

# COUNTY OF MIDDLESEX, VIRGINIA



## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017



COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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## COUNTY OF MIDDLESEX, VIRGINIA

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### BOARD OF SUPERVISORS

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John D. Miller, Jr., Chairperson  
Robert LeBoeuf, Vice Chairperson

Mark E. "Chip" Holt, III  
Peter W. Mansfield

Wayne H. Jessie, Sr.

### COUNTY SCHOOL BOARD

---

Claudia H. Soucek, Chairperson  
Dr. Richard J. Shores, Vice Chairperson

James W. Goforth  
Garland M. Harrow

Elliot W. Reed

### COUNTY WELFARE BOARD

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Dennis Mann  
Nora Wilson

Mary Ellen Caldwell  
Ellen Carneal

### OTHER OFFICIALS

---

Judge of the Circuit Court  
Clerk of the Circuit Court  
Judge of the General District Court  
Judge of Juvenile & Domestic Relations District Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools  
Director of Department of Social Services  
Clerk of the School Board  
County Administrator

Jeffrey W. Shaw  
Lynn L. Dunlevy  
Stephanie E. Merritt  
Cressondra B. Conyers  
Michael T. Hurd  
Priscilla J. Davenport  
Betty S. Bray  
David P. Bushey  
Peter M. Gretz, Ed. D.  
Rebecca J. Morgan  
Peggy W. Jordan  
Matt Walker

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 75, and 76-81 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.

### *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 introductory section, 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and other statistical information have 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 them.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Middlesex, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia  
November 17, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017.

### 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 \$16,823,389 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$277,508 (Exhibit 5) after making contributions totaling \$8,009,787 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$14,627,398, a decrease of \$277,508 in comparison with the prior year
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,061,964, or 35% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$1,635,866 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 similar to a private-sector business.

The statement of net position presents information on all of the County's 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 of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.



## Overview of the Financial Statements (Continued)

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

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

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

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

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$16,823,389 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Middlesex, Virginia's Net Position		
	Governmental Activities	
	2017	2016
Current and other assets	\$ 22,616,536	\$ 22,714,140
Capital assets	<u>25,589,833</u>	<u>25,365,040</u>
Total assets	<u>\$ 48,206,369</u>	<u>\$ 48,079,180</u>
Deferred outflows of resources	<u>\$ 396,676</u>	<u>\$ 217,163</u>
Current liabilities	\$ 327,691	\$ 447,747
Long-term liabilities outstanding	<u>25,145,896</u>	<u>26,781,762</u>
Total liabilities	<u>\$ 25,473,587</u>	<u>\$ 27,229,509</u>
Deferred inflows of resources	<u>\$ 6,306,069</u>	<u>\$ 6,140,059</u>
Net position:		
Net investment in capital assets	\$ 3,333,198	\$ 2,895,368
Unrestricted	<u>13,490,191</u>	<u>12,031,407</u>
Total net position	<u><u>\$ 16,823,389</u></u>	<u><u>\$ 14,926,775</u></u>

## Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$1,896,614 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	
	2017	2016
Charges for services	\$ 411,078	\$ 391,148
Operating grants and contributions	3,104,050	3,052,274
General property taxes	14,644,982	14,303,096
Other local taxes	2,472,290	2,382,127
Grants and other contributions not restricted	1,186,316	1,187,823
Other general revenues	365,005	212,582
Total revenues	\$ 22,183,721	\$ 21,529,050
General government administration	\$ 1,797,748	\$ 1,464,481
Judicial administration	946,838	860,162
Public safety	3,577,456	3,618,446
Public works	1,406,880	1,366,155
Health and welfare	2,064,446	1,857,896
Education	8,870,247	9,040,534
Parks, recreation, and cultural	240,168	243,763
Community development	501,940	528,592
Interest and other fiscal charges	881,384	1,038,037
Total expenses	\$ 20,287,107	\$ 20,018,066
Change in net position	\$ 1,896,614	\$ 1,510,984
Net position, beginning of year	14,926,775	13,415,791
Net position, end of year	\$ 16,823,389	\$ 14,926,775

## 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. In particular, 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 \$14,627,398, a decrease of \$277,508. Approximately 69% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

## General Fund Budgetary Highlights

During the year, revenues and other financing sources exceeded General Fund budgetary estimates in the amount of \$882,205. Expenditures and other financing uses were less than budgetary estimates by \$1,023,708, resulting in a positive variance of \$1,905,913.

## Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2017 amounted to \$25,589,833 (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 \$25,045,089. Of this amount, \$2,151,570 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 \$1,600,813 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 of these factors were considered in preparing the County's budget for the 2018 fiscal year.

The fiscal year 2018 budget increased by approximately 15 percent. The County's real estate rate increased from \$.53 to \$.56 and the personal property rate remained the same.

### Requests for Information

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

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## *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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County of Middlesex, Virginia  
Statement of Net Position  
June 30, 2017

	Primary Government		
	Governmental	Component Units	
	Activities	School Board	EDA
ASSETS			
Cash and cash equivalents	\$ 10,964,544	\$ 1,548,034	\$ 346,227
Receivables (net of allowance for uncollectibles):			
Taxes receivable	7,287,632	-	-
Accounts receivable	83,200	-	-
Note receivable	-	-	43,419
Due from other governmental units	935,274	328,335	-
Net pension asset	557,432	-	-
Restricted assets:			
Bond construction funds	2,788,454	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,317,311	248,545	-
Buildings and improvements	20,604,221	4,438,042	-
Equipment	531,735	697,445	-
Construction in progress	2,136,566	-	-
Total assets	\$ 48,206,369	\$ 7,260,401	\$ 389,646
DEFERRED OUTFLOW OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 129,103	\$ 1,028,167	\$ -
Items related to measurement of net pension liability	267,573	828,914	-
Total deferred outflow of resources	\$ 396,676	\$ 1,857,081	\$ -
LIABILITIES			
Accounts payable	\$ 61,756	\$ -	\$ -
Accrued liabilities	27,389	1,275,923	-
Accrued interest payable	231,850	-	-
Due to other governmental units	-	328,335	54,668
Unearned revenue	6,696	-	-
Long-term liabilities:			
Due within one year	2,013,222	6,104	-
Due in more than one year	23,132,674	14,039,527	-
Total liabilities	\$ 25,473,587	\$ 15,649,889	\$ 54,668
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - property taxes	\$ 6,096,801	\$ -	\$ -
Items related to measurement of net pension liability	209,268	742,000	-
Total deferred inflow of resources	\$ 6,306,069	\$ 742,000	\$ -
NET POSITION			
Net investment in capital assets	\$ 3,333,198	\$ 5,384,032	\$ -
Unrestricted	13,490,191	(12,658,439)	334,978
Total net position	\$ 16,823,389	\$ (7,274,407)	\$ 334,978

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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					Primary Government	School Board	EDA
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,797,748	\$ 4,500	\$ 219,399	\$ -	\$ (1,573,849)		
Judicial administration	946,838	41,937	394,877	-	(510,024)		
Public safety	3,577,456	124,164	952,934	-	(2,500,358)		
Public works	1,406,880	-	6,192	-	(1,400,688)		
Health and welfare	2,064,446	-	1,412,778	-	(651,668)		
Education	8,870,247	-	-	-	(8,870,247)		
Parks, recreation, and cultural	240,168	25,893	5,000	-	(209,275)		
Community development	501,940	214,584	112,870	-	(174,486)		
Interest on long-term debt	881,384	-	-	-	(881,384)		
Total governmental activities	\$ 20,287,107	\$ 411,078	\$ 3,104,050	\$ -	\$ (16,771,979)		
Total primary government	\$ 20,287,107	\$ 411,078	\$ 3,104,050	\$ -			
<b>COMPONENT UNITS:</b>							
School Board	\$ 14,229,624	\$ 202,217	\$ 5,721,208	\$ -	\$ (8,306,199)	\$ -	\$ (74,728)
Economic Development Authority	122,778	48,050	-	-	-	-	(74,728)
Total component unit	\$ 14,352,402	\$ 250,267	\$ 5,721,208	\$ -	\$ (8,306,199)	\$ -	\$ (74,728)
General revenues:							
General property taxes					\$ 14,644,982	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					1,062,404	-	-
Motor vehicle licenses					297,641	-	-
Meals tax					380,213	-	-
Other local taxes					732,032	-	-
Unrestricted revenues from use of money and property					109,596	30,998	6,069
Miscellaneous					255,409	210,898	-
Contributions from Middlesex County					-	8,306,411	-
Grants and contributions not restricted to specific programs					1,186,316	-	-
Total general revenues					\$ 18,668,593	\$ 8,548,307	\$ 6,069
Change in net position					\$ 1,896,614	\$ 242,108	\$ (68,659)
Net position- beginning					14,926,775	(7,516,515)	403,637
Net position - ending					\$ 16,823,389	\$ (7,274,407)	\$ 334,978

