



Annual Financial Report

For the Year Ended
June 30, 2021

County of Middlesex, Virginia



County Administrator

Post Office Box 428

Saluda, Virginia 23149

COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

COUNTY OF MIDDLESEX, VIRGINIA

BOARD OF SUPERVISORS

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Peter W. Mansfield	John B. Koontz, Jr., Vice Chairperson	

COUNTY SCHOOL BOARD

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

COUNTY WELFARE BOARD

Andrea Robinson	Mary Ellen Caldwell, Chairperson	George Snead
Nora Wilson		Ellen Carneal

OTHER OFFICIALS

Judge of the Circuit Court	Jeffrey W. Shaw
Clerk of the Circuit Court	Rachel K. Hartenbach
Judge of the General District Court	Stephanie E. Merritt
Judge of Juvenile & Domestic Relations District Court	Mara M. Matthews
Commonwealth's Attorney	Michael T. Hurd
Commissioner of the Revenue	E. Mae Burke
Treasurer	Kathy Thrift
Sheriff	David P. Bushey
Superintendent of Schools	Tracy B. Seitz, Ed.D
Director of Department of Social Services	Rebecca J. Morgan
Clerk of the School Board	Peggy W. Jordan
County Administrator	Matt Walker

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Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*, during the fiscal year ended June 30, 2021. Our opinion is not modified with respect to these matters.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84 and other items as noted. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 87, and 88-106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of County of Middlesex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Middlesex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Middlesex, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
December 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2021.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$21,088,521 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources over expenditures and other financing uses in the amount of \$5,363,498 (Exhibit 5) after making contributions totaling \$9,565,125 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$17,693,938, an increase of \$5,363,498 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,989,612, or 32% of total general fund expenditures and other financing uses.
- < The combined long-term obligations increased by \$786,915 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

The statement of net position presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$21,088,521 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

<u>County of Middlesex, Virginia's Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 27,840,302	\$ 23,041,791
Capital assets	<u>21,759,218</u>	<u>23,803,237</u>
Total assets	\$ <u>49,599,520</u>	\$ <u>46,845,028</u>
Deferred outflows of resources	\$ <u>846,639</u>	\$ <u>494,182</u>
Current liabilities	\$ 1,705,053	\$ 1,281,154
Long-term liabilities outstanding	<u>20,774,844</u>	<u>19,987,929</u>
Total liabilities	\$ <u>22,479,897</u>	\$ <u>21,269,083</u>
Deferred inflows of resources	\$ <u>6,877,741</u>	\$ <u>7,046,424</u>
Net position:		
Net investment in capital assets	\$ 4,964,803	\$ 5,624,414
Restricted - pension benefits	265,255	1,061,488
Unrestricted	<u>15,858,463</u>	<u>12,337,801</u>
Total net position	\$ 21,088,521	\$ 19,023,703

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$588,548 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Middlesex, Virginia's Changes in Net Position		
	Governmental Activities	
	2021	2020
Charges for services	\$ 343,764	\$ 356,709
Operating grants and contributions	5,063,124	3,319,757
General property taxes	17,415,593	17,621,392
Other local taxes	3,582,284	2,993,537
Grants and other contributions not restricted	1,079,161	1,147,089
Other general revenues	469,479	442,252
Total revenues	\$ 27,953,405	\$ 25,880,736
General government administration	\$ 2,869,886	\$ 2,088,093
Judicial administration	1,027,263	1,088,721
Public safety	5,113,969	4,487,862
Public works	2,180,131	1,838,319
Health and welfare	2,628,650	2,679,413
Education	11,416,021	11,252,505
Parks, recreation, and cultural	272,220	257,793
Community development	793,015	669,348
Interest and other fiscal charges	1,063,702	546,893
Total expenses	\$ 27,364,857	\$ 24,908,947
Change in net position	\$ 588,548	\$ 971,789
Net position, beginning of year, as restated	20,499,973	18,051,914
Net position, end of year	\$ 21,088,521	\$ 19,023,703

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$17,693,938, an increase of \$5,363,498. Approximately 68% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources exceeded General Fund budgetary estimates in the amount of \$3,404,913. Expenditures and other financing uses were less than budgetary estimates by \$4,348,483, resulting in a positive variance of \$7,753,396.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2021 amounted to \$21,759,218 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$18,365,140. Of this amount, \$1,475,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, leases, and notes).

The County's debt decreased by \$1,067,002 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

All these factors were considered in preparing the County's budget for the 2022 fiscal year.

The fiscal year 2022 budget increased by approximately 10 percent. Personal property tax rates increased to \$2.60 per \$100 of assessed value.

Requests for Information

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

County of Middlesex, Virginia
Statement of Net Position
As of June 30, 2021

	Primary Government			
	Governmental	Component Units		
	Activities	School Board	EDA	Water Authority
ASSETS				
Cash and cash equivalents	\$ 14,605,356	\$ 2,115,573	\$ 356,031	\$ 1,598,023
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,389,834	-	-	-
Accounts receivable	165,815	-	-	-
Note receivable	-	-	60,000	-
Due from other governmental units	1,014,068	376,992	-	-
Net pension asset	265,255	-	-	-
Restricted assets:				
Bond construction funds	3,399,974	-	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	2,437,256	248,545	11,155	454,163
Buildings and improvements	15,189,499	6,720,202	-	-
Intangibles	276,000	-	-	-
Equipment	3,029,224	1,176,091	-	-
Construction in progress	827,239	25,608	-	12,404,288
Total assets	\$ 49,599,520	\$ 10,663,011	\$ 427,186	\$ 14,456,474
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 775,391	\$ 4,821,823	\$ -	\$ -
OPEB related items	71,248	556,409	-	-
Total deferred outflows of resources	\$ 846,639	\$ 5,378,232	\$ -	\$ -
LIABILITIES				
Accounts payable	\$ 246,442	\$ -	\$ -	\$ 2,541,681
Retainage payable	-	-	-	533,160
Accrued liabilities	29,188	1,537,199	-	-
Accrued interest payable	235,007	-	-	38,307
Due to other governmental units	-	357,713	-	-
Unearned revenue	1,194,416	-	-	606,075
Long-term liabilities:				
Due within one year	2,149,200	11,680	-	-
Due in more than one year	18,625,644	18,534,885	-	10,292,777
Total liabilities	\$ 22,479,897	\$ 20,441,477	\$ -	\$ 14,012,000
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 6,869,593	\$ -	\$ -	\$ -
Pension related items	-	1,195,669	-	-
OPEB related items	8,148	94,975	-	-
Total deferred inflows of resources	\$ 6,877,741	\$ 1,290,644	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 4,964,803	\$ 8,170,446	\$ 11,155	\$ 3,557,622
Restricted for pension benefits	265,255	-	-	-
Unrestricted	15,858,463	(13,861,324)	416,031	(3,113,148)
Total net position	\$ 21,088,521	\$ (5,690,878)	\$ 427,186	\$ 444,474

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

County of Middlesex, Virginia
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						School Board	EDA	Water Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,869,886	\$ 1,225	\$ 942,071	\$ -	\$ (1,926,590)			
Judicial administration	1,027,263	47,282	446,047	-	(533,934)			
Public safety	5,113,969	135,326	871,215	-	(4,107,428)			
Public works	2,180,131	-	5,608	-	(2,174,523)			
Health and welfare	2,628,650	-	2,217,439	-	(411,211)			
Education	11,416,021	-	324,789	-	(11,091,232)			
Parks, recreation, and cultural	272,220	6,574	4,500	-	(261,146)			
Community development	793,015	153,357	251,455	-	(388,203)			
Interest on long-term debt	1,063,702	-	-	-	(1,063,702)			
Total governmental activities	\$ 27,364,857	\$ 343,764	\$ 5,063,124	\$ -	\$ (21,957,969)			
Total primary government	\$ 27,364,857	\$ 343,764	\$ 5,063,124	\$ -				
COMPONENT UNITS:								
School Board	\$ 18,860,779	\$ 63,506	\$ 7,793,074	\$ -	\$ (11,004,199)	\$ -	\$ -	\$ -
Economic Development Authority	180,183	41,213	-	-	-	(138,970)	-	-
Middlesex Water Authority	105,602	-	-	-	-	-	-	(105,602)
Total component unit	\$ 19,146,564	\$ 104,719	\$ 7,793,074	\$ -	\$ (11,004,199)	\$ (138,970)	\$ (105,602)	\$ (105,602)
General revenues:								
General property taxes					\$ 17,415,593	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					1,470,001	-	-	-
Motor vehicle licenses					292,264	-	-	-
Meals tax					443,728	-	-	-
Other local taxes					1,376,291	-	-	-
Unrestricted revenues from use of money and property					189,826	17,714	2,379	-
Miscellaneous					279,653	344,834	-	2,280
Contributions from Middlesex County					-	10,642,742	74,612	-
Grants and contributions not restricted to specific programs					1,079,161	-	-	-
Total general revenues					\$ 22,546,517	\$ 11,005,290	\$ 76,991	\$ 2,280
Change in net position					\$ 588,548	\$ 1,091	\$ (61,979)	\$ (103,322)
Net position- beginning, as restated					20,499,973	(5,691,969)	489,165	547,796
Net position - ending					\$ 21,088,521	\$ (5,690,878)	\$ 427,186	\$ 444,474

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

County of Middlesex, Virginia
Balance Sheet - Governmental Funds
As of June 30, 2021

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 13,081,808	\$ 1,523,548	\$ 14,605,356
Receivables (net of allowance for uncollectibles):			
Taxes receivable	8,389,834	-	8,389,834
Accounts receivable	165,815	-	165,815
Due from other governmental units	1,014,068	-	1,014,068
Restricted assets:			
Bond construction funds	-	3,399,974	3,399,974
Total assets	<u>\$ 22,651,525</u>	<u>\$ 4,923,522</u>	<u>\$ 27,575,047</u>
LIABILITIES			
Accounts payable	\$ 72,499	\$ 173,943	\$ 246,442
Accrued liabilities	29,188	-	29,188
Unearned revenue	1,194,416	-	1,194,416
Total liabilities	<u>\$ 1,296,103</u>	<u>\$ 173,943</u>	<u>\$ 1,470,046</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 8,411,063	\$ -	\$ 8,411,063
Total deferred inflows of resources	<u>\$ 8,411,063</u>	<u>\$ -</u>	<u>\$ 8,411,063</u>
FUND BALANCES:			
Restricted	\$ -	\$ 3,399,974	\$ 3,399,974
Committed	44,676	1,349,605	1,394,281
Assigned	910,071	-	910,071
Unassigned	11,989,612	-	11,989,612
Total fund balances	<u>\$ 12,944,359</u>	<u>\$ 4,749,579</u>	<u>\$ 17,693,938</u>

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

County of Middlesex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
As of June 30, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	17,693,938
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Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Capital assets, cost	\$ 41,018,031	
Accumulated depreciation	<u>(19,258,813)</u>	21,759,218

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

Unavailable revenue - property taxes	\$ 1,541,470	
Net pension asset	<u>265,255</u>	1,806,725

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

Pension related items	\$ 775,391	
OPEB related items	<u>71,248</u>	846,639

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

Capital leases	\$ (138,240)	
General obligation bonds	(1,475,000)	
Lease revenue bonds	(16,751,900)	
Bond premium	(1,829,249)	
Compensated absences	(307,600)	
Net OPEB liability	(272,855)	
Accrued interest payable	<u>(235,007)</u>	(21,009,851)

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

OPEB related items	\$ (8,148)	(8,148)
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Net position of governmental activities	\$	<u><u>21,088,521</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Middlesex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 17,462,807	\$ -	\$ 17,462,807
Other local taxes	3,582,284	-	3,582,284
Permits, privilege fees, and regulatory licenses	116,312	-	116,312
Fines and forfeitures	27,341	-	27,341
Revenue from the use of money and property	182,729	7,097	189,826
Charges for services	200,111	-	200,111
Miscellaneous	279,653	-	279,653
Recovered costs	1,854,994	-	1,854,994
Intergovernmental:			
Commonwealth	3,449,975	-	3,449,975
Federal	2,692,310	-	2,692,310
Total revenues	\$ 29,848,516	\$ 7,097	\$ 29,855,613
EXPENDITURES			
Current:			
General government administration	\$ 2,593,780	\$ -	\$ 2,593,780
Judicial administration	792,438	-	792,438
Public safety	4,601,870	-	4,601,870
Public works	2,024,283	-	2,024,283
Health and welfare	2,574,670	-	2,574,670
Education	9,896,880	-	9,896,880
Parks, recreation, and cultural	244,972	-	244,972
Community development	765,365	-	765,365
Capital projects	-	647,733	647,733
Debt service:			
Principal retirement	13,216,002	-	13,216,002
Interest and other fiscal charges	802,089	-	802,089
Bond issuance costs	249,082	61,200	310,282
Total expenditures	\$ 37,761,431	\$ 708,933	\$ 38,470,364
Excess (deficiency) of revenues over (under) expenditures	\$ (7,912,915)	\$ (701,836)	\$ (8,614,751)
OTHER FINANCING SOURCES (USES)			
Issuance of lease revenue bonds payable	\$ 9,675,000	\$ 2,474,000	\$ 12,149,000
Bond premium on refunding bonds issued	1,829,249	-	1,829,249
Total other financing sources (uses)	\$ 11,504,249	\$ 2,474,000	\$ 13,978,249
Net change in fund balances	\$ 3,591,334	\$ 1,772,164	\$ 5,363,498
Fund balances - beginning, as restated	9,353,025	2,977,415	12,330,440
Fund balances - ending	\$ 12,944,359	\$ 4,749,579	\$ 17,693,938

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

County of Middlesex, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ 5,363,498

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

Capital asset additions	\$ 515,216	
Depreciation expense	(1,481,618)	
Activity related to joint tenancy assets of Component Unit and Primary Government	(1,077,617)	(2,044,019)

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

Increase (decrease) in unavailable property taxes		(47,214)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on capital leases	\$ 134,802	
Principal retired on general obligation bonds	175,000	
Principal retired on lease revenue bonds	12,906,200	
Bond premiums received	(1,829,249)	
Issuance of lease revenue bonds	(12,149,000)	(762,247)

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

The following is a summary of items supporting this adjustment:

Decrease (increase) in compensated absences	\$ (16,244)	
Change in pension related items	(271,838)	
Change in OPEB related items	5,147	
Decrease (increase) in accrued interest payable	37,735	(245,200)

Repayment of notes receivable by Middlesex Water Authority,
a discretely presented component unit.

