:

The lack of proper social security number verification could result in improper use of Federal funds on an ineligible individual.

(Continued)

COUNTY OF MONTGOMERY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT
(Continued)**

**2022-002: SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition
Assistant Program – ALN #10.561, Eligibility (Continued)**

Perspective Information:

One individual was not verified on one application out of twenty-five household applications selected.

Recommendation:

Management should implement a procedure to ensure that social security numbers for all household members are properly verified.

Views of Responsible Officials and Planned Corrective Action:

Social Services will put into place a procedure to ensure that all social security numbers are verified during the eligibility determination process.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None noted.

COUNTY OF MONTGOMERY, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
June 30, 2022

A. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Segregation of Duties (Material Weakness)

Condition:

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

Current Status:

Condition still present. See finding 2022-001 in current year Schedule of Findings and Questioned Costs.

CORRECTIVE ACTION PLAN

March 29, 2023

Montgomery County, VA respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

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

3906 Electric Road

Roanoke, VA 24018

Audit period: June 30, 2022

The findings from the June 30, 2022 Schedule of Findings and Questioned Costs (the "Schedule") are discussed below. The findings are numbered consistently with the number assigned in the Schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001: Segregation of Duties (Material Weakness)

Condition:

A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, cash disbursements, and financial reporting.

Criteria:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

Cause:

The size of the County's account staff and cost/benefit to minimize conflicting duties prohibits complete adherence to segregation of duties.

Effect:

A lack of segregation of duties exposes the County and School Board to a heightened risk of misappropriation.

Recommendation:

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

Corrective Action:

The County and School Board have taken all steps deemed practical and cost beneficial to minimize conflicting duties.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

2022-002: SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistant Program – ALN #10.561, Eligibility

Compliance Requirement impacted – Eligibility

Condition:

Social Services did not verify the social security number for a household member in one out of twenty five applications selected for testing which were used to determine eligibility and benefit levels.

Criteria:

Under the requirements in the Uniform Guidance, social security numbers for all household members are required to be verified when applying for SNAP benefits.

Cause:

Social Services typically verifies all social security numbers for all household members included in the application for benefits, however, one household member was overlooked during the verification process.

Effect:

The lack of proper social security number verification could result in improper use of on an ineligible individual.

Questioned Costs:

None

Perspective Information:

One individual was not verified on one application out of twenty-five household applications selected.

(Continued)

Repeat Finding:

No

Recommendation:

Management should implement a procedure to ensure that social security numbers for all household members are properly verified.

Corrective Action:

Social Services will put into place a procedure to ensure that all social security numbers are verified during the eligibility determination process.

If the Federal Audit Clearinghouse has questions regarding this plan, please call Lisa Rayne, Finance Director at (540) 382-6960 for finding 2022-001 and Kelly Edmonson, Social Services Director at (540) 382-6990 for finding 2022-002.

Sincerely yours,



Lisa Rayne
Finance Director



Kelly Edmonson
Social Services Director

(Continued)