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

## *FUND FINANCIAL STATEMENTS*

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County of Middlesex, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,268,509	\$ 1,696,035	\$ 10,964,544
Receivables (net of allowance for uncollectibles):			
Taxes receivable	7,287,632	-	7,287,632
Accounts receivable	83,200	-	83,200
Due from other governmental units	935,274	-	935,274
Restricted assets:			
Bond construction funds	-	2,788,454	2,788,454
Total assets	<u>\$ 17,574,615</u>	<u>\$ 4,484,489</u>	<u>\$ 22,059,104</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 61,756	\$ -	\$ 61,756
Accrued liabilities	27,389	-	27,389
Unearned revenue	6,696	-	6,696
Total liabilities	<u>\$ 95,841</u>	<u>\$ -</u>	<u>\$ 95,841</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	\$ 7,335,865	\$ -	\$ 7,335,865
Total deferred inflows of resources	<u>\$ 7,335,865</u>	<u>\$ -</u>	<u>\$ 7,335,865</u>
<b>FUND BALANCES:</b>			
Restricted	\$ -	\$ 2,788,454	\$ 2,788,454
Committed	80,945	1,696,035	1,776,980
Unassigned	10,061,964	-	10,061,964
Total fund balances	<u>\$ 10,142,909</u>	<u>\$ 4,484,489</u>	<u>\$ 14,627,398</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,574,615</u>	<u>\$ 4,484,489</u>	<u>\$ 22,059,104</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  
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	14,627,398
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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	\$ 40,862,281		
Accumulated depreciation	<u>(15,272,448)</u>		25,589,833

The net pension asset is not an available resource and, therefore, is not reported in the funds.		557,432
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue - property taxes	\$ 1,239,064		
Deferred inflows related to measurement of net pension asset	<u>(209,268)</u>		1,029,796

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		129,103
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital leases	\$ (19,500)		
General obligation bonds	(2,151,570)		
Lease revenue bonds	(22,830,600)		
Deferred outflows related to measurement of net pension liability	267,573		
Note payable	(43,419)		
Compensated absences	(100,807)		
Accrued interest payable	<u>(231,850)</u>		(25,110,173)

Net position of governmental activities	\$	<u>16,823,389</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, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 14,657,260	\$ -	\$ 14,657,260
Other local taxes	2,472,290	-	2,472,290
Permits, privilege fees, and regulatory licenses	110,733	-	110,733
Fines and forfeitures	23,339	-	23,339
Revenue from the use of money and property	105,878	3,718	109,596
Charges for services	277,006	-	277,006
Miscellaneous	255,409	-	255,409
Recovered costs	130,076	-	130,076
Intergovernmental:			
Commonwealth	3,457,024	-	3,457,024
Federal	833,342	-	833,342
Total revenues	\$ 22,322,357	\$ 3,718	\$ 22,326,075
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 1,642,283	\$ -	\$ 1,642,283
Judicial administration	763,391	-	763,391
Public safety	3,633,593	-	3,633,593
Public works	1,370,717	-	1,370,717
Health and welfare	2,114,163	-	2,114,163
Education	8,020,204	-	8,020,204
Parks, recreation, and cultural	235,035	-	235,035
Community development	554,697	-	554,697
Capital projects	-	1,613,214	1,613,214
Debt service:			
Principal retirement	9,455,313	-	9,455,313
Interest and other fiscal charges	970,162	-	970,162
Total expenditures	\$ 28,759,558	\$ 1,613,214	\$ 30,372,772
Excess (deficiency) of revenues over (under) expenditures	\$ (6,437,201)	\$ (1,609,496)	\$ (8,046,697)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 125,000	\$ 125,000
Transfers out	(125,000)	-	(125,000)
Issuance of lease revenue bonds	7,835,000	-	7,835,000
Bond issuance costs	(85,311)	-	(85,311)
Issuance of capital lease	19,500	-	19,500
Total other financing sources (uses)	\$ 7,644,189	\$ 125,000	\$ 7,769,189
Net change in fund balances	\$ 1,206,988	\$ (1,484,496)	\$ (277,508)
Fund balances - beginning	8,935,921	5,968,985	14,904,906
Fund balances - ending	\$ 10,142,909	\$ 4,484,489	\$ 14,627,398

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, 2017

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

Net change in fund balances - total governmental funds \$ (277,508)

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

Capital asset additions	\$ 1,618,654	
Depreciation expense	(1,097,237)	
Activity related to joint tenancy assets of Component Unit and Primary Government	(296,624)	224,793

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	\$ (12,278)	
(Increase) decrease in deferred inflows related to the measurement of the net pension asset	219,657	207,379

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	\$ 21,652	
Principal retired on general obligation bonds	169,509	
Principal retired on lease revenue bonds	9,222,800	
Principal retired on note payable	41,352	
Issuance of lease revenue bonds	(7,835,000)	
Issuance of capital leases	(19,500)	1,600,813

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	\$ 35,053	
(Decrease) increase in net pension asset	(234,969)	
(Decrease) increase in deferred outflows related to measurement of net pension asset	267,573	
(Decrease) increase in deferred outflows related to pension payments subsequent to the measurement date	(88,060)	
Decrease (increase) in accrued interest payable	161,540	141,137

Change in net position of governmental activities	\$ 1,896,614	
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The notes to the financial statements are an integral part of this statement.



County of Middlesex, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

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	Agency <u>Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 180,712
	<u><u>180,712</u></u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 178,794
Amounts held for social services clients	1,918
Total liabilities	<u><u>\$ 180,712</u></u>

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

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## COUNTY OF MIDDLESEX, VIRGINIA

### Notes to Financial Statements As of June 30, 2017

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#### Note 1—Summary of Significant Accounting Policies:

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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

The County's financial report is prepared in accordance with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

#### Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of 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 of 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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

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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 are reported as separate columns in the fund financial statements.

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. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

**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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2017.

*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 has the ability to 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, 2017.

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, 2017. The Authority does not issue a separate financial report.

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

None

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. 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.

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

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

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

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

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

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

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

**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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

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

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

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

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

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the government.

F. Investments

The money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

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).

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

**G. Receivables and Payables (Continued)**

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$234,118 at June 30, 2017 and was comprised of property taxes.

**Real and Personal Property Tax Data:**

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

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

The County bills and collects its own property taxes.

**H. Capital Assets**

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

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

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

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

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



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

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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. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting 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 Equity

The County reports fund balances in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications 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 constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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

**K. Fund Equity (Continued)**

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

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

	General Fund	County Capital Projects	Total
<b>Fund Balances:</b>			
<b>Restricted:</b>			
Bond construction funds	\$ -	\$ 2,788,454	\$ 2,788,454
Total Restricted	\$ -	\$ 2,788,454	\$ 2,788,454
<b>Committed:</b>			
Capital Projects	\$ -	\$ 1,696,035	\$ 1,696,035
Proffers	40,882	-	40,882
Forfeited Assets - Sheriff	3,237	-	3,237
Forfeited Assets - Commonwealth's Attorney	3,504	-	3,504
Airport	33,322	-	33,322
Total Committed	\$ 80,945	\$ 1,696,035	\$ 1,776,980
Unassigned	\$ 10,061,964	\$ -	\$ 10,061,964
Total Fund Balances	\$ 10,142,909	\$ 4,484,489	\$ 14,627,398

**L. Net Position**

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related 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 also included in this component of net position.