(1,676,270)

Change in net position of governmental activities

\$ 588,548

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

County of Middlesex, Virginia
Statement of Fiduciary Net Position - Fiduciary Funds
As of June 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 110,333
	<u>110,333</u>
NET POSITION	
Restricted for:	
Education/students	\$ 90,347
Social services clients	19,986
Total net position	<u>\$ 110,333</u>

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

County of Middlesex, Virginia
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2021

Custodial Funds

ADDITIONS

Contributions:

Donations and contributions	\$ 54,637
Participant fees and grants	1,664,212
Total additions	<u>\$ 1,718,849</u>

DEDUCTIONS

Recipient payments	\$ 41,838
Operating expenses	1,686,936
Total deductions	<u>\$ 1,728,774</u>

Net increase (decrease) in fiduciary net position	\$ (9,925)
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Net position - beginning - as restated	<u>120,258</u>
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Net position - ending	<u><u>\$ 110,333</u></u>
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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements As of June 30, 2021

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2021.

Discretely Presented Component Units. The School Board members are elected by the citizens of Middlesex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County can approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2021.

The Middlesex County Economic Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2021. The Authority does not issue a separate financial report.

The Middlesex Water Authority was created pursuant to Title 15.2-5107 of the Code of Virginia by resolution of the County of Middlesex, Virginia's Board of Supervisors in 2014 and is charged with providing a public source of water for residents of the County of Middlesex. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the Authority, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2021. The Authority does not issue a separate financial report.

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

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

None

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

- 2. Fiduciary Funds** - Account for assets held by the County unit in a trustee capacity or fiduciary for individuals, private organizations, other governmental units, or other funds. These funds include the Special Welfare Fund and Chesapeake Bay Governor's School Fund. All County fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$4,473 on June 30, 2021, and was comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

H. Capital Assets (Continued)

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

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

I. Compensated Absences

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

J. Use of Estimates

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

K. Fund Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund).
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

K. Fund Balance (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

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

	General Fund	County Capital Projects	Total
Fund Balances:			
Restricted:			
Bond construction funds	\$ -	\$ 3,399,974	\$ 3,399,974
Total Restricted	\$ -	\$ 3,399,974	\$ 3,399,974
Committed:			
Capital Projects	\$ -	\$ 1,349,605	\$ 1,349,605
Proffers	41,371	-	41,371
Forfeited Assets - Commonwealth's Attorney	3,305	-	3,305
Total Committed	\$ 44,676	\$ 1,349,605	\$ 1,394,281
Assigned:			
Dredge funding	\$ 750,000	\$ -	\$ 750,000
Unsafe structure removal	40,000	-	40,000
Election equipment	30,071	-	30,071
Reassessment	90,000	-	90,000
Total Assigned Fund Balance	\$ 910,071	\$ -	\$ 910,071
Unassigned	\$ 11,989,612	\$ -	\$ 11,989,612
Total Fund Balances	\$ 12,944,359	\$ 4,749,579	\$ 17,693,938

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

L. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

M. Pensions

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

N. Other Postemployment Benefits (OPEB)

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

O. Long-term Obligations

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

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

O. Long-term Obligations (Continued)

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

P. Deferred Outflows/Inflows of Resources

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund on June 30, 2021.

Note 3—Deposits and Investments:

Deposits

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

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2021 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The County’s investment policy has an emphasis on safety and liquidity of investments. The County’s policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 17,715
State Non-Arbitrage Program (SNAP)	2,146,280
U.S Government Obligations	1,253,694
Total	\$ 3,417,689

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2021

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
<u>Investment Type</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 17,715	\$ 17,715
State Non-Arbitrage Program (SNAP)	2,146,280	2,146,280
U.S. Government Obligations	<u>1,253,694</u>	<u>1,253,694</u>
Total	<u>\$ 3,417,689</u>	<u>\$ 3,417,689</u>

External Investment Pools

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 4—Due to/from Other Governments:

At June 30, 2021, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Middlesex County Public Schools	\$ 357,713	\$ -
Commonwealth of Virginia:		
Local sales tax	293,874	-
Rental tax	855	-
State Sales Tax	-	199,055
Constitutional officer reimbursements	102,505	-
Communications tax	50,415	-
Children's services act	92,563	-
Wireless funds	7,844	-
Welfare	45,355	-
Rolling stock tax	399	-
Federal Government:		
School fund grants	-	158,658
School food funds	-	19,279
Welfare	62,545	-
Total due from other governments	<u>\$ 1,014,068</u>	<u>\$ 376,992</u>

At June 30, 2021, amounts due to other governmental units are as follows:

Other Local Governments:		
County of Middlesex, Virginia	<u>\$ -</u>	<u>\$ 357,713</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,437,256	\$ -	\$ -	\$ 2,437,256
Construction in progress	312,023	515,216	-	827,239
Total capital assets not subject to depreciation	<u>\$ 2,749,279</u>	<u>\$ 515,216</u>	<u>\$ -</u>	<u>\$ 3,264,495</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 13,438,807	\$ -	\$ -	\$ 13,438,807
Equipment	6,556,117	-	70,381	6,485,736
Infrastructure	16,170	-	-	16,170
Intangibles	690,000	-	-	690,000
Jointly owned assets	19,108,639	-	1,985,816	17,122,823
Total capital assets subject to depreciation	<u>\$ 39,809,733</u>	<u>\$ -</u>	<u>\$ 2,056,197</u>	<u>\$ 37,753,536</u>
Accumulated depreciation:				
Buildings and improvements	\$ 6,746,783	\$ 352,825	\$ -	\$ 7,099,608
Equipment	2,977,624	549,269	70,381	3,456,512
Infrastructure	16,170	-	-	16,170
Intangibles	276,000	138,000	-	414,000
Jointly owned assets	8,739,198	441,524	908,199	8,272,523
Total accumulated depreciation	<u>\$ 18,755,775</u>	<u>\$ 1,481,618</u>	<u>\$ 978,580</u>	<u>\$ 19,258,813</u>
Total capital assets subject to depreciation, net	<u>\$ 21,053,958</u>	<u>\$ (1,481,618)</u>	<u>\$ 1,077,617</u>	<u>\$ 18,494,723</u>
Governmental activities capital assets, net	<u>\$ 23,803,237</u>	<u>\$ (966,402)</u>	<u>\$ 1,077,617</u>	<u>\$ 21,759,218</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 248,545	\$ -	\$ -	\$ 248,545
Construction in progress	-	25,608	-	25,608
Total capital assets not subject to depreciation	\$ 248,545	\$ 25,608	\$ -	\$ 274,153
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,563,404	\$ 124,457	\$ -	\$ 1,687,861
Equipment	3,367,675	637,881	160,868	3,844,688
Jointly owned assets	9,377,760	-	(1,985,816)	11,363,576
Total capital assets subject to depreciation	\$ 14,308,839	\$ 762,338	\$ (1,824,948)	\$ 16,896,125
Accumulated depreciation:				
Buildings and improvements	\$ 769,876	\$ 71,292	\$ -	\$ 841,168
Equipment	2,506,464	323,001	160,868	2,668,597
Jointly owned assets	4,288,850	293,018	(908,199)	5,490,067
Total accumulated depreciation	\$ 7,565,190	\$ 687,311	\$ (747,331)	\$ 8,999,832
Total capital assets subject to depreciation, net	\$ 6,743,649	\$ 75,027	\$ (1,077,617)	\$ 7,896,293
Component unit school board capital assets, net	\$ 6,992,194	\$ 100,635	\$ (1,077,617)	\$ 8,170,446
	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Component Unit-Economic Development Authority:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 11,155	\$ -	\$ -	\$ 11,155
Component unit economic development authority capital assets, net	\$ 11,155	\$ -	\$ -	\$ 11,155

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021: (Continued)

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
<i>Component Unit-Middlesex Water Authority:</i>				
Capital assets not subject to depreciation:				
Land	\$ 4,005	\$ 450,158	\$ -	\$ 454,163
Construction in progress	1,400,440	11,003,848	-	12,404,288
Total capital assets not subject to depreciation	<u>\$ 1,404,445</u>	<u>\$ 11,454,006</u>	<u>\$ -</u>	<u>\$ 12,858,451</u>
Component unit middlesex water authority capital assets, net	<u>\$ 1,404,445</u>	<u>\$ 11,454,006</u>	<u>\$ -</u>	<u>\$ 12,858,451</u>

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

Primary Government:	
Governmental activities:	
General government administration	\$ 237,635
Judicial administration	183,656
Public safety	578,475
Public works	33,693
Education	441,524
Parks, recreation and cultural	<u>6,635</u>
Total Governmental activities	<u>\$ 1,481,618</u>
Component Unit School Board	<u>\$ 687,311</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Middlesex, Virginia for the year ended June 30, 2021, is that school financed assets in the amount of \$8,850,300 are reported in the Primary Government for financial reporting purposes.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2021:

Primary Government:

	Balance at July 1, 2020	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences					
(payable by General Fund)	\$ 291,356	\$ 45,380	\$ 29,136	\$ 307,600	\$ 30,760
Net OPEB liabilities	264,431	82,970	74,546	272,855	-
Capital leases	273,042	-	134,802	138,240	138,240
Direct borrowings and placements:					
Bond premium	-	755,846	-	755,846	-
Lease revenue bonds	8,789,658	4,983,600	5,884,658	7,888,600	856,600
Total incurred by County	<u>\$ 9,618,487</u>	<u>\$ 5,867,796</u>	<u>\$ 6,123,142</u>	<u>\$ 9,363,141</u>	<u>\$ 1,025,600</u>
Incurred by School Board:					
Direct borrowings and placements:					
General obligation bonds	\$ 1,650,000	\$ -	\$ 175,000	\$ 1,475,000	\$ 180,000
Bond premium	-	1,073,403	-	1,073,403	-
Lease revenue bonds	8,719,442	7,165,400	7,021,542	8,863,300	943,600
Total incurred by School Board	<u>\$ 10,369,442</u>	<u>\$ 8,238,803</u>	<u>\$ 7,196,542</u>	<u>\$ 11,411,703</u>	<u>\$ 1,123,600</u>
Total Governmental Activities Obligations	<u>\$ 19,987,929</u>	<u>\$ 14,106,599</u>	<u>\$ 13,319,684</u>	<u>\$ 20,774,844</u>	<u>\$ 2,149,200</u>
Component Unit-Water Authority:					
Direct borrowings and direct placements:					
Notes payable	\$ 1,736,270	\$ 20,000	\$ 1,676,270	\$ 80,000	\$ -
Lease revenue bonds	-	10,212,777	-	10,212,777	-
Total Component Unit-Water Authority	<u>\$ 1,736,270</u>	<u>\$ 10,232,777</u>	<u>\$ 1,676,270</u>	<u>\$ 10,292,777</u>	<u>\$ -</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations			
	Direct borrowings and placements			
	Lease Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2022	\$ 856,600	\$ 260,553	\$ 138,240	\$ 3,525
2023	875,200	235,026	-	-
2024	901,600	208,661	-	-
2025	927,800	181,256	-	-
2026	965,600	152,545	-	-
2027	448,800	122,622	-	-
2028	406,000	102,668	-	-
2029	414,600	83,420	-	-
2030	439,400	63,367	-	-
2031	460,400	42,197	-	-
2032	476,600	24,169	-	-
2033	490,000	11,627	-	-
2034	74,000	5,390		
2035	75,000	3,625		
2036	77,000	1,836		
Total	<u>\$ 7,888,600</u>	<u>\$ 1,498,962</u>	<u>\$ 138,240</u>	<u>\$ 3,525</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations			
	Direct borrowings and placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 180,000	\$ 62,943	\$ 943,600	\$ 377,050
2023	190,000	53,600	981,400	330,601
2024	200,000	43,753	1,031,000	282,233
2025	210,000	33,400	1,007,300	233,321
2026	225,000	22,416	1,056,600	183,883
2027	230,000	13,228	1,114,200	131,839
2028	240,000	4,860	347,300	98,102
2029	-	-	364,700	83,738
2030	-	-	386,700	68,515
2031	-	-	408,200	52,327
2032	-	-	430,300	36,490
2033	-	-	451,000	21,673
2034	-	-	111,000	8,133
2035	-	-	114,000	5,486
2036	-	-	116,000	2,767
Total	<u>\$ 1,475,000</u>	<u>\$ 234,200</u>	<u>\$ 8,863,300</u>	<u>\$ 1,916,158</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurred by the County:						
Compensated absences (payable from the General Fund)					\$ 307,600	\$ 30,760
Net OPEB liabilities (payable from the General Fund)					\$ 272,855	\$ -
Direct borrowings and placements:						
<u>Lease Revenue Bonds:</u>						
Public Facility Lease Revenue Bond	2.125% - 5.125%	4/30/2012	10/1/2026	\$ 630,000	\$ 305,000	\$ 45,000
Public Facility Lease Revenue Refunding Bond, including unamortized premium of \$755,846	2.26%	11/18/2020	10/1/2032	3,997,600	4,753,446	254,600
Public Facility Lease Revenue Bond	2.26%	4/29/2021	5/1/2036	986,000	986,000	55,000
Public Facility Lease Revenue Bond	1.74%	3/29/2016	2/1/2026	5,000,000	2,600,000	502,000
Total Lease Revenue Bonds					\$ 8,644,446	\$ 856,600
Other long-term debt:						
<u>Capital Leases:</u>						
Capital Lease, Communication System. No collateral	2.55%	1/8/2018	1/8/2022	532,674	\$ 138,240	\$ 138,240
Total Capital Leases					\$ 138,240	\$ 138,240
Total long-term obligations incurred by the County					\$ 9,363,141	\$ 1,025,600
Incurred by the School Board:						
Direct borrowings and placements:						
<u>General Obligation Bond:</u>						
VPSA Bond Outstanding	2.55% - 5.05%	5/10/2012	7/15/2027	\$ 2,555,000	\$ 1,475,000	\$ 180,000
<u>Revenue Bonds:</u>						
Public Facility Lease Revenue Refunding Bond, including unamortized premium of \$1,073,403	2.26%	11/18/2020	10/1/2032	5,677,400	6,750,803	775,400
Public Facility Lease Revenue Bond	2.26%	4/29/2021	5/1/2036	1,488,000	1,488,000	84,000
Equipment Lease/Purchase Revenue Bond	4.52%	10/28/2013	10/15/2032	2,092,700	1,697,900	84,200
Total Direct Borrowings and Placements					\$ 11,411,703	\$ 1,123,600
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 11,411,703	\$ 1,123,600
Total outstanding debt - governmental activities					\$ 20,774,844	\$ 2,149,200