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

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**M. Net Position Flow Assumption**

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

**N. Pensions**

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

**O. Long-term Obligations**

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

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

**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 two items that qualify for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability (asset). These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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P. Deferred Outflows/Inflows of Resources (Continued)

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 two types of 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, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset or liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

*Note 2—Stewardship, Compliance, and Accounting:*

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

1. On or before March 30<sup>th</sup>, 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 department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2017.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*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 in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2017 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	\$ 16,744
U.S Government Issues	2,788,454
Total	\$ 2,805,198

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*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)		
Investment Type		
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 16,744	\$ 16,744
U.S. Government Issues	2,788,454	2,788,454
Total	<u>\$ 2,805,198</u>	<u>\$ 2,805,198</u>

External Investment Pools

The County invests in an externally managed investment pool, Local Government Investment Pool (LGIP), which is not SEC-registered. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and regulatory oversight of the pool rests with the Virginia State Treasury. The LGIP reports to the Treasury Board at their regularly scheduled meetings, and the fair value of the position in the LGIP is the same as the value of the pool shares. Investments authorized by the LGIP are the same as those authorized for local governments in Section 2.2-4500 et seq. of the *Code of Virginia*. LGIP is an amortized cost basis portfolio under the provisions of GASB Statement No. 79. There is 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, 2017

*Note 4—Due to/from Other Governments:*

At June 30, 2017, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board	Component Unit EDA
Other Local Governments:			
Middlesex County Public Schools	\$ 328,335	\$ -	\$ -
Economic Development Authority of Middlesex County, Virginia	54,668	-	-
Commonwealth of Virginia:			
Local sales tax	217,144	-	-
Rental tax	323	-	-
State Sales Tax	-	235,291	-
Victim/witness grant	4,205	-	-
Constitutional officer reimbursements	99,637	-	-
Four for life	13,147	-	-
Recordation tax	12,873	-	-
Communications tax	68,124	-	-
Comprehensive services act	53,062	-	-
Wireless funds	7,693	-	-
Welfare	17,165	-	-
Rolling stock tax	13	-	-
Federal Government:			
Emergency management	7,500	-	-
School fund grants	-	93,044	-
Victim/witness	12,615	-	-
Welfare	38,770	-	-
Total due from other governments	<u>\$ 935,274</u>	<u>\$ 328,335</u>	<u>\$ -</u>

At June 30, 2017, amounts due to other governmental units are as follows:

Other Local Governments:			
Count of Middlesex, Virginia	<u>\$ -</u>	<u>\$ 328,335</u>	<u>\$ 54,668</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,317,311	\$ -	\$ -	\$ 2,317,311
Construction in progress	745,522	1,391,044	-	2,136,566
Total capital assets not subject to depreciation	<u>\$ 3,062,833</u>	<u>\$ 1,391,044</u>	<u>\$ -</u>	<u>\$ 4,453,877</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 12,879,907	\$ -	\$ -	\$ 12,879,907
Equipment	1,678,969	227,610	-	1,906,579
Infrastructure	16,170	-	-	16,170
Jointly owned assets	22,066,163	-	460,415	21,605,748
Total capital assets subject to depreciation	<u>\$ 36,641,209</u>	<u>\$ 227,610</u>	<u>\$ 460,415</u>	<u>\$ 36,408,404</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,325,515	\$ 358,222	\$ -	\$ 5,683,737
Equipment	1,212,222	162,622	-	1,374,844
Infrastructure	16,170	-	-	16,170
Jointly owned assets	7,785,095	576,393	163,791	8,197,697
Total accumulated depreciation	<u>\$ 14,339,002</u>	<u>\$ 1,097,237</u>	<u>\$ 163,791</u>	<u>\$ 15,272,448</u>
Total capital assets subject to depreciation, net	<u>\$ 22,302,207</u>	<u>\$ (869,627)</u>	<u>\$ 296,624</u>	<u>\$ 21,135,956</u>
Governmental activities capital assets, net	<u>\$ 25,365,040</u>	<u>\$ 521,417</u>	<u>\$ 296,624</u>	<u>\$ 25,589,833</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 5—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 248,545	\$ -	\$ -	\$ 248,545
Total capital assets not subject to depreciation	\$ 248,545	\$ -	\$ -	\$ 248,545
Capital assets subject to depreciation:				
Buildings and improvements	\$ 768,197	\$ 48,065	\$ -	\$ 816,262
Equipment	2,234,291	298,766	-	2,533,057
Jointly owned assets	6,420,236	-	(460,415)	6,880,651
Total capital assets subject to depreciation	\$ 9,422,724	\$ 346,831	\$ (460,415)	\$ 10,229,970
Accumulated depreciation:				
Building improvement	\$ 636,515	\$ 11,685	\$ -	\$ 648,200
Equipment	1,692,688	142,924	-	1,835,612
Jointly owned assets	2,265,104	181,776	(163,791)	2,610,671
Total accumulated depreciation	\$ 4,594,307	\$ 336,385	\$ (163,791)	\$ 5,094,483
Total capital assets subject to depreciation, net	\$ 4,828,417	\$ 10,446	\$ (296,624)	\$ 5,135,487
Component unit school board capital assets, net	\$ 5,076,962	\$ 10,446	\$ (296,624)	\$ 5,384,032
Governmental activities:				
General government administration			\$ 160,432	
Judicial administration			204,489	
Public safety			132,400	
Public works			36,134	
Health and welfare			3,728	
Education			553,419	
Parks, recreation and cultural			6,635	
Total Governmental activities			\$ 1,097,237	
Component Unit School Board			\$ 336,385	

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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*Note 5—Capital Assets: (Continued)*

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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, 2017, is that school financed assets in the amount of \$13,408,051 are reported in the Primary Government for financial reporting purposes.

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*Note 6—Interfund Transfers:*

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Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 125,000
County Capital Projects Fund	<u>125,000</u>	<u>-</u>
Total	<u>\$ 125,000</u>	<u>\$ 125,000</u>

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 7—Long Term Obligations:*

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2017:

Primary Government:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences					
(payloadable by General Fund)	\$ 135,860	\$ 13,586	\$ 48,639	\$ 100,807	\$ 10,081
Capital leases	21,652	19,500	21,652	19,500	9,152
Note payable	84,771	-	41,352	43,419	43,419
Lease revenue bonds	12,197,333	5,987,549	6,642,333	11,542,549	923,657
Total incurred by County	<u>\$ 12,439,616</u>	<u>\$ 6,020,635</u>	<u>\$ 6,753,976</u>	<u>\$ 11,706,275</u>	<u>\$ 986,309</u>
Incurred by School Board:					
General obligation bonds	\$ 2,321,079	\$ -	\$ 169,509	\$ 2,151,570	\$ 181,570
Lease revenue bonds	12,021,067	1,847,451	2,580,467	11,288,051	845,443
Total incurred by School Board	<u>\$ 14,342,146</u>	<u>\$ 1,847,451</u>	<u>\$ 2,749,976</u>	<u>\$ 13,439,621</u>	<u>\$ 1,027,013</u>
Total Governmental Activities Obligations	<u><u>\$ 26,781,762</u></u>	<u><u>\$ 7,868,086</u></u>	<u><u>\$ 9,503,952</u></u>	<u><u>\$ 25,145,896</u></u>	<u><u>\$ 2,013,322</u></u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 7—Long Term Obligations: (Continued)*

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations			
	Lease Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2018	\$ 923,657	\$ 222,868	\$ 43,419	\$ 2,170
2019	905,032	246,039	-	-
2020	924,202	225,749	-	-
2021	948,608	204,687	-	-
2022	970,836	183,172	-	-
2023	984,657	161,320	-	-
2024	1,008,299	138,847	-	-
2025	941,998	116,784	-	-
2026	970,517	95,114	-	-
2027	447,452	72,908	-	-
2028	397,387	61,211	-	-
2029	398,915	50,700	-	-
2030	411,907	39,997	-	-
2031	424,134	28,961	-	-
2032	435,597	17,613	-	-
2033	449,353	5,931	-	-
Total	<u>\$ 11,542,549</u>	<u>\$ 1,871,902</u>	<u>\$ 43,419</u>	<u>\$ 2,170</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 181,570	\$ 98,483	\$ 845,443	\$ 280,084
2019	155,000	88,571	849,668	276,371
2020	165,000	80,491	873,498	258,619
2021	175,000	71,906	895,592	238,114
2022	180,000	62,943	927,364	214,836
2023	190,000	53,600	949,943	190,742
2024	200,000	43,753	977,301	165,881
2025	210,000	33,400	1,015,102	140,058
2026	225,000	22,416	1,042,683	113,255
2027	230,000	13,228	1,079,548	85,474
2028	240,000	4,860	265,913	66,582
2029	-	-	278,385	56,861
2030	-	-	295,193	46,539
2031	-	-	312,466	35,536
2032	-	-	330,303	23,826
2033	-	-	349,647	11,367
Total	<u>\$ 2,151,570</u>	<u>\$ 573,651</u>	<u>\$ 11,288,051</u>	<u>\$ 2,204,145</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i><u>Incurred by County:</u></i>	
<u>Lease revenue bonds:</u>	
\$630,000 lease revenue bond issued April 30, 2012, payable in varying annual installments through October 1, 2026, interest at rates varying from 2.125% to 5.125%, payable semi-annually	\$ 465,000
\$638,000 refunding lease revenue bond issued July 8, 2015, payable in varying annual installments through August 1, 2023, interest at 2.35%, payable semi-annually	565,000
\$5,000,000 lease revenue bond issued March 29, 2016, payable in varying annual installments through February 1, 2026, interest at 1.74%, payable semi-annually	4,525,000
\$7,835,000 lease revenue bond (County is responsible for 76.421% of total bond) issued May 1, 2017, payable in varying annual installments through August 1, 2032, interest at 2.64%, payable semi-annually	5,987,549
Total lease revenue bonds	<u>\$ 11,542,549</u>
<u>Note payable:</u>	
\$350,000 note issued November 2, 2007, payable in varying annual installments through January 15, 2018, interest at 5.00% payable semi-annually	<u>\$ 43,419</u>
<u>Capital leases:</u>	
\$19,500 capital lease issued March 1, 2017 for purchase of one truck payable in 2 combined principal and interest installments of \$11,700 through March, 2019, interest payable at 12.28%	\$ 19,500
Compensated absences (payable by General Fund)	<u>\$ 100,807</u>
Total incurred by County	<u>\$ 11,706,275</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<u>Incurring by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$349,373 general obligation bond issued July 30, 1998 to refund retirement incentive obligation, payable in combined annual principal and interest installments of \$33,778 through July, 2017, interest at 6.99%	\$ 31,570
\$2,555,000 general obligation bond issued May 10, 2012 payable in various annual installments through July 15, 2027, interest payable semi-annually at rates varying from 2.55% to 5.05%	2,120,000
Total General Obligation Bonds	<u>\$ 2,151,570</u>
<u>Lease revenue bonds:</u>	
\$2,092,700 lease revenue bond issued October 28, 2013, payable in varying annual installments through October 15, 2032, interest at 4.52% payable annually	\$ 1,959,600
\$1,515,000 refunding lease revenue bond issued July 8, 2015, payable in varying annual installments through August 1, 2019, interest at 1.52%, payable semi-annually	1,489,000
\$6,627,000 refunding lease revenue bond issued July 8, 2015, payable in varying annual installments through August 1, 2026, interest at 2.35%, payable semi-annually	5,992,000
\$7,835,000 lease revenue bond (School Board is responsible for 23.579% of total bond) issued May 1, 2017, payable in varying annual installments through August 1, 2032, interest at 2.64%, payable semi-annually	1,847,451
Total lease revenue bonds	<u>\$ 11,288,051</u>
Total incurred by School Board	<u>\$ 13,439,621</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 25,145,896</u></u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

The County issued the series 2017 refunding lease revenue bonds in the amount of \$7,835,000 to refund the series 2002 and 2007 lease revenue bonds. The aggregate difference in the debt service between the refunded debt and the refunding debt was \$834,996 and the economic gain on the transaction was \$667,408.

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 56,709	\$ 10,004	\$ 5,671	\$ 61,042	\$ 6,104
Net pension liability	12,496,027	3,279,567	1,883,796	13,891,798	-
Net OPEB Obligation	66,723	45,768	19,700	92,791	-
Total Component Unit-School Board	<u>\$ 12,619,459</u>	<u>\$ 3,335,339</u>	<u>\$ 1,909,167</u>	<u>\$ 14,045,631</u>	<u>\$ 6,104</u>

*Note 8—Capital Leases:*

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

The assets acquired through capital leases are as follows:

	Primary Government Incurred by County
Asset:	
Equipment	\$ 35,100
Less: accumulated depreciation	(7,020)
Total	<u>\$ 28,080</u>



COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 8—Capital Leases: (Continued)*

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017 were as follows:

Year Ended June 30	Primary Government Incurred by County
2018	\$ 11,700
2019	11,700
Total minimum lease payments	\$ 23,400
Less: amount representing interest	(3,900)
Present value of minimum lease payments	<u>\$ 19,500</u>

*Note 9—Unearned and Deferred/Unavailable Revenue:*

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

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$7,086,637 (including 2<sup>nd</sup> half tax billings of \$5,847,573 not due until December 5) at June 30, 2017.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$249,228 at June 30, 2017.

Deferred Revenue - Deferred revenue representing prepaid taxes due subsequent to June 30, 2017 totaling \$249,228 and \$5,847,573 of 2<sup>nd</sup> half tax billing levied in current year but due in FY2017 totaled \$6,096,801.

Unearned Revenue - Other unearned revenue items totaled \$6,696 at June 30, 2017, which consisted of forfeited assets grant funds.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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*Note 10—Commitments and Contingent Liabilities:*

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

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

*Note 11—Litigation:*

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At June 30, 2017, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

*Note 12—Risk Management:*

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

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

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

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

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Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan:

*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.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> <li>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>Political subdivision employees*</li> <li>School division employees</li> <li>Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u><b>Defined Benefit Component:</b></u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component:</b></u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b> <u><b>Defined Contributions Component:</b></u> <b>(Cont.)</b> <ul style="list-style-type: none"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.  An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1.  <u><b>Defined Contribution Component:</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.



Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
<p><b>Normal Retirement Age</b> <b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Continued)</u></b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Continued)</u></b></p> <p>Same as Plan 1 and Plan 2.</p>
<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b></p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b></p> <p>Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Disability Coverage (Continued)</b> VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	<b>Disability Coverage (Continued)</b> VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	<b>Disability Coverage (Continued)</b> Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <u><b>Defined Benefit Component:</b></u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <u><b>Defined Contribution Component:</b></u> Not applicable.

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017

Note 13—Pension Plan: (Continued)

*Employees Covered by Benefit Terms*

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	47	34
Inactive members:		
Vested inactive members	9	8
Non-vested inactive members	13	7
Inactive members active elsewhere in VRS	52	11
Total inactive members	74	26
Active members	63	25
Total covered employees	184	85

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2017 was 8.07% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$129,103 and \$217,163 for the years ended June 30, 2017 and June 30, 2016, respectively.

## County of Middlesex, Virginia

### Notes to Financial Statements (Continued) As of June 30, 2017

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#### Note 13—Pension Plan: (Continued)

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##### *Contributions (Continued)*

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 13.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$60,649 and \$66,658 for the years ended June 30, 2017 and June 30, 2016, respectively.