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Component Unit - Water Authority:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Component Unit-Water Authority:					
Direct borrowings and direct placements:					
Notes payable	\$ 1,736,270	\$ 20,000	\$ 1,676,270	\$ 80,000	\$ -
Lease revenue bonds	-	10,212,777	-	10,212,777	-
Total Component Unit-Water Authority	<u>\$ 1,736,270</u>	<u>\$ 10,232,777</u>	<u>\$ 1,676,270</u>	<u>\$ 10,292,777</u>	<u>\$ -</u>

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

Year Ending June 30,	Component Unit - Water Authority			
	Direct borrowings and placements			
	Notes Payable		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ -	\$ 800	\$ -	\$ 101,250
2023	-	800	142,998	176,952
2024	-	800	192,009	99,591
2025	80,000	800	194,467	97,133
2026	-	-	196,680	94,920
2027-2031	-	-	1,017,248	440,752
2032-2036	-	-	1,076,317	381,683
2037-2041	-	-	1,139,254	318,746
2042-2046	-	-	1,205,627	252,373
2047-2051	-	-	1,275,867	182,133
2052-2056	-	-	1,350,159	107,841
2057-2061	-	-	1,209,374	29,926
2020B bond not fully drawn down at June 30, 2021	-	-	1,212,777	-
Total	<u>\$ 80,000</u>	<u>\$ 3,200</u>	<u>\$ 10,212,777</u>	<u>\$ 2,283,300</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Component Unit - Water Authority: (Continued)

Details of long-term indebtedness are as follows:

Component Unit - Water Authority:	Interest	Date	Final	Amount of	Balance	Amount
Direct borrowings and placements:			Maturity	Original	Business-type	Due Within
<u>Notes Payable:</u>	<u>Rates</u>	<u>Issued</u>	<u>Date</u>	<u>Issue</u>	<u>Activities</u>	<u>One Year</u>
Note payable - Middlesex EDA - no payment until maturity	1.00%	5/18/2017	12/31/2024	\$ 40,000	\$ 40,000	\$ -
Note payable - Middlesex EDA - no payment until maturity	1.00%	6/20/2019	12/31/2024	20,000	20,000	-
Note payable - Middlesex EDA - no payment until maturity	1.00%	7/16/2020	12/31/2024	20,000	20,000	-
<u>Revenue Bonds:</u>						
Revenue bond - Series 2020A - first two years interest only	1.13%	9/22/2020	9/22/1960	9,000,000	9,000,000	-
Revenue bond - Series 2020B - first two years interest only	1.13%	9/22/2020	9/22/1960	3,070,000	1,212,777	-
Total Direct Borrowings and Placements					\$ 10,292,777	\$ -
Total outstanding debt - business-type activities					\$ 10,292,777	\$ -

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2021:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 97,933	\$ 28,659	\$ 9,793	\$ 116,799	\$ 11,680
Net pension liability	14,555,754	6,747,343	5,502,571	15,800,526	-
Net OPEB liabilities	2,537,560	718,976	627,296	2,629,240	-
Total Component Unit-School Board	<u>\$ 17,191,247</u>	<u>\$ 7,494,978</u>	<u>\$ 6,139,660</u>	<u>\$ 18,546,565</u>	<u>\$ 11,680</u>

Note 7—Capital Leases:

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

The assets acquired through capital leases are as follows:

	Primary Government Incurred by County
Asset:	
Equipment	\$ 844,389
Less: accumulated depreciation	(412,756)
Total	<u>\$ 431,633</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 7—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021 were as follows:

	Primary Government
	Incurred
Year Ended June 30	by County
2022	\$ 141,765
Total minimum lease payments	\$ 141,765
Less: amount representing interest	(3,525)
Present value of minimum lease payments	\$ 138,240

Note 8—Unearned and Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$8,411,063 (including 2nd half tax billings of \$6,515,698 not due until December 5) on June 30, 2021.

Prepaid Property Taxes - Property taxes due after June 30, 2021 but paid in advance by the taxpayers totaled \$353,894 on June 30, 2021.

Deferred Revenue - Deferred revenue representing prepaid taxes due after June 30, 2021 totaling \$353,894 and \$6,515,698 of 2nd half tax billing levied in current year but due in FY2021 totaled \$6,869,593.

Unearned Revenue - Other unearned revenue items totaled \$1,194,416 on June 30, 2021, which consisted of unused COVID-19 grant funds of \$166,701 to be used in FY 2022 and unused American Rescue Plan Act funds of \$1,027,715 to be obligated by December 31, 2024.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 9—Commitments and Contingent Liabilities:

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

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

At year end, the County was committed to fulfill the following contracts:

Project	Contractor	Contract	Amount Remaining
Cooks Corner Office Renovation	Trinity USA Contracting, Inc	\$ 935,471	\$ 479,042
Eastern Middlesex Water System	E.G. Wade	1,420,031	759,492
Eastern Middlesex Water System	Walter C. Via	5,668,436	696,768
Eastern Middlesex Water System	Garney Construction	5,696,300	4,565,597
Eastern Middlesex Water System	Waco	1,077,871	740,860
Eastern Middlesex Water System	J Sanders	10,797,264	7,443,815

Note 10—Litigation:

On June 30, 2021, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2021

Note 11—Risk Management: (Continued)

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

Note 12—Pension Plans:

Plan Description

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

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010 to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010 and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 12—Pension Plans: (Continued)

Benefit Structures (Continued)

- c. Non-hazardous duty employees with a membership date on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

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

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

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	52	35
Inactive members:		
Vested inactive members	17	5
Non-vested inactive members	21	10
Inactive members active elsewhere in VRS	53	13
Total inactive members	91	28
Active members	67	23
Total covered employees	210	86

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2021 was 5.97% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$191,029 and \$122,258 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 12.70% 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 School Board's nonprofessional employees were \$56,778 and \$57,819 for the years ended June 30, 2021 and June 30, 2020, respectively.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2021

Note 12—Pension Plans: (Continued)

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that employer's total pension liability/asset determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF MIDDLESEX, VIRGINIA**Notes to Financial Statements (Continued)****As of June 30, 2021****Note 12—Pension Plans: (Continued)****Actuarial Assumptions - General Employees (Continued)**

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 because of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Discount Rate (Continued)

fiscal year ended June 30, 2020, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 11,558,934	\$ 12,620,422	\$ (1,061,488)
Changes for the year:			
Service cost	\$ 389,468	\$ -	\$ 389,468
Interest	763,210	-	763,210
Differences between expected and actual experience	156,291	-	156,291
Contributions - employer	-	121,178	(121,178)
Contributions - employee	-	159,162	(159,162)
Net investment income	-	241,977	(241,977)
Benefit payments, including refunds	(504,233)	(504,233)	-
Administrative expenses	-	(8,243)	8,243
Other changes	-	(1,338)	1,338
Net changes	\$ 804,736	\$ 8,503	\$ 796,233
Balances at June 30, 2020	\$ 12,363,670	\$ 12,628,925	\$ (265,255)

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Changes in Net Pension Liability

	Component School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 3,194,580	\$ 2,657,463	\$ 537,117
Changes for the year:			
Service cost	\$ 47,945	\$ -	\$ 47,945
Interest	209,439	-	209,439
Differences between expected and actual experience	(52,031)	-	(52,031)
Contributions - employer	-	57,819	(57,819)
Contributions - employee	-	22,942	(22,942)
Net investment income	-	50,189	(50,189)
Benefit payments, including refunds	(183,549)	(183,549)	-
Administrative expenses	-	(1,763)	1,763
Other changes	-	(122)	122
Net changes	\$ 21,804	\$ (54,484)	\$ 76,288
Balances at June 30, 2020	\$ 3,216,384	\$ 2,602,979	\$ 613,405

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's			
Net Pension Liability (Asset)	\$ 1,207,813	\$ (265,255)	\$ (1,496,321)
Component Unit School Board's (Nonprofessional)			
Net Pension Liability (Asset)	\$ 931,176	\$ 613,405	\$ 341,883

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

For the year ended June 30, 2021, the County and Component Unit School Board (Nonprofessional) recognized pension expense of \$461,787 and \$84,447, respectively. On June 30, 2021, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,754	\$ -	\$ -	\$ 16,636
Changes of assumptions	74,946	-	-	-
Net difference between projected and actual earnings on pension plan investments	374,662	-	77,260	-
Employer contributions subsequent to the measurement date	191,029	-	56,778	-
Total	\$ 775,391	\$ -	\$ 134,038	\$ 16,636

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

\$191,029 and \$56,778 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (Nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2022	\$ 190,697	\$ (15,960)
2023	146,173	24,605
2024	127,087	26,846
2025	120,405	25,133
2026	-	-
Thereafter	-	-

Pension Plan Data

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

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,454,393 and \$1,386,732 for the years ended June 30, 2021 and June 30, 2020, respectively.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

On June 30, 2021, the school division reported a liability of \$15,187,121 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2020, the school division's proportion was 0.10440% as compared to 0.10652% on June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$1,924,592. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

On June 30, 2021, 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	\$ -	\$ 890,199
Change of assumptions	1,036,711	-
Net difference between projected and actual earnings on pension plan investments	1,155,149	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,041,532	288,834
Employer contributions subsequent to the measurement date	<u>1,454,393</u>	<u>-</u>
Total	<u>\$ 4,687,785</u>	<u>\$ 1,179,033</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

\$1,454,393 reported as deferred outflows of resources related to pensions resulting from the school division's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2022	\$ 243,360
2023	651,772
2024	743,277
2025	445,587
2026	(29,637)

Actuarial Assumptions

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability (Continued)

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

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

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

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

		Rate		
		1% Decrease	Current Discount	1% Increase
		(5.75%)	(6.75%)	(7.75%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan				
Net Pension Liability (Asset)	\$	22,282,917	\$ 15,187,121	\$ 9,318,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 775,391	\$ -	\$ (265,255)	\$ 461,787	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	134,038	16,636	613,405	84,447
School Board Professional	-	-	-	-	4,687,785	1,179,033	15,187,121	1,924,592
Totals	<u>\$ 775,391</u>	<u>\$ -</u>	<u>\$ (265,255)</u>	<u>\$ 461,787</u>	<u>\$ 4,821,823</u>	<u>\$ 1,195,669</u>	<u>\$ 15,800,526</u>	<u>\$ 2,009,039</u>

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% ($1.34\% \times 60\%$) and the employer component was 0.54% ($1.34\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the County were \$18,884 and \$17,503 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$49,110 and \$47,774 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$2,524 and \$2,532 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

On June 30, 2021, the County reported a liability of \$272,855 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$744,968 and \$39,551, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2020, the County's proportion was 0.01630% as compared to 0.01625% on June 30, 2019. On June 30, 2020, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.04460% and 0.00240%, respectively as compared to 0.04576% and 0.00250% respectively at June 30, 2019.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$13,770. For the year ended June 30, 2021, the Component Unit School Board Professional group recognized GLI OPEB expense of \$41,404. For the year ended June 30, 2021, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of \$1,458. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (Professional)		Component School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,501	\$ 2,451	\$ 47,783	\$ 6,692	\$ 2,537	\$ 355
Net difference between projected and actual earnings on GLI OPEB plan investments	8,196	-	22,378	-	1,188	-
Change in assumptions	13,646	5,697	37,257	15,555	1,978	826
Changes in proportionate share	13,021	-	61,727	14,290	976	1,659
Employer contributions subsequent to the measurement date	18,884	-	49,110	-	2,524	-
Total	\$ 71,248	\$ 8,148	\$ 218,255	\$ 36,537	\$ 9,203	\$ 2,840

\$18,884, \$49,110 and \$2,524, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
Year Ended June 30			
2022	\$ 7,475	\$ 24,216	\$ 545
2023	9,789	30,535	881
2024	11,902	36,303	1,187
2025	11,648	34,600	1,200
2026	3,191	7,161	78
Thereafter	211	(207)	(52)

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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COUNTY OF MIDDLESEX, VIRGINIA**Notes to Financial Statements (Continued)**
As of June 30, 2021**Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)****Actuarial Assumptions (Continued)****Mortality Rates - Teachers (Continued)**

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 because of the experience study and VRS Board action are as follows:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
Employers' Net GLI OPEB Liability (Asset)	\$	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

NET GLI OPEB Liability (Continued)

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a media return of 6.81%.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 13—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 358,689	\$ 272,855	\$ 203,150
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 979,318	\$ 744,968	\$ 554,654
Component School Board (nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 51,993	\$ 39,551	\$ 29,447

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Active members	<u>23</u>
Total covered employees	<u>23</u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board's contractually required employer contribution rate for the year ended June 30, 2021 was 2.04% 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 was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Plan were \$9,534 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

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

Actuarial Assumptions

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

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

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

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

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Benefit changes	\$ 101,580	\$ -	\$ 101,580
Net changes	\$ 101,580	\$ -	\$ 101,580
Balances at June 30, 2020	\$ 101,580	\$ -	\$ 101,580

Sensitivity of the School Board's HIC Net OPEB Liability to Changes in the Discount Rate

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board's Net HIC OPEB Liability	\$ 110,177	\$ 101,580	\$ 94,041

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2021, the School Board recognized HIC Plan OPEB expense of \$101,580. At June 30, 2021, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 9,534	\$ -
Total	\$ 9,534	\$ -

\$9,534 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022.

HIC Plan Data

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

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

Plan Description

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

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

Plan Description (Continued)

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2021 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$110,043 and \$110,248 for the years ended June 30, 2021 and June 30, 2020, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

On June 30, 2021, the school division reported a liability of \$1,367,133 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.10480% as compared to 0.10695% on June 30, 2019.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$130,968. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 18,258
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	6,059	-
Change in assumptions	27,026	7,470
Change in proportionate share	124,281	29,870
Employer contributions subsequent to the measurement date	110,043	-
Total	<u>\$ 267,409</u>	<u>\$ 55,598</u>

\$110,043 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2022	\$ 19,009
2023	19,609
2024	19,408
2025	20,627
2026	19,428
Thereafter	3,687

Actuarial Assumptions

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions (Continued)

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

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

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

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Long-Term Expected Rate of Return

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

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

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,530,363	\$ 1,367,133	\$ 1,228,399

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Plan's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

School Board

Plan Description

In addition to the pension and OPEB benefits described in Notes 12-15, the School Board administers a single-employer defined benefit healthcare plan, The Middlesex County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

School Board: (Continued)

Plan Membership

On June 30, 2021 (measurement date), the following employees were covered by the benefit terms:

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

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2021 was \$11,474.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2021. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The measurement date is the Schools' fiscal year end, June 30, 2021. Plan assets (Fiduciary Net Position) are measured as of this date. The Total OPEB Liability (TOL) as of this date is based on an actuarial valuation as of January 1, 2020, with adjustments made for the six months difference.

Inflation	2.50% per year
Salary Increases	3.00% per year
Discount Rate	1.92% for accounting and funding disclosures as of June 30, 2021 2.45% for accounting and funding disclosures as of June 30, 2020
Mortality rates	Not available

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a 20-year municipal bond Aa index as of June 30, 2021.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

School Board: (Continued)

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2019	\$	352,162
Changes for the year:		
Service cost		11,097
Interest		8,760
Difference between expected and actual experience		-
Changes in assumptions		15,463
Benefit payments		(11,474)
Net changes	\$	23,846
Balances at June 30, 2020	\$	376,008

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (0.92%) or one percentage point higher (2.92%) than the current discount rate:

Rate		
1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
\$ 407,038	\$ 376,008	\$ 347,365

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

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

Rates		
1% Decrease (5.00% decreasing to 3.50%/3.25%)	Healthcare Cost Trend (6.00% decreasing to 4.50%/4.25%)	1% Increase (7.00% decreasing to 5.50%/5.25%)
\$ 336,631	\$ 376,008	\$ 422,784

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

School Board: (Continued)

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

For the year ended June 30, 2021, the School Board recognized OPEB expense in the amount of \$24,663. On June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,084	\$ -
Changes in actuarial assumptions	39,924	-
Total	<u>\$ 52,008</u>	<u>\$ -</u>

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

Year Ended June 30

2022	\$ 4,806
2023	4,806
2024	4,806
2025	4,806
2026	4,806
Thereafter	27,978

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

Note 17—Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 14):								
County	\$ 71,248	\$ 8,148	\$ 272,855	\$ 13,770	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	9,203	2,840	39,551	1,458
School Board Professional	-	-	-	-	218,255	36,537	744,968	41,404
Nonprofessional Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	9,534	-	101,580	101,580
Teacher Health Insurance Credit Program (Note 16)	-	-	-	-	267,409	55,598	1,367,133	130,968
School Stand-Alone Plan (Note 17)	-	-	-	-	52,008	-	376,008	24,663
Totals	<u>\$ 71,248</u>	<u>\$ 8,148</u>	<u>\$ 272,855</u>	<u>\$ 13,770</u>	<u>\$ 556,409</u>	<u>\$ 94,975</u>	<u>\$ 2,629,240</u>	<u>\$ 300,073</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2021

Note 18—Fair Value Measurements:

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

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

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

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

The County has the following recurring fair value measurements as of June 30, 2021:

Investment type	Balance June 30, 2021	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Government Obligations	\$ 1,253,694	\$ 1,253,694	\$ -	\$ -
	\$ 1,253,694	\$ 1,253,694	\$ -	\$ -

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 19—Surety Bonds:

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

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

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2021 was \$40,880.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2021

Note 21—Adoption of Accounting Principles:

The County implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement resulted in the following restatement of net position:

	Net Position		Fund Balance		Fund Balance		Net Position	
	Primary Government		Primary Government		Component Unit		Primary Government -	
	Component Unit		Component Unit		School Board		Custodial Funds	
	Governmental Activities	School Board	General Fund	Special Revenue Fund- School Activity	School Operating Fund	Special Welfare	Chesapeake Bay Governor's School Fund	
Net Position/Fund Balance, June 30, 2020, as previously stated	\$ 19,023,703	\$ (6,045,228)	\$ 9,553,025	\$ -	\$ 653,901	\$ -	\$ -	
Restatement:								
Notes due from Middlesex Water Authority	1,676,270	-	-	-	-	-	-	
Correction of prior year transfer	(200,000)	200,000	(200,000)	-	200,000	-	-	
Implementation of GASB 84	-	153,259	-	153,259	-	7,187	113,071	
Net Position/Fund Balance, July 1, 2020, as restated	\$ 20,499,973	\$ (5,691,969)	\$ 9,353,025	\$ 153,259	\$ 853,901	\$ 7,187	\$ 113,071	

Note 22—Upcoming Pronouncements:

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

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

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

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

Note 22—Upcoming Pronouncements: (Continued)

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

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

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

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

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

Note 23—COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2021

Note 23—COVID-19 Pandemic Funding and Subsequent Events: (Continued)

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$1,882,258. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$194,775. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. Unspent CRF funds in the amount of \$166,701 are reported as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.

In June 2021, the County received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government. Unspent funds in the amount of \$1,027,715 from the initial allocation are reported as unearned revenue as of June 30.

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor's Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

County of Middlesex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
General property taxes	\$ 16,979,567	\$ 16,979,567	\$ 17,462,807	\$ 483,240
Other local taxes	2,825,500	2,825,500	3,582,284	756,784
Permits, privilege fees, and regulatory licenses	141,500	141,500	116,312	(25,188)
Fines and forfeitures	30,000	30,000	27,341	(2,659)
Revenue from the use of money and property	168,860	168,860	182,729	13,869
Charges for services	252,100	253,612	200,111	(53,501)
Miscellaneous	116,000	153,044	279,653	126,609
Recovered costs	189,000	206,086	1,854,994	1,648,908
Intergovernmental:				
Commonwealth	4,505,484	4,641,825	3,449,975	(1,191,850)
Federal	972,049	1,043,609	2,692,310	1,648,701
Total revenues	\$ 26,180,060	\$ 26,443,603	\$ 29,848,516	\$ 3,404,913
EXPENDITURES				
Current:				
General government administration	\$ 2,283,785	\$ 2,849,020	\$ 2,593,780	\$ 255,240
Judicial administration	917,128	917,128	792,438	124,690
Public safety	4,568,458	4,963,350	4,601,870	361,480
Public works	2,645,717	2,911,550	2,024,283	887,267
Health and welfare	2,771,703	2,770,698	2,574,670	196,028
Education	9,972,941	10,097,730	9,896,880	200,850
Parks, recreation, and cultural	252,377	259,064	244,972	14,092
Community development	795,354	821,114	765,365	55,749
Debt service:				
Principal retirement	2,081,903	13,216,002	13,216,002	-
Interest and other fiscal charges	1,732,445	1,782,467	802,089	980,378
Bond issuance costs	-	442,249	249,082	193,167
Total expenditures	\$ 28,021,811	\$ 41,030,372	\$ 37,761,431	\$ 3,268,941
Excess (deficiency) of revenues over (under) expenditures	\$ (1,841,751)	\$ (14,586,769)	\$ (7,912,915)	\$ 6,673,854
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (350,000)	\$ (1,079,542)	\$ -	\$ 1,079,542
Issuance of refunding bonds	-	9,675,000	9,675,000	-
Bond premium on refunding bonds issued	-	1,829,249	1,829,249	-
Total other financing sources (uses)	\$ (350,000)	\$ 10,424,707	\$ 11,504,249	\$ 1,079,542
Net change in fund balances	\$ (2,191,751)	\$ (4,162,062)	\$ 3,591,334	\$ 7,753,396
Fund balances - beginning, as restated	2,191,751	4,162,062	9,353,025	5,190,963
Fund balances - ending	\$ -	\$ -	\$ 12,944,359	\$ 12,944,359

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019	2018
Total pension liability			
Service cost	\$ 389,468	\$ 346,768	\$ 319,227
Interest	763,210	715,335	693,866
Changes of assumptions	-	316,710	-
Differences between expected and actual experience	156,291	177,466	(263,707)
Benefit payments	(504,233)	(432,834)	(452,539)
Net change in total pension liability	\$ 804,736	\$ 1,123,445	\$ 296,847
Total pension liability - beginning	11,558,934	10,435,489	10,138,642
Total pension liability - ending (a)	\$ 12,363,670	\$ 11,558,934	\$ 10,435,489
Plan fiduciary net position			
Contributions - employer	\$ 121,178	\$ 118,251	\$ 125,630
Contributions - employee	159,162	152,646	184,677
Net investment income	241,977	799,985	836,732
Benefit payments	(504,233)	(432,834)	(452,539)
Administrator charges	(8,243)	(7,889)	(7,212)
Other	(1,338)	(504)	(744)
Net change in plan fiduciary net position	\$ 8,503	\$ 629,655	\$ 686,544
Plan fiduciary net position - beginning	12,620,422	11,990,767	11,304,223
Plan fiduciary net position - ending (b)	\$ 12,628,925	\$ 12,620,422	\$ 11,990,767
County's net pension liability (asset) - ending (a) - (b)	\$ (265,255)	\$ (1,061,488)	\$ (1,555,278)
Plan fiduciary net position as a percentage of the total pension liability	102.15%	109.18%	114.90%
Covered payroll	\$ 3,346,229	\$ 3,185,785	\$ 2,917,276
County's net pension liability (asset) as a percentage of covered payroll	-7.93%	-33.32%	-53.31%

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

Exhibit 10

<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>	
\$	323,719	\$	313,001	\$	308,501	\$	313,075
	663,628		641,382		622,514		586,951
	(10,415)		-		-		-
	(92,300)		(206,116)		(263,473)		-
	(452,774)		(408,167)		(387,841)		(396,113)
\$	<u>431,858</u>	\$	<u>340,100</u>	\$	<u>279,701</u>	\$	<u>503,913</u>
	9,706,784		9,366,684		9,086,983		8,583,070
\$	<u><u>10,138,642</u></u>	\$	<u><u>9,706,784</u></u>	\$	<u><u>9,366,684</u></u>	\$	<u><u>9,086,983</u></u>
\$	121,680	\$	212,076	\$	207,393	\$	212,738
	134,500		131,401		133,042		132,588
	1,244,950		176,194		448,360		1,337,763
	(452,774)		(408,167)		(387,841)		(396,113)
	(7,244)		(6,298)		(6,102)		(7,194)
	(1,105)		(75)		(96)		71
\$	<u>1,040,007</u>	\$	<u>105,131</u>	\$	<u>394,756</u>	\$	<u>1,279,853</u>
	10,264,216		10,159,085		9,764,329		8,484,476
\$	<u><u>11,304,223</u></u>	\$	<u><u>10,264,216</u></u>	\$	<u><u>10,159,085</u></u>	\$	<u><u>9,764,329</u></u>
\$	(1,165,581)	\$	(557,432)	\$	(792,401)	\$	(677,346)
	111.50%		105.74%		108.46%		107.45%
\$	2,776,413	\$	2,690,989	\$	2,594,531	\$	2,548,301
	-41.98%		-20.71%		-30.54%		-26.58%

Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2020

	<u>2020</u>	<u>2019</u>
Total pension liability		
Service cost	\$ 47,945	\$ 44,102
Interest	209,439	205,068
Changes of assumptions	-	72,237
Differences between expected and actual experience	(52,031)	37,061
Benefit payments	(183,549)	(186,860)
Net change in total pension liability	<u>\$ 21,804</u>	<u>\$ 171,608</u>
Total pension liability - beginning	<u>3,194,580</u>	<u>3,022,972</u>
Total pension liability - ending (a)	<u><u>\$ 3,216,384</u></u>	<u><u>\$ 3,194,580</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 57,819	\$ 58,835
Contributions - employee	22,942	23,422
Net investment income	50,189	169,313
Benefit payments	(183,549)	(186,860)
Administrator charges	(1,763)	(1,744)
Other	(122)	(106)
Net change in plan fiduciary net position	<u>\$ (54,484)</u>	<u>\$ 62,860</u>
Plan fiduciary net position - beginning	<u>2,657,463</u>	<u>2,594,603</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,602,979</u></u>	<u><u>\$ 2,657,463</u></u>
 School Division's net pension liability - ending (a) - (b)	 \$ 613,405	 \$ 537,117
 Plan fiduciary net position as a percentage of the total pension liability	 80.93%	 83.19%
 Covered payroll	 \$ 486,831	 \$ 489,637
 School Division's net pension liability as a percentage of covered payroll	 126.00%	 109.70%

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

Exhibit 11

2018	2017	2016	2015	2014
\$ 45,026	\$ 42,574	\$ 43,323	\$ 49,097	\$ 43,610
203,159	205,984	197,952	189,776	184,049
-	(20,804)	-	-	-
(26,426)	(82,281)	45,772	40,934	-
(202,104)	(169,576)	(175,034)	(150,966)	(140,720)
\$ 19,655	\$ (24,103)	\$ 112,013	\$ 128,841	\$ 86,939
3,003,317	3,027,420	2,915,407	2,786,566	2,699,627
<u>\$ 3,022,972</u>	<u>\$ 3,003,317</u>	<u>\$ 3,027,420</u>	<u>\$ 2,915,407</u>	<u>\$ 2,786,566</u>
\$ 59,997	\$ 58,868	\$ 65,602	\$ 63,953	\$ 41,513
21,595	21,208	33,066	20,699	22,563
184,219	280,512	40,128	106,195	324,512
(202,104)	(169,576)	(175,034)	(150,966)	(140,720)
(1,656)	(1,673)	(1,503)	(1,498)	(1,798)
(161)	(248)	(17)	(20)	17
\$ 61,890	\$ 189,091	\$ (37,758)	\$ 38,363	\$ 246,087
2,532,713	2,343,622	2,381,380	2,343,017	2,096,930
<u>\$ 2,594,603</u>	<u>\$ 2,532,713</u>	<u>\$ 2,343,622</u>	<u>\$ 2,381,380</u>	<u>\$ 2,343,017</u>
\$ 428,369	\$ 470,604	\$ 683,798	\$ 534,027	\$ 443,549
85.83%	84.33%	77.41%	81.68%	84.08%
\$ 457,583	\$ 447,922	\$ 455,317	\$ 466,832	\$ 448,656
93.62%	105.06%	150.18%	114.39%	98.86%

County of Middlesex, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2020

	2020	2019
Employer's Proportion of the Net Pension Liability (Asset)	0.10440%	0.10652%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 15,187,121	\$ 14,018,637
Employer's Covered Payroll	9,187,353	8,970,888
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.30%	156.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%

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

Exhibit 12

	2018	2017	2016	2015	2014
	0.09640%	0.09286%	0.09425%	0.09504%	0.09589%
\$ 11,337,000	\$ 11,420,000	\$ 13,208,000	\$ 11,962,000	\$ 11,588,000	
7,805,956	7,356,335	7,186,194	7,066,046	7,012,136	
145.24%	155.24%	183.80%	169.29%	165.26%	
74.81%	72.92%	68.28%	70.68%	70.88%	