##### *Net Pension Liability/Asset*

The County's and Component Unit School Board's (nonprofessional) net pension asset and liability were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension asset and liability were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

##### *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, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

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Note 13—Pension Plan: (Continued)

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*Actuarial Assumptions - General Employees (Continued)*

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year



County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

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Note 13—Pension Plan: (Continued)

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*Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**Note 13—Pension Plan: (Continued)**

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*Actuarial Assumptions - Public Safety Employees (Continued)*

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

*Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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, 2015	\$ 9,366,684	\$ 10,159,085	\$ (792,401)
Changes for the year:			
Service cost	\$ 313,001	\$ -	\$ 313,001
Interest	641,382	-	641,382
Differences between expected and actual experience	(206,116)	-	(206,116)
Contributions - employer	-	212,076	(212,076)
Contributions - employee	-	131,401	(131,401)
Net investment income	-	176,194	(176,194)
Benefit payments, including refunds			
Refund of employee contributions	(408,167)	(408,167)	-
Administrative expenses	-	(6,298)	6,298
Other changes	-	(75)	75
Net changes	\$ 340,100	\$ 105,131	\$ 234,969
Balances at June 30, 2016	\$ 9,706,784	\$ 10,264,216	\$ (557,432)

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (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, 2015	\$ 2,915,407	\$ 2,381,380	\$ 534,027
Changes for the year:			
Service cost	\$ 43,323	\$ -	\$ 43,323
Interest	197,952	-	197,952
Differences between expected and actual experience	45,772	-	45,772
Contributions - employer	-	65,602	(65,602)
Contributions - employee	-	33,066	(33,066)
Net investment income	-	40,128	(40,128)
Benefit payments, including refunds			
Refund of employee contributions	(175,034)	(175,034)	-
Administrative expenses	-	(1,503)	1,503
Other changes	-	(17)	17
Net changes	\$ 112,013	\$ (37,758)	\$ 149,771
Balances at June 30, 2016	\$ 3,027,420	\$ 2,343,622	\$ 683,798

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County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County			
Net Pension Liability (Asset)	\$ 660,869	\$ (557,432)	\$ (1,573,810)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 998,914	\$ 683,798	\$ 416,195

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$40,185) and \$89,224, respectively. At June 30, 2017, 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	\$ -	\$ 209,268	\$ 13,764	\$ -
Net difference between projected and actual earnings on pension plan investments	267,573	-	60,150	-
Employer contributions subsequent to the measurement date	129,103	-	60,649	-
Total	\$ 396,676	\$ 209,268	\$ 134,563	\$ -

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

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Note 13—Pension Plan: (Continued)

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

\$129,103 and \$60,649 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 ended June 30, 2018. 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>
2018	\$ (137,981)	\$ 13,527
2019	(63,351)	(239)
2020	153,146	35,859
2021	106,491	24,767
Thereafter	-	-

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## County of Middlesex, Virginia

### Notes to Financial Statements (Continued) As of June 30, 2017

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#### Note 13—Pension Plan: (Continued)

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##### 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 regarding the plan description can be found 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 as a result of funding options provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 201 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$967,518 and \$1,125,585 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$13,208,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.09425% as compared to 0.09504% at June 30, 2015.



County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (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)*

For the year ended June 30, 2017, the school division recognized pension expense of \$1,027,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, 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 \$	-	\$ 428,000
Net difference between projected and actual earnings on pension plan investments	755,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	314,000
Employer contributions subsequent to the measurement date	967,518	-
Total	<u>\$ 1,722,518</u>	<u>\$ 742,000</u>

\$967,518 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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>	
2018	\$ (198,000)
2019	(198,000)
2020	257,000
2021	185,000
2022	(33,000)

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

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Note 13—Pension Plan: (Continued)

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Component Unit School Board (professional) (Continued)

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

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Note 13—Pension Plan: (Continued)

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Component Unit School Board (professional) (Continued)

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		30,168,211
Employers' Net Pension Liability (Asset)	\$	<u>14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		68.28%

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.

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Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Long-Term Expected Rate of Return*

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

County of Middlesex, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed 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.

*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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	18,828,000 \$	13,208,000 \$	8,578,000

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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, 2017

*Note 14—Surety Bonds:*

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Lynn L. Dunlevy, Clerk of the Circuit Court	\$ 103,000
Betty S. Bray, Treasurer	400,000
Priscilla J. Davenport, 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 15—Other Postemployment Benefits - Health Insurance:*

**A. Plan Description**

The Middlesex County Public Schools allow retirees that retire with a combined age and years of service that total at least 85 to remain on the health insurance plan. Health benefits include medical, dental and vision. The retiree is responsible for 100% of the premium. Benefits are for the life of the retiree and spouse as long as its continuous coverage. The spouse can continue coverage after the death of the retiree.

**B. Funding Policy**

The School Board's retirees pay 100% of the premiums directly to Anthem BCBS. The Schools currently have six retirees on their plan.

**C. Annual OPEB Cost and Net OPEB Obligation**

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in accordance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

*Note 15—Other Postemployment Benefits - Health Insurance: (Continued)*

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

		<u>School Board</u>
Annual required contribution	\$	45,900
Interest on net OPEB obligation		2,335
Adjustment to annual required contribution		(2,467)
Annual OPEB cost (expense)	\$	<u>45,768</u>
Contributions made		<u>(19,700)</u>
Increase in net OPEB obligation		26,068
Net OPEB obligation-beginning of year		66,723
Net OPEB obligation-end of year	\$	<u><u>92,791</u></u>

For 2017, the School Board's annual contribution of \$19,700 did not equal the annual OPEB cost of \$45,768. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
School Board:			
6/29/2017	\$ 45,768	70.82%	\$ 92,791
6/30/2016	44,101	62.13%	66,723
6/30/2015	42,534	60.66%	50,022

**D. Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$334,600, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,661,800, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.02 percent.

*Note 15—Other Postemployment Benefits - Health Insurance: (Continued)*

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**D. Funded Status and Funding Progress (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement age for active employees*-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

*Mortality*-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2020 using Scale AA.

*Coverage elections* -The actuary assumed that 30% of eligible retirees will elect coverage and that 30% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 3.5% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015 was thirty years.

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*Note 16—Other Postemployment Benefits - VRS Health Insurance Credit:*

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**A. Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016 and 2015 were \$73,799, \$85,751 and \$75,346, respectively and equaled the required contributions for the year.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2017

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*Note 17—Note Receivable:*

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On October 1, 2007, the Middlesex County Industrial Development Authority loaned the County \$350,000 to finance hangars at Hummel Airport. The County will repay the IDA in various annual principal payments which start January 15, 2010 and continue until January 15, 2018. The County pays semi-annual interest payments at a rate of 5%.

The following is a repayment schedule for the note:

Year Ending June 30,	Principal	Interest
2018	\$ 43,419	\$ 2,171
Total	<u>\$ 43,419</u>	<u>\$ 2,171</u>

*Note 18—Upcoming Pronouncements:*

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Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*Note 18-Upcoming Pronouncements: (Continued)*

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Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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*REQUIRED SUPPLEMENTARY INFORMATION*

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County of Middlesex, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 14,059,500	\$ 14,059,500	\$ 14,657,260	\$ 597,760
Other local taxes	2,331,830	2,334,664	2,472,290	137,626
Permits, privilege fees, and regulatory licenses	110,000	110,000	110,733	733
Fines and forfeitures	30,000	30,000	23,339	(6,661)
Revenue from the use of money and property	121,000	121,000	105,878	(15,122)
Charges for services	197,600	214,363	277,006	62,643
Miscellaneous	70,750	227,607	255,409	27,802
Recovered costs	-	10,499	130,076	119,577
Intergovernmental:				
Commonwealth	3,288,378	3,577,262	3,457,024	(120,238)
Federal	661,318	755,257	833,342	78,085
Total revenues	<u>\$ 20,870,376</u>	<u>\$ 21,440,152</u>	<u>\$ 22,322,357</u>	<u>\$ 882,205</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,748,636	\$ 1,787,695	\$ 1,642,283	\$ 145,412
Judicial administration	700,808	773,853	763,391	10,462
Public safety	3,554,104	3,905,801	3,633,593	272,208
Public works	1,522,823	1,522,823	1,370,717	152,106
Health and welfare	2,000,222	2,051,014	2,114,163	(63,149)
Education	7,973,766	8,044,675	8,020,204	24,471
Parks, recreation, and cultural	217,760	247,628	235,035	12,593
Community development	570,099	620,942	554,697	66,245
Debt service:				
Principal retirement	2,652,430	10,402,119	9,455,313	946,806
Interest and other fiscal charges	24,716	24,716	970,162	(945,446)
Total expenditures	<u>\$ 20,965,364</u>	<u>\$ 29,381,266</u>	<u>\$ 28,759,558</u>	<u>\$ 621,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (94,988)</u>	<u>\$ (7,941,114)</u>	<u>\$ (6,437,201)</u>	<u>\$ 1,503,913</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (425,000)	\$ (527,000)	\$ (125,000)	\$ 402,000
Issuance of lease revenue bonds	-	7,835,000	7,835,000	-
Issuance of capital leases	-	19,500	19,500	-
Bond issuance costs	-	(85,311)	(85,311)	-
Total other financing sources (uses)	<u>\$ (425,000)</u>	<u>\$ 7,242,189</u>	<u>\$ 7,644,189</u>	<u>\$ 402,000</u>
Net change in fund balances	\$ (519,988)	\$ (698,925)	\$ 1,206,988	\$ 1,905,913
Fund balances - beginning	519,988	698,925	8,935,921	8,236,996
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,142,909</u>	<u>\$ 10,142,909</u>