County of Middlesex, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2021	\$ 191,029	\$ 191,029	\$ -	\$ 3,497,044	5.46%
2020	122,258	122,258	-	3,346,229	3.65%
2019	118,251	118,251	-	3,185,785	3.71%
2018	125,920	125,920	-	2,917,276	4.32%
2017	121,680	121,680	-	2,776,413	4.38%
2016	217,163	217,163	-	2,690,989	8.07%
2015	207,393	207,393	-	2,594,531	7.99%
2014	213,548	213,548	-	2,548,301	8.38%
2013	202,566	202,566	-	2,417,259	8.38%
2012	138,873	138,873	-	2,239,888	6.20%
Component Unit School Board (nonprofessional)					
2021	\$ 56,778	\$ 56,778	\$ -	\$ 467,334	12.15%
2020	57,819	57,819	-	486,831	11.88%
2019	58,835	58,835	-	489,637	12.02%
2018	59,997	59,997	-	457,583	13.11%
2017	58,868	58,868	-	447,922	13.14%
2016	66,658	66,658	-	455,317	14.64%
2015	63,953	63,953	-	466,832	13.70%
2014	58,280	41,276	17,004	448,656	9.20%
2013	53,988	38,236	15,752	415,614	9.20%
2012	37,884	37,884	-	411,782	9.20%
Component Unit School Board (professional)					
2021	\$ 1,454,393	\$ 1,454,393	\$ -	\$ 9,094,465	15.99%
2020	1,386,732	1,386,732	-	9,187,353	15.09%
2019	1,408,868	1,408,868	-	8,970,888	15.70%
2018	1,246,070	1,246,070	-	7,805,956	15.96%
2017	1,056,000	1,056,000	-	7,356,335	14.35%
2016	1,125,585	1,125,585	-	7,186,194	15.66%
2015	1,024,577	1,024,577	-	7,066,046	14.50%
2014	817,357	817,357	-	7,012,136	11.66%
2013	811,103	811,103	-	7,060,778	11.49%
2012	Unavailable	Unavailable	Unavailable	6,161,972	Unavailable

County of Middlesex, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2021

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

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

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

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

All Others (Non 10 Largest) - Hazardous Duty:

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

Component Unit School Board - Professional Employees

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

County of Middlesex, Virginia
Schedule of County's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2020	0.01630% \$	272,855 \$	3,365,971	8.11%	52.64%
2019	0.01625%	264,431	3,185,785	8.30%	52.00%
2018	0.01534%	233,000	2,917,276	7.99%	51.22%
2017	0.01505%	227,000	2,776,413	8.18%	48.86%
Component Unit School Board (nonprofessional):					
2020	0.00240% \$	39,551 \$	486,831	8.12%	52.64%
2019	0.00250%	40,682	489,637	8.31%	52.00%
2018	0.00241%	37,000	457,583	8.09%	51.22%
2017	0.00243%	37,000	447,922	8.26%	48.86%
Component Unit School Board (professional):					
2020	0.04460% \$	744,968 \$	9,187,353	8.11%	52.64%
2019	0.04576%	744,637	8,970,888	8.30%	52.00%
2018	0.04105%	623,000	7,805,956	7.98%	51.22%
2017	0.03988%	600,000	7,356,335	8.16%	48.86%

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

County of Middlesex, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2012 through June 30, 2021

		Contributions in Relation to					Contributions
	Contractually Required Contribution		Contractually Required Contribution		Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll
Date	(1)		(2)		(3)	(4)	(5)
Primary Government:							
2021	\$ 18,884	\$	18,884	\$	-	\$ 3,497,044	0.54%
2020	17,503		17,503		-	3,365,971	0.52%
2019	16,566		16,566		-	3,185,785	0.52%
2018	15,170		15,170		-	2,917,276	0.52%
2017	14,437		14,437		-	2,776,413	0.52%
2016	12,953		12,953		-	2,690,989	0.48%
2015	12,476		12,476		-	2,594,531	0.48%
2014	12,232		12,232		-	2,548,301	0.48%
2013	11,603		11,603		-	2,417,259	0.48%
2012	6,272		6,272		-	2,239,888	0.28%
Component Unit School Board (nonprofessional):							
2021	\$ 2,524	\$	2,524	\$	-	\$ 467,334	0.54%
2020	2,532		2,532		-	486,831	0.52%
2019	2,546		2,546		-	489,637	0.52%
2018	2,379		2,379		-	457,583	0.52%
2017	2,329		2,329		-	447,922	0.52%
2016	2,186		2,186		-	455,317	0.48%
2015	2,241		2,241		-	466,832	0.48%
2014	2,154		2,154		-	448,656	0.48%
2013	1,995		1,995		-	415,614	0.48%
2012	1,153		1,153		-	411,782	0.28%
Component Unit School Board (professional):							
2021	\$ 49,110	\$	49,110	\$	-	\$ 9,094,465	0.54%
2020	47,774		47,774		-	9,187,353	0.52%
2019	46,649		46,649		-	8,970,888	0.52%
2018	40,590		40,590		-	7,805,956	0.52%
2017	38,253		38,253		-	7,356,335	0.52%
2016	34,494		34,494		-	7,186,194	0.48%
2015	33,917		33,917		-	7,066,046	0.48%
2014	33,658		33,658		-	7,012,136	0.48%
2013	33,892		33,892		-	7,060,778	0.48%
2012	17,254		17,254		-	6,161,972	0.28%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

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

Teachers

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

Non-Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

County of Middlesex, Virginia
 Schedule of Changes in the Component Unit School Board's Net OPEB Liability and Related Ratio
 Health Insurance Credit (HIC) Plan
 For the Measurement Date of June 30, 2020

	<u>2020</u>
Total HIC OPEB Liability	
Changes in benefit terms	\$ 101,580
Net change in total HIC OPEB liability	\$ 101,580
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	<u>\$ 101,580</u>
Plan fiduciary net position	
Net change in plan fiduciary net position	\$ -
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 101,580
Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%
Covered payroll	\$ -
School Board's net HIC OPEB liability as a percentage of covered payroll	0.00%

Schedule is intended to show information for 10 years. Information prior to the 2020 valuation is not available. However, additional years will be included as they become available.

County of Middlesex, Virginia
 Schedule of Employer Contributions
 Health Insurance Credit (HIC) Plan
 For the Years Ended June 30, 2012 through June 30, 2021

Date	Contractually		Contributions in Relation to		Contributions	
	Required	Required	Contractually	Contribution	Employer's	as a % of
	Contribution	Contribution	Required	Deficiency	Covered	Covered
	(1)	(2)	(3)	(Excess)	Payroll	Payroll
					(4)	(5)
2021	\$ 9,534	\$ 9,534	\$ -	\$ 467,334		2.04%

Schedule is intended to show information for 10 years. 2021 was the first year of participation.

County of Middlesex, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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

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

Non-Largest Ten Locality Employers - General Employees

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

County of Middlesex, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2020	0.10480% \$	1,367,133 \$	9,187,353	14.88%	9.95%
2019	0.10695%	1,400,079	8,970,888	15.61%	8.97%
2018	0.09652%	1,225,000	7,805,956	15.69%	8.08%
2017	0.09321%	1,182,000	7,356,335	16.07%	7.04%

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

County of Middlesex, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2012 through June 30, 2021

Date	Contributions in Relation to				Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2021	\$ 110,043	\$ 110,043	\$ -	\$ 9,094,465	1.21%
2020	110,248	110,248	-	9,187,353	1.20%
2019	107,651	107,651	-	8,970,888	1.20%
2018	96,014	96,014	-	7,805,956	1.23%
2017	81,655	81,655	-	7,356,335	1.11%
2016	76,174	76,174	-	7,186,194	1.06%
2015	74,900	74,900	-	7,066,046	1.06%
2014	77,835	77,835	-	7,012,136	1.11%
2013	77,259	77,259	-	6,960,265	1.11%
2012	36,972	36,972	-	6,161,972	0.60%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2021

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

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

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

County of Middlesex, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Healthcare Plan
Component Unit School Board
For the Measurement Dates of June 30, 2018 through June 30, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 11,097	\$ 10,774	\$ 10,460	\$ 10,155
Interest	8,760	9,772	10,444	10,215
Changes in assumptions	15,463	19,494	12,210	-
Differences between expected and actual experience	-	14,282	-	-
Benefit payments	(11,474)	(7,147)	(12,250)	(16,442)
Net change in total OPEB liability	\$ 23,846	\$ 47,175	\$ 20,864	\$ 3,928
Total OPEB liability - beginning	352,162	304,987	284,123	280,195
Total OPEB liability - ending	\$ 376,008	\$ 352,162	\$ 304,987	\$ 284,123
 Covered-employee payroll	 \$ 9,586,739	 \$ 9,662,613	 \$ 9,464,520	 \$ 8,224,832
 School's total OPEB liability (asset) as a percentage of covered employee payroll	 3.92%	 3.64%	 3.22%	 3.45%

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

County of Middlesex, Virginia
Notes to Required Supplementary Information - School OPEB - Healthcare Plan
For the Year Ended June 30, 2021

Valuation Date: 1/1/2020
Measurement Date: 6/30/2021

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	1.92%
Payroll increases	3.00%
Inflation	2.50% per year
Medical Trend Rate	The medical trend rate assumption starts at 6.00% in 2021 and gradually declines to 4.25%

County of Middlesex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 7,097	\$ 7,097
Total revenues	\$ -	\$ -	\$ 7,097	\$ 7,097
EXPENDITURES				
Capital projects	\$ 350,000	\$ 1,104,962	\$ 647,733	\$ 457,229
Debt service:				
Bond issuance costs	-	-	61,200	(61,200)
Total expenditures	\$ 350,000	\$ 1,104,962	\$ 708,933	\$ 396,029
Excess (deficiency) of revenues over (under) expenditures	\$ (350,000)	\$ (1,104,962)	\$ (701,836)	\$ 403,126
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 350,000	\$ 776,877	\$ -	\$ (776,877)
Issuance of lease revenue bonds	-	328,085	2,474,000	2,145,915
Total other financing sources (uses)	\$ 350,000	\$ 1,104,962	\$ 2,474,000	\$ 1,369,038
Net change in fund balances	\$ -	\$ -	\$ 1,772,164	\$ 1,772,164
Fund balance - beginning	-	-	2,977,415	2,977,415
Fund balance - ending	\$ -	\$ -	\$ 4,749,579	\$ 4,749,579

County of Middlesex, Virginia
Combining Statement of Fiduciary Net Position - Custodial Funds
As of June 30, 2021

	<u>Custodial Funds</u>		
	<u>Chesapeake</u>		
	<u>Bay</u>		
	<u>Special</u>	<u>Governor's</u>	
	<u>Welfare</u>	<u>School</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,986	\$ 90,347	\$ 110,333
NET POSITION			
Restricted for:			
Education/students	\$ -	\$ 90,347	\$ 90,347
Social services clients	19,986	-	19,986
Total net position	\$ 19,986	\$ 90,347	\$ 110,333

County of Middlesex, Virginia
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
For the Year Ended June 30, 2021

	Custodial Funds		
	Chesapeake Bay		<u>Total</u>
	<u>Special Welfare Fund</u>	<u>Governor's School Fund</u>	
ADDITIONS			
Contributions:			
Donations and contributions	\$ 54,637	\$ -	\$ 54,637
Participant fees and grants	-	1,664,212	1,664,212
Total additions	<u>\$ 54,637</u>	<u>\$ 1,664,212</u>	<u>\$ 1,718,849</u>
DEDUCTIONS			
Recipient payments	\$ 41,838	\$ -	\$ 41,838
Operating expenses		1,686,936	1,686,936
Total deductions	<u>\$ 41,838</u>	<u>\$ 1,686,936</u>	<u>\$ 1,728,774</u>
Net increase (decrease) in fiduciary net position	<u>\$ 12,799</u>	<u>\$ (22,724)</u>	<u>\$ (9,925)</u>
Net position - beginning - as restated	7,187	113,071	120,258
Net position - ending	<u><u>\$ 19,986</u></u>	<u><u>\$ 90,347</u></u>	<u><u>\$ 110,333</u></u>

County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2021

	School Operating Fund	School Special Revenue Fund	School Activity Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,753,487	224,538	\$ 137,548	\$ 2,115,573
Due from other governmental units	357,713	19,279	-	376,992
Total assets	<u>\$ 2,111,200</u>	<u>\$ 243,817</u>	<u>\$ 137,548</u>	<u>\$ 2,492,565</u>
LIABILITIES				
Accrued liabilities	\$ 1,537,199	\$ -	\$ -	\$ 1,537,199
Due to other governmental units	357,713	-	-	357,713
Total liabilities	<u>\$ 1,894,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,894,912</u>
FUND BALANCES				
Committed:				
School operating	\$ 216,288	\$ -	\$ -	\$ 216,288
Student activities	-	-	137,548	137,548
School food	-	243,817	-	243,817
Total fund balances	<u>\$ 216,288</u>	<u>\$ 243,817</u>	<u>\$ 137,548</u>	<u>\$ 597,653</u>

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

Total fund balances per above		\$ 597,653
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets cost	\$ 17,170,278	
Accumulated depreciation	<u>(8,999,832)</u>	8,170,446
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 4,821,823	
OPEB related items	<u>556,409</u>	5,378,232
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	\$ (116,799)	
Net pension liability	(15,800,526)	
Net OPEB liabilities	<u>(2,629,240)</u>	(18,546,565)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,195,669)	
OPEB related items	<u>(94,975)</u>	(1,290,644)
Net position of governmental activities		<u><u>\$ (5,690,878)</u></u>

County of Middlesex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2021

	School Operating Fund	School Special Revenue Fund	School Activity Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 17,714	\$ -	\$ -	\$ 17,714
Charges for services	36,230	27,276	-	63,506
Miscellaneous	272,545	-	72,289	344,834
Recovered costs	99,100	-	-	99,100
Intergovernmental:				
Local government	9,492,163	72,962	-	9,565,125
Commonwealth	5,995,732	51,362	-	6,047,094
Federal	1,215,036	530,944	-	1,745,980
Total revenues	<u>\$ 17,128,520</u>	<u>\$ 682,544</u>	<u>\$ 72,289</u>	<u>\$ 17,883,353</u>
EXPENDITURES				
Current:				
Education	\$ 17,457,786	\$ 571,313	\$ 88,000	\$ 18,117,099
Capital projects	308,347	-	-	308,347
Total expenditures	<u>\$ 17,766,133</u>	<u>\$ 571,313</u>	<u>\$ 88,000</u>	<u>\$ 18,425,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (637,613)</u>	<u>\$ 111,231</u>	<u>\$ (15,711)</u>	<u>\$ (542,093)</u>
Net change in fund balances	\$ (637,613)	\$ 111,231	\$ (15,711)	\$ (542,093)
Fund balances - beginning, as restated	853,901	132,586	153,259	1,139,746
Fund balances - ending	<u>\$ 216,288</u>	<u>\$ 243,817</u>	<u>\$ 137,548</u>	<u>\$ 597,653</u>

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

Net change in fund balances - total governmental funds - per above \$ (542,093)

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

Capital outlay	\$ 787,946	
Depreciation expense	(687,311)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>1,077,617</u>	1,178,252

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in pension related items	\$ (498,938)	
Change in OPEB related items	(117,264)	
Changes in compensated absences	<u>(18,866)</u>	(635,068)

Change in net position of governmental activities \$ 1,091

County of Middlesex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2021

	School Operating Fund				School Special Revenue Fund			
	Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Variance with Final Budget	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 17,714	\$ 17,714	\$ -	\$ -	\$ -	\$ -
Charges for services	25,000	25,000	36,230	11,230	175,000	175,000	27,276	(147,724)
Miscellaneous	575,096	1,002,412	272,545	(729,867)	-	-	-	-
Recovered costs	-	-	99,100	99,100	-	-	-	-
Intergovernmental:								
Local government	9,691,013	9,691,013	9,492,163	(198,850)	72,962	72,962	72,962	-
Commonwealth	5,967,092	6,044,782	5,995,732	(49,050)	58,097	58,097	51,362	(6,735)
Federal	817,308	1,316,383	1,215,036	(101,347)	350,000	590,706	530,944	(59,762)
Total revenues	\$ 17,075,509	\$ 18,079,590	\$ 17,128,520	\$ (951,070)	\$ 656,059	\$ 896,765	\$ 682,544	\$ (214,221)
EXPENDITURES								
Current:								
Education	\$ 17,015,509	\$ 17,770,701	\$ 17,457,786	\$ 312,915	\$ 656,059	\$ 986,731	\$ 571,313	\$ 415,418
Capital projects	60,000	308,889	308,347	542	-	-	-	-
Total expenditures	\$ 17,075,509	\$ 18,079,590	\$ 17,766,133	\$ 313,457	\$ 656,059	\$ 986,731	\$ 571,313	\$ 415,418
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (637,613)	\$ (637,613)	\$ -	\$ (89,966)	\$ 111,231	\$ 201,197
Net change in fund balances	\$ -	\$ -	\$ (637,613)	\$ (637,613)	\$ -	\$ (89,966)	\$ 111,231	\$ 201,197
Fund balances - beginning, as restated	-	-	853,901	853,901	-	89,966	132,586	42,620
Fund balances - ending	\$ -	\$ -	\$ 216,288	\$ 216,288	\$ -	\$ -	\$ 243,817	\$ 243,817

County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
As of June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 356,031
Note receivable	60,000
Total current assets	\$ <u>416,031</u>

Noncurrent assets:

Capital assets:

Land	\$ 11,155
Total noncurrent assets	\$ <u>11,155</u>
Total assets	\$ <u><u>427,186</u></u>

NET POSITION

Investment in capital assets	\$ 11,155
Unrestricted	416,031
Total net position	\$ <u><u>427,186</u></u>

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

OPERATING REVENUES

Charges for services:

Bond fees	\$	41,213
Total operating revenues	\$	<u>41,213</u>

OPERATING EXPENSES

Grants	\$	25,000
Other charges		4,482
Total operating expenses	\$	<u>29,482</u>
Operating income (loss)	\$	<u>11,731</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	2,379
COVID-19 relief funds from County of Middlesex		74,612
Grants to businesses		(150,701)
Total nonoperating revenues (expenses)	\$	<u>(73,710)</u>
Change in net position	\$	(61,979)

Total net position - beginning		<u>489,165</u>
Total net position - ending	\$	<u><u>427,186</u></u>

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 41,213
Payments for operating activities	(29,482)
Net cash provided by (used for) operating activities	\$ <u>11,731</u>

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

COVID-19 relief funds from County of Middlesex	\$ 74,612
Grants to businesses	(150,701)
Net cash provided by (used for) noncapital financing activities	\$ <u>(76,089)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 2,379
Net cash provided by (used for) investing activities	\$ <u>2,379</u>

Net increase (decrease) in cash and cash equivalents \$ (61,979)

Cash and cash equivalents - beginning 418,010
Cash and cash equivalents - ending \$ 356,031

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

Operating income (loss)	\$ 11,731
Net cash provided (used) by operating activities	\$ <u><u>11,731</u></u>

County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Middlesex Water Authority
As of June 30, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,598,023
Total current assets	<u>\$ 1,598,023</u>

Noncurrent assets:

Capital assets:

Land and land rights	\$ 454,163
Construction in progress	<u>12,404,288</u>
Total capital assets	<u>\$ 12,858,451</u>
Total assets	<u>\$ 14,456,474</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 2,541,681
Retainage payable	533,160
Interest payable	38,307
Unearned connection fees	<u>606,075</u>
Total current liabilities	<u>\$ 3,719,223</u>

Noncurrent liabilities:

Notes payable	\$ 80,000
Bonds payable	<u>10,212,777</u>
Total noncurrent liabilities	<u>\$ 10,292,777</u>
Total liabilities	<u>\$ 14,012,000</u>

NET POSITION

Net investment in capital assets	\$ 3,557,622
Unrestricted	<u>(3,113,148)</u>
Total net position	<u>\$ 444,474</u>

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Middlesex Water Authority
For the Year Ended June 30, 2021

OPERATING REVENUES

Miscellaneous	\$	2,280
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OPERATING EXPENSES

Administrative	\$	15,000
Travel		129
Accounting		2,500
Postage		1,785
Office		692
Insurance		1,258
Right of way negotiations and easements		84,238
Total operating expenses	\$	105,602
Operating income (loss)	\$	(103,322)

Total net position - beginning		547,796
Total net position - ending	\$	444,474

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Middlesex Water Authority
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 2,280
Payments for operating activities	(75,225)
Net cash provided by (used for) operating activities	<u>\$ (72,945)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to utility plant	\$ (8,366,665)
Principal payments on debt	(1,676,270)
Issuance of debt	10,232,777
Connection fees - unearned	<u>113,725</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ 303,567</u>

Net increase (decrease) in cash and cash equivalents \$ 230,622

Cash and cash equivalents - beginning 1,367,401
Cash and cash equivalents - ending \$ 1,598,023

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

Operating income (loss)	\$ (103,322)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	(6,730)
Increase (decrease) in accrued interest payable	<u>37,107</u>

Net cash provided (used) by operating activities \$ (72,945)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,382,544	\$ 13,382,544	\$ 13,689,524	\$ 306,980
Real and personal public service corporation taxes	337,156	337,156	342,338	5,182
Personal property taxes	3,018,867	3,018,867	3,090,177	71,310
Airplane taxes	11,000	11,000	12,655	1,655
Penalties	115,000	115,000	165,035	50,035
Interest	115,000	115,000	163,078	48,078
Total general property taxes	\$ 16,979,567	\$ 16,979,567	\$ 17,462,807	\$ 483,240
Other local taxes:				
Local sales and use taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,470,001	\$ 370,001
Consumers' utility taxes	231,000	231,000	237,623	6,623
Consumption taxes	45,000	45,000	47,873	2,873
Business license taxes	310,000	310,000	394,128	84,128
Motor vehicle licenses	298,000	298,000	292,264	(5,736)
Bank stock taxes	119,000	119,000	143,693	24,693
Taxes on recordation and wills	240,000	240,000	351,405	111,405
Transient occupancy taxes	122,500	122,500	201,569	79,069
Meals tax	360,000	360,000	443,728	83,728
Total other local taxes	\$ 2,825,500	\$ 2,825,500	\$ 3,582,284	\$ 756,784
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 3,421	\$ (7,079)
Building permits	82,000	82,000	86,727	4,727
Permits and other licenses	49,000	49,000	26,164	(22,836)
Total permits, privilege fees, and regulatory licenses	\$ 141,500	\$ 141,500	\$ 116,312	\$ (25,188)
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 27,341	\$ (2,659)
Revenue from use of money and property:				
Revenue from use of money	\$ 4,000	\$ 4,000	\$ 7,038	\$ 3,038
Revenue from use of property	164,860	164,860	175,691	10,831
Total revenue from use of money and property	\$ 168,860	\$ 168,860	\$ 182,729	\$ 13,869
Charges for services:				
Charges for court services	\$ 18,550	\$ 18,550	\$ 19,161	\$ 611
Charges for Commonwealth's Attorney	1,000	1,000	780	(220)
Charges for Treasurer	4,000	5,512	1,225	(4,287)
Charges for other protection	13,200	13,200	19,014	5,814
Charges for planning and community development	15,100	15,100	23,168	8,068
Charges for parks and recreation	20,250	20,250	6,574	(13,676)
Charges for airport	180,000	180,000	130,189	(49,811)
Total charges for services	\$ 252,100	\$ 253,612	\$ 200,111	\$ (53,501)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 116,000	\$ 153,044	\$ 279,653	\$ 126,609
Recovered costs:				
Sheriff	\$ -	\$ 17,086	\$ 24,625	\$ 7,539
Health department	-	-	3,434	3,434
EMS fee for service	189,000	189,000	143,165	(45,835)
VPSA debt service credit	-	-	7,500	7,500
Middlesex Water Authority	-	-	1,676,270	1,676,270
Total recovered costs	\$ 189,000	\$ 206,086	\$ 1,854,994	\$ 1,648,908
Total revenue from local sources	\$ 20,702,527	\$ 20,758,169	\$ 23,706,231	\$ 2,948,062
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 1,500	\$ 1,500	\$ 3,172	\$ 1,672
Rolling stock tax	500	500	399	(101)
Mobile home titling tax	23,000	23,000	24,290	1,290
Communications tax	430,000	430,000	323,232	(106,768)
Games of skill tax	-	-	18,432	18,432
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	\$ 1,164,635	\$ 1,164,635	\$ 1,079,161	\$ (85,474)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 169,182	\$ 169,182	\$ 165,894	\$ (3,288)
Sheriff	741,387	741,387	733,556	(7,831)
Commissioner of revenue	102,407	102,407	100,429	(1,978)
Treasurer	87,454	87,454	83,200	(4,254)
Registrar/electoral board	56,265	56,265	39,996	(16,269)
Clerk of the circuit court	209,382	209,382	189,681	(19,701)
Total shared expenses	\$ 1,366,077	\$ 1,366,077	\$ 1,312,756	\$ (53,321)
Other categorical aid:				
Public assistance and welfare administration	\$ 1,425,376	\$ 1,428,376	\$ 490,357	\$ (938,019)
Fire programs fund	-	39,951	39,951	-
Children's services act	425,000	425,000	383,250	(41,750)
Laptop grant	-	49,829	-	(49,829)
Wireless funds	45,000	45,000	46,495	1,495
Emergency medical services	-	13,827	13,827	-
Victim-witness grant	66,696	66,696	17,168	(49,528)
PSAP grant	-	21,800	21,800	-
Arts commission grant	4,500	9,000	4,500	(4,500)
Forfeitted assets	-	-	1,770	1,770
Airport grant	-	1,970	4,911	2,941

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Litter control	\$ 6,200	\$ 6,200	\$ 5,608	\$ (592)
Animal friendly plates	-	-	305	305
Other grants	2,000	3,464	28,116	24,652
Total other categorical aid	<u>\$ 1,974,772</u>	<u>\$ 2,111,113</u>	<u>\$ 1,058,058</u>	<u>\$ (1,053,055)</u>
Total categorical aid	<u>\$ 3,340,849</u>	<u>\$ 3,477,190</u>	<u>\$ 2,370,814</u>	<u>\$ (1,106,376)</u>
Total revenue from the Commonwealth	<u>\$ 4,505,484</u>	<u>\$ 4,641,825</u>	<u>\$ 3,449,975</u>	<u>\$ (1,191,850)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 819,110	\$ 819,110
Victim-witness grant	-	-	51,504	51,504
COVID-19 Coronavirus Relief Fund	972,049	1,043,609	1,764,367	720,758
COVID-19 Supplemental - Sheriff	-	-	49,829	49,829
Emergency services grants	-	-	7,500	7,500
Total categorical aid	<u>\$ 972,049</u>	<u>\$ 1,043,609</u>	<u>\$ 2,692,310</u>	<u>\$ 1,648,701</u>
Total revenue from the federal government	<u>\$ 972,049</u>	<u>\$ 1,043,609</u>	<u>\$ 2,692,310</u>	<u>\$ 1,648,701</u>
Total General Fund	<u>\$ 26,180,060</u>	<u>\$ 26,443,603</u>	<u>\$ 29,848,516</u>	<u>\$ 3,404,913</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 7,097	\$ 7,097
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,097</u>	<u>\$ 7,097</u>
Total Primary Government	<u>\$ 26,180,060</u>	<u>\$ 26,443,603</u>	<u>\$ 29,855,613</u>	<u>\$ 3,412,010</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 17,714	\$ 17,714