County of Middlesex, Virginia  
Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as % of Payroll
School Board:						
1/1/2009	\$ -	\$ 252,000	\$ 252,000	0.00%	\$ 5,351,000	4.71%
1/1/2012	-	302,500	302,500	0.00%	5,439,500	5.56%
1/1/2015	-	334,600	334,600	0.00%	6,661,800	5.02%



County of Middlesex, Virginia  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
Primary Government  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 313,001	\$ 308,501	\$ 313,075
Interest	641,382	622,514	586,951
Differences between expected and actual experience	(206,116)	(263,473)	-
Benefit payments, including refunds of employee contributions	(408,167)	(387,841)	(396,113)
Net change in total pension liability	\$ 340,100	\$ 279,701	\$ 503,913
Total pension liability - beginning	9,366,684	9,086,983	8,583,070
Total pension liability - ending (a)	<u>\$ 9,706,784</u>	<u>\$ 9,366,684</u>	<u>\$ 9,086,983</u>
Plan fiduciary net position			
Contributions - employer	\$ 212,076	\$ 207,393	\$ 212,738
Contributions - employee	131,401	133,042	132,588
Net investment income	176,194	448,360	1,337,763
Benefit payments, including refunds of employee contributions	(408,167)	(387,841)	(396,113)
Administrative expense	(6,298)	(6,102)	(7,194)
Other	(75)	(96)	71
Net change in plan fiduciary net position	\$ 105,131	\$ 394,756	\$ 1,279,853
Plan fiduciary net position - beginning	10,159,085	9,764,329	8,484,476
Plan fiduciary net position - ending (b)	<u>\$ 10,264,216</u>	<u>\$ 10,159,085</u>	<u>\$ 9,764,329</u>
County's net pension liability (asset) - ending (a) - (b)	\$ (557,432)	\$ (792,401)	\$ (677,346)
Plan fiduciary net position as a percentage of the total pension liability	105.74%	108.46%	107.45%
Covered payroll	\$ 2,690,989	\$ 2,594,531	\$ 2,548,301
County's net pension liability (asset) as a percentage of covered payroll	-20.71%	-30.54%	-26.58%

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

County of Middlesex, Virginia  
Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit School Board (Nonprofessional)  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 43,323	\$ 49,097	\$ 43,610
Interest	197,952	189,776	184,049
Differences between expected and actual experience	45,772	40,934	-
Benefit payments, including refunds of employee contributions	(175,034)	(150,966)	(140,720)
Net change in total pension liability	\$ 112,013	\$ 128,841	\$ 86,939
Total pension liability - beginning	2,915,407	2,786,566	2,699,627
Total pension liability - ending (a)	<u>\$ 3,027,420</u>	<u>\$ 2,915,407</u>	<u>\$ 2,786,566</u>
Plan fiduciary net position			
Contributions - employer	\$ 65,602	\$ 63,953	\$ 41,513
Contributions - employee	33,066	20,699	22,563
Net investment income	40,128	106,195	324,512
Benefit payments, including refunds of employee contributions	(175,034)	(150,966)	(140,720)
Administrative expense	(1,503)	(1,498)	(1,798)
Other	(17)	(20)	17
Net change in plan fiduciary net position	\$ (37,758)	\$ 38,363	\$ 246,087
Plan fiduciary net position - beginning	2,381,380	2,343,017	2,096,930
Plan fiduciary net position - ending (b)	<u>\$ 2,343,622</u>	<u>\$ 2,381,380</u>	<u>\$ 2,343,017</u>
School Division's net pension liability - ending (a) - (b)	\$ 683,798	\$ 534,027	\$ 443,549
Plan fiduciary net position as a percentage of the total pension liability	77.41%	81.68%	84.08%
Covered payroll	\$ 455,317	\$ 466,832	\$ 448,656
School Division's net pension liability as a percentage of covered payroll	150.18%	114.39%	98.86%

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

County of Middlesex, Virginia  
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09425%	0.09504%	0.09589%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 13,208,000	\$ 11,962,000	\$ 11,588,000
Employer's Covered Payroll	7,186,194	7,009,926	7,009,923
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.80%	170.64%	165.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.68%	70.88%

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

\* The amounts presented have a measurement date of the previous fiscal year end.

## Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

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					
2017	\$ 129,103	\$ 129,103	\$ -	\$ 2,776,413	4.65%
2016	217,163	217,163	-	2,690,989	8.07%
2015	207,393	207,393	-	2,594,531	7.99%
2014	213,548	213,548	-	2,548,301	8.38%
2013	202,566	202,566	-	2,417,259	8.38%
2012	138,873	138,873	-	2,239,888	6.20%
2011	145,014	145,014	-	2,338,941	6.20%
2010	116,703	116,703	-	2,431,312	4.80%
2009	117,462	117,462	-	2,447,125	4.80%
2008	91,932	91,932	-	2,275,554	4.04%
Component Unit School Board (nonprofessional)					
2017	\$ 60,649	\$ 60,649	\$ -	\$ 447,922	13.54%
2016	66,658	66,658	-	455,317	14.64%
2015	63,953	63,953	-	466,832	13.70%
2014	58,280	41,276	17,004	448,656	9.20%
2013	53,988	38,236	15,752	415,614	9.20%
2012	37,884	37,884	-	411,782	9.20%
2011	65,779	65,779	-	714,990	9.20%
2010	87,049	87,049	-	738,332	11.79%
2009	89,184	89,184	-	756,439	11.79%
2008	81,265	81,265	-	750,373	10.83%
Component Unit School Board (professional)					
2017	\$ 967,518	\$ 967,518	\$ -	\$ 6,650,583	14.66%
2016	1,125,585	1,125,585	-	7,186,194	15.66%
2015	1,024,577	1,024,577	-	7,009,926	14.62%
2014	817,357	817,357	-	7,009,923	11.66%
2013	811,103	811,103	-	6,956,286	11.66%
2012	Unavailable				
2011	Unavailable				
2010	388,031	388,031	-	4,404,438	8.81%
2009	563,503	563,503	-	6,396,175	8.81%
2008	646,123	646,123	-	6,273,039	10.30%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

County of Middlesex, Virginia  
Notes to Required Supplementary Information  
For the Years Ended June 30, 2008 through June 30, 2017

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Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

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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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,718	\$ 3,718
Total revenues	\$ -	\$ -	\$ 3,718	\$ 3,718
<b>EXPENDITURES</b>				
Capital projects	\$ 832,000	\$ 5,110,230	\$ 1,613,214	\$ 3,497,016
Total expenditures	\$ 832,000	\$ 5,110,230	\$ 1,613,214	\$ 3,497,016
Excess (deficiency) of revenues over (under) expenditures	\$ (832,000)	\$ (5,110,230)	\$ (1,609,496)	\$ 3,500,734
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 425,000	\$ 527,000	\$ 125,000	\$ (402,000)
Total other financing sources (uses)	\$ 425,000	\$ 527,000	\$ 125,000	\$ (402,000)
Net change in fund balances	\$ (407,000)	\$ (4,583,230)	\$ (1,484,496)	\$ 3,098,734
Fund balance - beginning	407,000	4,583,230	5,968,985	1,385,755
Fund balance - ending	\$ -	\$ -	\$ 4,484,489	\$ 4,484,489

County of Middlesex, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

	Agency Funds		
	Chesapeake Bay Governor's School		
	Special <u>Welfare</u>	<u>School</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,918	\$ 178,794	\$ 180,712
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ 178,794	\$ 178,794
Amounts held for social services clients	1,918	-	1,918
Total liabilities	\$ 1,918	\$ 178,794	\$ 180,712