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 25,000	\$ 25,000	\$ 36,230	\$ 11,230
Miscellaneous:				
Miscellaneous	\$ 575,096	\$ 1,002,412	\$ 272,545	\$ (729,867)
Total miscellaneous	\$ 575,096	\$ 1,002,412	\$ 272,545	\$ (729,867)
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 99,100	\$ 99,100
Total recovered costs	\$ -	\$ -	\$ 99,100	\$ 99,100
Total revenue from local sources	\$ 600,096	\$ 1,027,412	\$ 425,589	\$ (601,823)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 9,691,013	\$ 9,691,013	\$ 9,492,163	\$ (198,850)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,456,456	\$ 1,456,456	\$ 1,558,889	\$ 102,433
Basic school aid	2,422,431	2,422,431	2,307,653	(114,778)
GED funding	8,386	8,386	8,387	1
English as a second language	18,047	18,047	11,745	(6,302)
Gifted and talented	23,908	23,908	22,907	(1,001)
Special education	455,240	455,240	394,460	(60,780)
Remedial education	108,263	108,263	103,729	(4,534)
Vocational education	129,168	129,438	127,375	(2,063)
Early reading intervention	18,449	18,449	17,030	(1,419)
School fringes	537,706	537,706	515,189	(22,517)
Mentor teacher program	632	632	900	268
At risk payments	174,801	174,801	135,856	(38,945)
Primary class size	153,519	153,519	141,668	(11,851)
Project graduation	3,513	3,513	3,513	-
SOL algebra readiness	11,468	11,468	12,935	1,467
School technology grant	128,000	128,000	128,000	-
Supplemental lottery	-	-	200,000	200,000
Compensation supplement	200,000	200,000	-	(200,000)
Regional program	-	-	30,537	30,537
Virginia preschool	107,542	107,542	135,218	27,676
Special education - jails	1,500	1,500	-	(1,500)
Other state funds	8,063	85,483	139,741	54,258
Total categorical aid	\$ 5,967,092	\$ 6,044,782	\$ 5,995,732	\$ (49,050)
Total revenue from the Commonwealth	\$ 5,967,092	\$ 6,044,782	\$ 5,995,732	\$ (49,050)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
COVID-19 Coronavirus relief fund	\$ -	\$ 194,775	\$ 194,775	\$ -
Categorical aid:				
Title I	\$ 379,884	\$ 411,455	\$ 349,431	\$ (62,024)
Title VI-B, special education flow-through	295,947	303,849	261,343	(42,506)
Vocational education	27,516	29,340	29,340	-
Title VI-B, special education pre-school	10,565	10,609	10,609	-
Title III - part A	1,980	4,662	1,684	(2,978)
Title V-rural	24,414	50,928	21,216	(29,712)
COVID-19 Temporary assistance for needy families	-	-	31,850	31,850
COVID-19 Education Stabilization Fund	-	222,944	222,944	-
Title IV	26,426	27,676	27,676	-
Title II, part A	50,576	60,145	64,168	4,023
Total categorical aid	\$ 817,308	\$ 1,121,608	\$ 1,020,261	\$ (101,347)
Total revenue from the federal government	\$ 817,308	\$ 1,316,383	\$ 1,215,036	\$ (101,347)
Total School Operating Fund	\$ 17,075,509	\$ 18,079,590	\$ 17,128,520	\$ (951,070)
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 175,000	\$ 175,000	\$ 27,276	\$ (147,724)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 72,962	\$ 72,962	\$ 72,962	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 9,618	\$ 9,618	\$ 4,913	\$ (4,705)
Textbook payments	48,479	48,479	46,449	(2,030)
Total categorical aid	\$ 58,097	\$ 58,097	\$ 51,362	\$ (6,735)
Total revenue from the Commonwealth	\$ 58,097	\$ 58,097	\$ 51,362	\$ (6,735)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 350,000	\$ 564,015	\$ 504,253	\$ (59,762)
Commodities	-	26,691	26,691	-
Total categorical aid	\$ 350,000	\$ 590,706	\$ 530,944	\$ (59,762)
Total revenue from the federal government	\$ 350,000	\$ 590,706	\$ 530,944	\$ (59,762)
Total School Special Revenue Fund	\$ 656,059	\$ 896,765	\$ 682,544	\$ (214,221)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
School Activity Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 72,289	\$ 72,289
 Total Discretely Presented Component Unit - School Board	 \$ 17,731,568	 \$ 18,976,355	 \$ 17,883,353	 \$ (1,093,002)

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 107,836	\$ 109,479	\$ 100,978	\$ 8,501
General and financial administration:				
County administrator	\$ 533,556	\$ 531,758	\$ 509,292	\$ 22,466
Legal services	128,667	148,667	125,789	22,878
Commissioner of revenue	268,767	268,767	244,789	23,978
Treasurer	247,198	248,710	262,734	(14,024)
Assessor	200,000	200,000	144,276	55,724
Data processing	360,452	855,103	752,258	102,845
Other general and financial administration	190,000	190,000	177,034	12,966
Total general and financial administration	\$ 1,928,640	\$ 2,443,005	\$ 2,216,172	\$ 226,833
Board of elections:				
Registrar, electoral board and officials	\$ 247,309	\$ 296,536	\$ 276,630	\$ 19,906
Total general government administration	\$ 2,283,785	\$ 2,849,020	\$ 2,593,780	\$ 255,240
Judicial administration:				
Courts:				
General district court	\$ 8,300	\$ 8,300	\$ 4,188	\$ 4,112
Juvenile court	4,869	4,869	2,540	2,329
Sheriff	208,390	208,390	186,341	22,049
Court services unit	97,660	97,660	22,222	75,438
Special Magistrates	300	300	1,042	(742)
Victim Witness	71,146	71,146	68,760	2,386
Clerk of the circuit court	286,698	286,698	275,180	11,518
Total courts	\$ 677,363	\$ 677,363	\$ 560,273	\$ 117,090
Commonwealth's attorney:				
Commonwealth's attorney	\$ 239,765	\$ 239,765	\$ 232,165	\$ 7,600
Total judicial administration	\$ 917,128	\$ 917,128	\$ 792,438	\$ 124,690
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,933,126	\$ 2,020,967	\$ 1,831,053	\$ 189,914
School resource officers	165,271	169,524	168,165	1,359
Total law enforcement and traffic control	\$ 2,098,397	\$ 2,190,491	\$ 1,999,218	\$ 191,273
Fire and rescue services:				
Volunteer fire departments	\$ 266,000	\$ 305,951	\$ 294,941	\$ 11,010
Volunteer rescue squads	159,000	186,626	182,711	3,915
Total fire and rescue services	\$ 425,000	\$ 492,577	\$ 477,652	\$ 14,925

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail	\$ 910,604	\$ 970,924	\$ 970,924	\$ -
Juvenile probation and detention	103,959	103,959	88,553	15,406
Total correction and detention	\$ 1,014,563	\$ 1,074,883	\$ 1,059,477	\$ 15,406
Inspections:				
Building	\$ 103,715	\$ 129,271	\$ 112,250	\$ 17,021
Other protection:				
Animal control	\$ 104,660	\$ 104,660	\$ 92,283	\$ 12,377
Gloucester-Mathews Humane Society	5,000	5,000	5,000	-
Emergency services	692,459	721,804	640,003	81,801
Medical examiner	2,200	2,200	200	2,000
E-911 communications	122,464	242,464	215,787	26,677
Total other protection	\$ 926,783	\$ 1,076,128	\$ 953,273	\$ 122,855
Total public safety	\$ 4,568,458	\$ 4,963,350	\$ 4,601,870	\$ 361,480
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 111,177	\$ 111,177	\$ 100,448	\$ 10,729
Litter	13,500	13,500	5,155	8,345
Landfill maintenance	59,650	3,650	2,022	1,628
VPPSA	679,492	750,098	770,685	(20,587)
Total sanitation and waste removal	\$ 863,819	\$ 878,425	\$ 878,310	\$ 115
Maintenance of general buildings and grounds:				
General properties	\$ 856,403	\$ 1,149,687	\$ 1,088,688	\$ 60,999
Capital outlay reserve	925,495	883,438	57,285	826,153
Total maintenance of general buildings and grounds	\$ 1,781,898	\$ 2,033,125	\$ 1,145,973	\$ 887,152
Total public works	\$ 2,645,717	\$ 2,911,550	\$ 2,024,283	\$ 887,267
Health and welfare:				
Health:				
Supplement of local health department	\$ 186,760	\$ 186,760	\$ 186,760	\$ -
Other health contributions	15,000	15,000	15,000	-
Total health	\$ 201,760	\$ 201,760	\$ 201,760	\$ -
Mental health:				
Community services board	\$ 41,257	\$ 41,257	\$ 41,302	\$ (45)
Welfare:				
Public assistance and welfare administration	\$ 1,628,540	\$ 1,631,540	\$ 1,515,322	\$ 116,218
Area agency on aging	47,854	47,854	27,454	20,400
Children's services act	744,000	744,000	683,422	60,578
Housing office	2,292	2,292	2,292	-

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Vocational rehab center	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Other welfare contributions	101,000	96,995	98,118	(1,123)
Total welfare	<u>\$ 2,528,686</u>	<u>\$ 2,527,681</u>	<u>\$ 2,331,608</u>	<u>\$ 196,073</u>
Total health and welfare	<u>\$ 2,771,703</u>	<u>\$ 2,770,698</u>	<u>\$ 2,574,670</u>	<u>\$ 196,028</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 6,966	\$ 6,966	\$ 6,966	\$ -
Contribution to Chesapeake Bay Governor's School	2,000	2,000	-	2,000
COVID-19 CRF expenditures	200,000	324,789	324,789	-
Contribution to County School Board	9,763,975	9,763,975	9,565,125	198,850
Total education	<u>\$ 9,972,941</u>	<u>\$ 10,097,730</u>	<u>\$ 9,896,880</u>	<u>\$ 200,850</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 65,877	\$ 68,064	\$ 54,847	\$ 13,217
Sports complex	24,000	28,500	27,625	875
YMCA	47,500	47,500	47,500	-
Total parks and recreation	<u>\$ 137,377</u>	<u>\$ 144,064</u>	<u>\$ 129,972</u>	<u>\$ 14,092</u>
Library:				
Contribution to library	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 252,377</u>	<u>\$ 259,064</u>	<u>\$ 244,972</u>	<u>\$ 14,092</u>
Community development:				
Planning and community development:				
Planning	\$ 183,372	\$ 183,372	\$ 169,421	\$ 13,951
Zoning administration	56,714	56,714	52,838	3,876
Board of zoning appeals	4,428	4,428	2,570	1,858
Economic development	296,830	320,620	295,167	25,453
Airport	195,076	197,046	209,357	(12,311)
Total planning and community development	<u>\$ 736,420</u>	<u>\$ 762,180</u>	<u>\$ 729,353</u>	<u>\$ 32,827</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 4,750	\$ 4,750	\$ 4,750	\$ -
Wetlands	15,555	15,555	14,078	1,477
Forestry	3,961	3,961	3,693	268
Total environmental management	<u>\$ 24,266</u>	<u>\$ 24,266</u>	<u>\$ 22,521</u>	<u>\$ 1,745</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 34,668	\$ 34,668	\$ 13,491	\$ 21,177
Total community development	\$ 795,354	\$ 821,114	\$ 765,365	\$ 55,749
Debt service:				
Principal retirement	\$ 2,081,903	\$ 13,216,002	\$ 13,216,002	\$ -
Interest and other fiscal charges	1,732,445	1,782,467	802,089	980,378
Total debt service	\$ 3,814,348	\$ 14,998,469	\$ 14,018,091	\$ 980,378
Total General Fund	\$ 28,021,811	\$ 40,588,123	\$ 37,512,349	\$ 3,075,774
County Capital Projects Fund:				
Public works:				
Capital projects:				
E911 radio system	\$ -	\$ 30,600	\$ 1,398	\$ 29,202
Broadband project	-	227,877	-	227,877
Cooks Corner Trail	100,000	100,000	12,100	87,900
Dredge Parrot's Creek	-	150,000	95,020	54,980
Multi-purpose path	250,000	250,000	24,000	226,000
COCC renovations	-	346,485	515,215	(168,730)
Total capital projects	\$ 350,000	\$ 1,104,962	\$ 647,733	\$ 457,229
Total County Capital Projects Fund	\$ 350,000	\$ 1,104,962	\$ 647,733	\$ 457,229
Total Primary Government	\$ 28,371,811	\$ 41,693,085	\$ 38,160,082	\$ 3,533,003
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 1,222,551	\$ 1,159,600	\$ 1,150,996	\$ 8,604
Instruction costs	12,002,277	12,280,545	12,025,461	255,084
Districtwide technology	990,662	1,317,911	1,307,637	10,274
Pupil transportation	1,610,683	1,535,406	1,503,215	32,191
Operation and maintenance of school plant	1,189,336	1,477,239	1,470,477	6,762
Total operating costs	\$ 17,015,509	\$ 17,770,701	\$ 17,457,786	\$ 312,915
Total education	\$ 17,015,509	\$ 17,770,701	\$ 17,457,786	\$ 312,915
Capital projects:				
Other school capital projects	\$ 60,000	\$ 308,889	\$ 308,347	\$ 542
Total School Operating Fund	\$ 17,075,509	\$ 18,079,590	\$ 17,766,133	\$ 313,457

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund:				
Education:				
Operating Costs:				
Instruction costs	\$ 121,441	\$ 126,272	\$ 119,133	\$ 7,139
School food services	534,618	833,768	425,489	408,279
Commodities	-	26,691	26,691	-
Total School Special Revenue Fund	<u>\$ 656,059</u>	<u>\$ 986,731</u>	<u>\$ 571,313</u>	<u>\$ 415,418</u>
School Activity Fund:				
Education:				
Instructional services:				
School activity funds	\$ -	\$ -	\$ 88,000	\$ (88,000)
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,000</u>	<u>\$ (88,000)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,731,568</u>	<u>\$ 19,066,321</u>	<u>\$ 18,425,446</u>	<u>\$ 640,875</u>

Table 1

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

Fiscal Year	General				Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Total
	Government Administration	Judicial Administration										
2012	\$ 1,291,402	\$ 829,480	\$ 2,872,445	\$ 1,477,432	\$ 1,603,094	\$ 7,837,679	\$ 252,265	\$ 237,812	\$ 1,564,059	\$ 17,965,668		
2013	1,306,637	908,487	3,208,066	1,248,114	1,558,165	7,991,805	247,781	683,739	1,184,264	18,337,058		
2014	1,366,993	926,453	3,538,517	1,197,655	1,781,157	8,067,078	248,044	649,809	941,072	18,716,778		
2015	1,457,228	831,479	3,288,198	1,474,267	1,973,669	9,926,613	257,713	344,347	987,607	20,541,121		
2016	1,464,481	860,162	3,618,446	1,366,155	1,857,896	9,040,534	243,763	528,592	1,038,037	20,018,066		
2017	1,797,748	946,838	3,577,456	1,406,880	2,064,446	8,870,247	240,168	501,940	881,384	20,287,107		
2018	1,733,324	975,887	4,143,619	1,423,763	2,278,175	9,423,629	207,669	576,281	622,266	21,384,613		
2019	1,905,557	1,018,531	3,838,704	3,114,624	2,419,854	11,038,834	250,640	613,121	683,153	24,883,018		
2020	2,088,093	1,088,721	4,487,862	1,838,319	2,679,413	11,252,505	257,793	669,348	546,893	24,908,947		
2021	2,869,886	1,027,263	5,113,969	2,180,131	2,628,650	11,416,021	272,220	793,015	1,063,702	27,364,857		

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
2012	\$ 214,077	\$ 3,154,006	\$ -	\$ -	\$ 12,825,584	\$ 2,023,959	\$ 393,052	\$ 126,033	\$ 1,165,550	\$ 19,902,261	
2013	505,433	2,415,946	-	-	13,677,537	1,859,906	99,176	183,079	1,205,922	19,946,999	
2014	515,975	2,567,072	-	-	13,732,367	1,890,242	99,787	407,643	1,230,853	20,443,939	
2015	428,516	2,820,609	-	-	14,107,366	2,343,504	103,938	203,600	1,215,189	21,222,722	
2016	391,148	3,052,274	-	-	14,303,096	2,382,127	105,421	107,161	1,187,823	21,529,050	
2017	411,078	3,104,050	-	-	14,644,982	2,472,290	109,596	255,409	1,186,316	22,183,721	
2018	422,690	3,229,377	-	-	15,794,570	2,589,685	135,321	169,472	1,205,153	23,546,268	
2019	482,958	3,385,147	-	-	16,739,818	2,823,035	194,317	118,444	1,141,057	24,884,776	
2020	356,709	3,319,757	-	-	17,621,392	2,993,537	211,528	230,724	1,147,089	25,880,736	
2021	343,764	5,063,124	-	-	17,415,593	3,582,284	189,826	279,653	1,079,161	27,953,405	

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2012	\$ 1,296,408	\$ 673,283	\$ 2,963,489	\$ 1,543,555	\$ 1,600,524	\$ 12,731,443	\$ 239,684	\$ 237,812	\$ 2,031,465	\$ 23,317,663
2013	1,260,285	698,583	3,198,712	1,218,921	1,557,764	12,878,820	234,652	683,403	2,159,196	23,890,336
2014	1,318,092	715,522	3,532,583	1,168,461	1,782,561	12,793,640	237,207	686,809	2,266,421	24,501,296
2015	1,351,926	644,723	3,498,446	1,452,943	2,005,405	13,308,328	257,691	607,904	2,252,437	25,379,803
2016	1,704,376	696,202	3,672,460	1,350,772	1,922,103	13,361,378	239,761	570,747	10,842,992	34,360,791
2017	1,642,283	763,391	3,633,593	1,370,717	2,114,163	14,008,388	235,035	554,697	10,425,475	34,747,742
2018	1,563,121	809,357	3,975,770	1,997,054	2,311,942	14,637,866	203,470	600,602	2,628,475	28,727,657
2019	1,629,217	867,493	4,039,782	2,053,212	2,479,942	16,560,907	247,699	667,918	2,738,873	31,285,043
2020	1,672,592	889,991	4,126,582	1,456,000	2,663,999	16,502,971	280,075	601,135	2,719,398	30,912,743
2021	2,593,780	792,438	4,601,870	2,024,283	2,574,670	18,448,854	244,972	765,365	14,267,173	46,313,405

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

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

(3) Excludes Capital Projects funds.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2012	\$ 12,937,272	\$ 2,023,959	\$ 118,879	\$ 34,674	\$ 3,110,547	\$ 265,248	\$ 18,567	\$ 278,232	\$ 4,883,972	\$ 23,671,350
2013	12,686,449	1,859,906	112,107	23,582	119,051	571,153	180,316	83,673	8,583,695	24,219,932
2014	13,593,810	1,890,242	98,445	33,149	124,046	573,957	169,002	127,847	8,721,423	25,331,921
2015	14,062,184	2,343,504	120,618	29,228	130,841	465,909	252,232	102,112	8,747,929	26,254,557
2016	14,226,581	2,382,127	131,186	13,042	130,957	440,126	189,990	147,682	8,928,986	26,590,677
2017	14,657,260	2,472,290	110,733	23,339	136,876	479,223	466,307	130,076	10,011,574	28,487,678
2018	15,742,745	2,589,685	140,759	20,121	141,859	437,277	353,376	192,427	10,349,299	29,967,548
2019	16,644,483	2,823,035	150,331	12,504	177,281	490,580	731,408	193,114	10,949,449	32,172,185
2020	17,418,932	2,993,537	157,283	7,479	224,156	326,419	414,891	297,944	10,922,747	32,763,388
2021	17,462,807	3,582,284	116,312	27,341	200,443	263,617	624,487	1,854,994	13,935,359	38,067,644

- (1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.
(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2,3)	Percent of	
						Total Tax Collections	to Tax Levy		Total Tax Collections	to Tax Levy
2012	\$ 13,639,196	\$ 12,440,376	91.21%	\$ 333,594	\$ 12,773,970	93.66%	\$ 754,416	5.53%		
2013	13,191,416	12,276,557	93.06%	510,798	12,787,355	96.94%	975,833	7.40%		
2014	14,276,904	13,137,860	92.02%	517,094	13,654,954	95.64%	885,410	6.20%		
2015	14,628,063	13,646,589	93.29%	918,876	14,565,465	99.57%	1,023,362	7.00%		
2016	14,684,785	13,771,342	93.78%	947,863	14,719,205	100.23%	1,279,733	8.71%		
2017	15,456,814	14,137,344	91.46%	979,136	15,116,480	97.80%	1,011,338	6.54%		
2018	16,765,947	15,268,276	91.07%	937,647	16,205,923	96.66%	1,032,380	6.16%		
2019	17,394,537	16,092,676	92.52%	1,002,403	17,095,079	98.28%	1,399,618	8.05%		
2020	18,016,795	16,841,174	93.47%	978,102	17,819,276	98.90%	1,399,618	7.77%		
2021	18,453,571	17,119,848	92.77%	724,482	17,844,330	96.70%	1,422,233	7.71%		

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal				Airplane	Watercraft	Public		Total
		Property and Mobile Homes	Machinery and Tools					Service (2)	Service (2)	
2012	\$ 2,122,059,100	\$ 102,463,279	\$ 267,677	\$ -	\$ -	-	-	\$ 43,195,070	\$ 2,267,985,126	
2013	2,133,216,900	102,463,279	267,677	-	-	-	-	43,172,566	2,279,120,422	
2014	2,139,783,400	100,037,169	119,065	324,365	-	-	-	42,272,477	2,282,536,476	
2015	2,143,324,547	94,292,585	-	253,529	-	-	-	44,518,007	2,282,388,668	
2016	2,149,138,406	96,238,818	-	242,229	-	-	-	45,486,553	2,291,106,006	
2017	2,179,327,400	70,867,986	-	264,939	99,355,563	-	-	50,115,575	2,399,931,463	
2018	2,185,941,200	134,907,015	-	257,088	94,510,070	-	-	52,816,875	2,468,432,248	
2019	2,192,832,479	174,541,523	-	-	50,769,687	-	-	54,506,634	2,472,650,323	
2020	2,215,209,879	187,557,578	-	602,892	52,044,898	-	-	54,234,590	2,509,649,837	
2021	2,212,507,435	191,834,205	-	563,351	52,828,181	-	-	55,098,470	2,512,831,642	

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Airplane	Watercraft	Public Utility	
							Real Estate	Personal Property
2012	\$ 0.43	\$ 3.50	\$ 0.43	\$ 1.75	\$ -	\$ -	\$ 0.43	\$ 3.50
2013	0.46	3.50	0.46	1.75	-	-	0.46	3.50
2014	0.46/0.48	3.50	0.46	1.75	-	-	0.46	3.50
2015	0.48/0.53	3.50	0.48	1.75	3.50	-	0.48	3.50
2016	0.53	3.50	0.48	-	3.50	-	0.53	3.50
2017	0.53	3.50	0.53	-	3.50	-	0.53	3.50
2018	0.56	3.50	0.56	-	3.50	0.98	0.56	3.50
2019	0.62	3.50	0.61	-	-	0.98	0.61	3.50
2020	0.62	3.50	0.62	-	2.10	0.98	0.62	2.10
2021	0.62	3.50	0.62	-	2.10	0.98	0.62	2.10

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012	10,959	\$ 2,267,985,126	\$ 24,227,984	0.011	\$ 2,211
2013	10,959	2,279,120,422	22,881,952	0.010	2,088
2014	10,959	2,282,536,476	23,795,965	0.010	2,171
2015	10,959	2,282,388,668	22,601,703	0.010	2,062
2016	10,959	2,291,106,006	26,539,479	0.012	2,422
2017	10,959	2,399,931,463	24,982,170	0.010	2,280
2018	10,959	2,468,432,248	23,031,500	0.009	2,102
2019	10,959	2,472,650,323	21,121,800	0.009	1,927
2020	10,959	2,509,649,837	19,159,100	0.008	1,748
2021	10,754	2,512,831,642	18,226,900	0.007	1,695

(1) Weldon Cooper Center 2010 Census and 2020 Estimate.

(2) From Table 6

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



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County of Middlesex, Virginia's basic financial statements, and have issued our report thereon dated December 30, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned cost as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
December 30, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited County of Middlesex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Middlesex, Virginia's major federal programs for the year ended June 30, 2021. County of Middlesex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Middlesex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

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

Richmond, Virginia
December 30, 2021

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
<i>Virginia Department of Education:</i>				
Temporary Assistance for Needy Families	93.558	Unknown	\$ 31,850	\$ -
<i>Virginia Department of Social Services:</i>				
Temporary Assistance for Needy Families	93.558	0400120/0400121	106,181	-
Total FALN 93.558			\$ 138,031	\$ -
 MaryLee Allen Promoting Safe and Stable Families	93.556	0950120/0950121	\$ 12,215	\$ -
Refugee and Entrant Assistance - State Administered Programs	93.566	0500120/0500121	235	-
Low-Income Home Energy Assistance	93.568	0600420/0600421	16,846	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760120/0760121	21,812	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900120/0900121	58	-
Foster Care - Title IV-E	93.658	1100120/1100121	63,221	-
Adoption Assistance	93.659	1130120/1130121	163,525	-
Social Services Block Grant	93.667	1000120/1000121	103,452	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120/9150121	8,329	-
Children's Health Insurance Program (CHIP)	93.767	0540120/0540121	1,599	-
Medical Assistance Program (Medicaid Cluster)	93.778	1200120/1200121	137,608	-
Total Department of Health and Human Services			\$ 666,931	\$ -
Department of Homeland Security:				
Pass Through Payments:				
<i>Virginia Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	77501-52743	\$ 7,500	\$ -
Department of Justice:				
Pass Through Payments:				
<i>Virginia Department of Criminal Justice Service:</i>				
Crime Victim Assistance	16.575	Unknown	\$ 51,504	\$ -
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	Unknown	49,829	-
Total Department of Justice			\$ 101,333	\$ -
Department of Agriculture:				
Direct Payment:				
Water and Waste Disposal Systems For Rural Communities	10.760	N/A	\$ 10,212,777	\$ -
Pass Through Payments:				
<i>Virginia Department of Agriculture:</i>				
Food Distribution (Child Nutrition Cluster)	10.555	Unknown	\$ 26,691	\$ -
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Unknown	245,703	-
COVID-19 - Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	Unknown	44,535	-
Total FALN 10.559			\$ 290,238	\$ -
Total Child Nutrition Cluster			\$ 316,929	\$ -
<i>Virginia Department of Social Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010120/0010121	184,030	-
Total Department of Agriculture			\$ 10,713,736	\$ -

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Treasury:				
Pass Through Payments:				
<i>Virginia Department of Accounts:</i>				
COVID-19 - Coronavirus Relief Fund	21.019	10110-728021	\$ 1,715,939	\$ 84,437
<i>Virginia Department of Education:</i>				
COVID-19 - Coronavirus Relief Fund - School Board	21.019	Unknown	194,775	-
Total Department of Treasury	Total FALN 21.019		<u>\$ 1,910,714</u>	<u>\$ 84,437</u>
Election Assistance Commission:				
Pass-Through Payments:				
<i>Virginia State Board of Elections:</i>				
Help America Vote Act Requirements Payments	90.401	72302	\$ 48,428	\$ -
Department of Education:				
Pass Through Payments:				
<i>Virginia Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 349,431	\$ -
Special Education - Grants to States (IDEA, Part B) (Special Education Cluster)	84.027	17901- 43071	\$ 261,343	\$ -
Special Education - Preschool Grants (IDEA Preschool) (Special Education Cluster)	84.173	17901- 62521	10,609	-
Total Special Education Cluster			<u>\$ 271,952</u>	<u>\$ -</u>
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	29,340	-
Rural Education	84.358	17901- 43481	21,216	-
Supporting Effective Instruction State Grants	84.367	17901- 61480	64,168	-
Student Support and Academic Enrichment Program	84.424	17901-60024	27,676	-
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	Unknown	318,719	-
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	Unknown	118,239	-
	Total FALN 84.425		<u>\$ 436,958</u>	<u>\$ -</u>
English Language Acquisition State Grants	84.365	Unknown	1,684	-
Total Department of Education			<u>\$ 1,202,425</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 14,651,067</u>	<u>\$ 84,437</u>

See accompanying notes to schedule of expenditures of federal awards.

County of Middlesex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Middlesex, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

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

Note C - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,692,310
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Component Unit School Board:

School Operating Fund	\$ 1,215,036
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School Special Revenue Fund	530,944
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Total component unit school board	<u>\$ 1,745,980</u>
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Component Unit Middlesex Water Authority	<u>\$ 10,212,777</u>
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Total expenditures of federal awards per basic financial statements	<u><u>\$ 14,651,067</u></u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 14,651,067</u></u>
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Note E - Loan Balances

The Component Unit Middlesex Water Authority has 2 loans outstanding of \$9,000,000 and \$1,212,777, respectively, totaling \$10,212,777.

County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? ✓ yes no

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

Assistance Listing Number(s)

10.760

21.019

Name of Federal Program or Cluster

Water and Waste Disposal Systems for Rural Communities
Coronavirus Relief Funds

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

Auditee qualified as low-risk auditee? ✓ yes no

County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021 (Continued)

Section II-Financial Statement Findings

2021-001

Criteria:	Failure to perform reconciliations of significant accounts is a failure in the operation of controls.
Condition:	Bank reconciliations were not performed in a timely manner, indicating a significant deficiency in controls over financial reporting.
Effect:	The financial statements being reviewed by management could include inaccurate information due to the bank reconciliations not being performed in a timely manner.
Cause:	Limited staffing in the Treasurer's office with intervals where multiple employees were out, and manual processes involved with debt issuances, payment voids, and similar special situations contributed to these delays.
Recommendation:	Steps should be taken to improve the timeliness of bank reconciliation procedures.
Management's Response:	The County agrees with the finding and is taking corrective action for FY22.

Section III-Federal Award Findings and Questioned Costs

None

County of Middlesex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

There were no prior year findings.