## County of Middlesex, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2017

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ <u>2,407</u>	\$ <u>10,639</u>	\$ <u>11,128</u>	\$ <u>1,918</u>
Liabilities:				
Amounts held for social services clients	\$ <u>2,407</u>	\$ <u>10,639</u>	\$ <u>11,128</u>	\$ <u>1,918</u>
Chesapeake Bay Governor's School:				
Assets:				
Cash and cash equivalents	\$ <u>114,030</u>	\$ <u>1,692,411</u>	\$ <u>1,627,647</u>	\$ <u>178,794</u>
Liabilities:				
Amounts held for others	\$ <u>114,030</u>	\$ <u>1,692,411</u>	\$ <u>1,627,647</u>	\$ <u>178,794</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>116,437</u>	\$ <u>1,703,050</u>	\$ <u>1,638,775</u>	\$ <u>180,712</u>
Liabilities:				
Amounts held for others	\$ 114,030	\$ 1,692,411	\$ 1,627,647	\$ 178,794
Amounts held for social services clients	2,407	10,639	11,128	1,918
Total liabilities	\$ <u>116,437</u>	\$ <u>1,703,050</u>	\$ <u>1,638,775</u>	\$ <u>180,712</u>

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*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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County of Middlesex, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2017

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,384,838	\$ 163,196	\$ 1,548,034
Due from other governmental units	328,335	-	328,335
Total assets	<u>\$ 1,713,173</u>	<u>\$ 163,196</u>	<u>\$ 1,876,369</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accrued liabilities	\$ 1,275,923	\$ -	\$ 1,275,923
Due to other governmental units	328,335	-	328,335
Total liabilities	<u>\$ 1,604,258</u>	<u>\$ -</u>	<u>\$ 1,604,258</u>
Fund balances:			
Committed:			
School Operating Fund	\$ 108,915	\$ -	\$ 108,915
School food	-	163,196	163,196
Total fund balances	<u>\$ 108,915</u>	<u>\$ 163,196</u>	<u>\$ 272,111</u>
Total liabilities and fund balances	<u>\$ 1,713,173</u>	<u>\$ 163,196</u>	<u>\$ 1,876,369</u>

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

Total fund balances per above	\$ 272,111
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets cost	\$ 10,478,515
Accumulated depreciation	<u>(5,094,483)</u>
	5,384,032
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Deferred inflows related to measurement of net pension liability	(742,000)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,028,167
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	\$ (61,042)
Net pension liability	(13,891,798)
Deferred outflows related to measurement of net pension liability	828,914
Net OPEB obligation	<u>(92,791)</u>
Net position of governmental activities	<u>\$ (7,274,407)</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, 2017

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 30,998	\$ -	\$ 30,998
Charges for services	36,690	165,527	202,217
Miscellaneous	210,898	-	210,898
Intergovernmental:			
Local government	7,842,888	166,899	8,009,787
Commonwealth	4,527,702	56,291	4,583,993
Federal	743,425	393,790	1,137,215
Total revenues	<u>\$ 13,392,601</u>	<u>\$ 782,507</u>	<u>\$ 14,175,108</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 13,297,504	\$ 700,467	\$ 13,997,971
Total expenditures	<u>\$ 13,297,504</u>	<u>\$ 700,467</u>	<u>\$ 13,997,971</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 95,097</u>	<u>\$ 82,040</u>	<u>\$ 177,137</u>
Net change in fund balances	\$ 95,097	\$ 82,040	\$ 177,137
Fund balances - beginning	13,818	81,156	94,974
Fund balances - ending	<u>\$ 108,915</u>	<u>\$ 163,196</u>	<u>\$ 272,111</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 \$ 177,137

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	\$ 346,831	
Depreciation expense	(336,385)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>296,624</u>	307,070

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

(Increase) decrease in deferred inflows related to measurement of net pension liability 530,930

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.

(Increase) decrease in Net OPEB obligation	\$ (26,068)	
(Increase) decrease in net pension liability	(1,395,771)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(164,076)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	817,219	
(Increase) decrease in compensated absences	<u>(4,333)</u>	(773,029)

Change in net position of governmental activities \$ 242,108

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, 2017

	School Operating Fund			School Special Revenue Fund		
	Budgeted Amounts		Variance with Final Budget	Budgeted Amounts		Variance with Final Budget
	Original	Final	Actual	Original	Final	Actual
<b>REVENUES</b>						
Revenue from the use of money and property	\$ -	\$ -	\$ 30,998	\$ -	\$ -	\$ -
Charges for services	20,000	20,000	36,690	200,000	200,000	165,527
Miscellaneous	73,300	184,851	210,898	-	-	-
Intergovernmental:						
Local government	7,881,408	7,952,317	7,842,888	81,941	81,941	166,899
Commonwealth	4,566,172	4,571,172	4,527,702	55,310	55,310	56,291
Federal	724,276	929,487	743,425	320,000	355,540	393,790
Total revenues	\$ 13,265,156	\$ 13,657,827	\$ 13,392,601	\$ 657,251	\$ 692,791	\$ 782,507
						\$ 89,716
<b>EXPENDITURES</b>						
Current:						
Education	\$ 13,265,156	\$ 13,657,827	\$ 13,297,504	\$ 657,251	\$ 811,446	\$ 700,467
Total expenditures	\$ 13,265,156	\$ 13,657,827	\$ 13,297,504	\$ 657,251	\$ 811,446	\$ 700,467
						\$ 110,979
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 95,097	\$ -	\$ (118,655)	\$ 82,040
						\$ 200,695
Net change in fund balances	\$ -	\$ -	\$ 95,097	\$ -	\$ (118,655)	\$ 82,040
Fund balances - beginning	-	-	13,818	-	118,655	81,156
Fund balances - ending	\$ -	\$ -	\$ 108,915	\$ -	\$ -	\$ 163,196

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*DISCRETELY PRESENTED COMPONENT UNIT  
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Middlesex, Virginia  
Statement of Net Position  
Discretely Presented Component Unit - Economic Development Authority  
June 30, 2017

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$	346,227
Note receivable		43,419
Total current assets	\$	<u>389,646</u>
Total assets	\$	<u>389,646</u>

**LIABILITIES**

## Current liabilities:

Due to other governmental units	\$	54,668
Total liabilities	\$	<u>54,668</u>

**NET POSITION**

Unrestricted	\$	334,978
Total net position	\$	<u><u>334,978</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, 2017

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**OPERATING REVENUES**

## Charges for services:

Bond fees	\$	48,050
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Total operating revenues	\$	48,050
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**OPERATING EXPENSES**

Grants	\$	105,150
--------	----	---------

Insurance claims and expenses		928
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Other charges		14,813
---------------	--	--------

Total operating expenses	\$	120,891
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Operating income (loss)	\$	(72,841)
-------------------------	----	----------

**NONOPERATING REVENUES (EXPENSES)**

Interest income	\$	6,069
-----------------	----	-------

Interest expense		(1,887)
------------------	--	---------

Total nonoperating revenues (expenses)	\$	4,182
--	----	-------

Change in net position	\$	(68,659)
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Total net position - beginning		403,637
--------------------------------	--	---------

Total net position - ending	\$	334,978
-----------------------------	----	---------



County of Middlesex, Virginia  
Statement of Cash Flows  
Discretely Presented Component Unit - Economic Development Authority  
For the Year Ended June 30, 2017

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 48,050
Payments for operating activities	(106,223)
Net cash provided by (used for) operating activities	<u>\$ (58,173)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Payments on notes receivable	\$ 41,352
Contributions in aid of construction	
Proceeds from indebtedness	
Interest payments	(1,887)
Other charges	
Net cash provided by (used for) capital and related financing activities	<u>\$ 39,465</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	\$ 6,069
Net cash provided by (used for) investing activities	<u>\$ 6,069</u>

Net increase (decrease) in cash and cash equivalents \$ (12,639)

Cash and cash equivalents - beginning 358,866  
Cash and cash equivalents - ending \$ 346,227

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

Operating income (loss)	\$ (72,841)
Adjustments to reconcile operating income (loss) to net cash	

provided (used) by operating activities:

Increase (decrease) in due to other governmental units	14,668
Total adjustments	<u>\$ 14,668</u>

Net cash provided (used) by operating activities \$ (58,173)

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## *SUPPORTING SCHEDULES*

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County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

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:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,300,000	\$ 11,300,000	\$ 11,790,834	\$ 490,834
Real and personal public service corporation taxes	241,000	241,000	265,308	24,308
Personal property taxes	2,262,000	2,262,000	2,287,907	25,907
Mobile home taxes	49,000	49,000	54,992	5,992
Airplane taxes	8,500	8,500	7,803	(697)
Penalties	105,000	105,000	128,129	23,129
Interest	94,000	94,000	122,287	28,287
Total general property taxes	\$ 14,059,500	\$ 14,059,500	\$ 14,657,260	\$ 597,760
Other local taxes:				
Local sales and use taxes	\$ 1,307,830	\$ 1,310,664	\$ 1,062,404	\$ (248,260)
Consumers' utility taxes	231,000	231,000	231,960	960
Consumption taxes	45,000	45,000	44,463	(537)
Business license taxes	180,000	180,000	162,696	(17,304)
Motor vehicle licenses	298,000	298,000	297,641	(359)
Bank stock taxes	75,000	75,000	94,068	19,068
Taxes on recordation and wills	195,000	195,000	198,845	3,845
Meals tax	-	-	380,213	380,213
Total other local taxes	\$ 2,331,830	\$ 2,334,664	\$ 2,472,290	\$ 137,626
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 10,286	\$ (214)
Building permits	77,000	77,000	78,975	1,975
Permits and other licenses	22,500	22,500	21,472	(1,028)
Total permits, privilege fees, and regulatory licenses	\$ 110,000	\$ 110,000	\$ 110,733	\$ 733
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 23,339	\$ (6,661)
Revenue from use of money and property:				
Revenue from use of money	\$ 5,500	\$ 5,500	\$ 1,717	\$ (3,783)
Revenue from use of property	115,500	115,500	104,161	(11,339)
Total revenue from use of money and property	\$ 121,000	\$ 121,000	\$ 105,878	\$ (15,122)
Charges for services:				
Charges for court services	\$ 29,250	\$ 29,250	\$ 17,285	\$ (11,965)
Charges for Commonwealth's Attorney	1,000	1,000	1,313	313
Charges for Treasurer	2,000	5,160	4,500	(660)
Charges for other protection	1,800	1,800	13,431	11,631
Charges for planning and community development	14,550	14,550	15,357	807
Charges for parks and recreation	-	-	25,893	25,893
Charges for airport	149,000	162,603	199,227	36,624
Total charges for services	\$ 197,600	\$ 214,363	\$ 277,006	\$ 62,643

County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Schedule 1  
Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 70,750	\$ 227,607	\$ 255,409	\$ 27,802
Recovered costs:				
Local health department	\$ -	\$ -	\$ 8,106	\$ 8,106
Sheriff	-	-	63,922	63,922
Debt service	-	-	12,549	12,549
VA Oyster country	-	10,499	10,499	-
Economy and tourism	-	-	35,000	35,000
Total recovered costs	\$ -	\$ 10,499	\$ 130,076	\$ 119,577
Total revenue from local sources	\$ 16,920,680	\$ 17,107,633	\$ 18,031,991	\$ 924,358
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 1,000	\$ 1,000	\$ 1,818	818
Rolling stock tax	1,000	1,000	20	(980)
Mobile home titling tax	20,000	20,000	11,268	(8,732)
Communications tax	460,000	460,000	414,373	(45,627)
State recordation tax	-	-	49,201	49,201
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	\$ 1,191,635	\$ 1,191,635	\$ 1,186,316	\$ (5,319)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 159,519	\$ 159,519	\$ 157,885	\$ (1,634)
Sheriff	725,285	796,326	683,902	(112,424)
Commissioner of revenue	96,541	96,541	95,157	(1,384)
Treasurer	88,261	88,261	86,938	(1,323)
Registrar/electoral board	36,304	36,304	37,029	725
Clerk of the circuit court	184,753	191,490	172,230	(19,260)
Total shared expenses	\$ 1,290,663	\$ 1,368,441	\$ 1,233,141	\$ (135,300)
Other categorical aid:				
Public assistance and welfare administration	\$ 410,110	\$ 425,538	\$ 418,889	\$ (6,649)
Fire programs fund	-	34,019	34,019	-
Comprehensive services act	283,500	283,500	318,414	34,914
Wireless funds	40,000	40,000	45,240	5,240
Emergency medical services	-	-	13,147	13,147
Victim-witness grant	26,470	65,388	16,194	(49,194)
Arts commission grant	5,000	10,000	5,000	(5,000)
Forfeitted assets	-	-	14,747	14,747
Airport grant	-	-	10,870	10,870

County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

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	\$ 6,000	\$ 6,000	\$ 6,192	\$ 192
Animal friendly plates	-	-	275	275
School resource officer	-	-	17,066	17,066
Capital grants	-	102,000	102,000	-
Other grants	35,000	50,741	35,514	(15,227)
Total other categorical aid	\$ 806,080	\$ 1,017,186	\$ 1,037,567	\$ 20,381
Total categorical aid	\$ 2,096,743	\$ 2,385,627	\$ 2,270,708	\$ (114,919)
Total revenue from the Commonwealth	\$ 3,288,378	\$ 3,577,262	\$ 3,457,024	\$ (120,238)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 661,318	\$ 686,197	\$ 675,475	\$ (10,722)
Asset forfeiture	-	-	21,734	21,734
Edward Byrne JAG grant	-	-	1,638	1,638
Homeland security grant	-	-	3,594	3,594
Victim-witness grant	-	-	48,568	48,568
SAFER grant	-	69,060	64,900	(4,160)
Bulletproof vest grant	-	-	2,433	2,433
Emergency services grants	-	-	15,000	15,000
Total categorical aid	\$ 661,318	\$ 755,257	\$ 833,342	\$ 78,085
Total revenue from the federal government	\$ 661,318	\$ 755,257	\$ 833,342	\$ 78,085
Total General Fund	\$ 20,870,376	\$ 21,440,152	\$ 22,322,357	\$ 882,205
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,718	\$ 3,718
Total County Capital Projects Fund	\$ -	\$ -	\$ 3,718	\$ 3,718
Total Primary Government	\$ 20,870,376	\$ 21,440,152	\$ 22,326,075	\$ 885,923
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	\$ -	\$ -	\$ 30,998	\$ 30,998

County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

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	\$ 20,000	\$ 20,000	\$ 36,690	\$ 16,690
Miscellaneous:				
Miscellaneous	\$ 73,300	\$ 184,851	\$ 210,898	\$ 26,047
Total revenue from local sources	\$ 93,300	\$ 204,851	\$ 278,586	\$ 73,735
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 7,881,408	\$ 7,952,317	\$ 7,842,888	\$ (109,429)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,311,552	\$ 1,311,552	\$ 1,287,199	\$ (24,353)
Basic school aid	2,049,134	2,049,134	2,057,778	8,644
GED funding	7,859	7,859	8,418	559
English as a second language	2,843	2,843	4,028	1,185
Gifted and talented	21,006	21,006	20,978	(28)
Special education	240,719	240,719	241,068	349
Remedial education	73,306	73,306	73,760	454
Vocational education	64,225	64,225	72,622	8,397
Early reading intervention	14,356	14,356	9,571	(4,785)
School fringes	407,014	407,014	376,318	(30,696)
Technology	128,000	128,000	128,000	-
Mentor teacher program	1,807	1,807	1,685	(122)
At risk payments	91,736	91,736	91,569	(167)
Primary class size	105,312	105,312	97,792	(7,520)
Project graduation	-	-	6,169	6,169
SOL algebra readiness	9,831	9,831	11,092	1,261
School security grant	-	-	15,153	15,153
Other state funds	37,472	42,472	24,502	(17,970)
Total categorical aid	\$ 4,566,172	\$ 4,571,172	\$ 4,527,702	\$ (43,470)
Total revenue from the Commonwealth	\$ 4,566,172	\$ 4,571,172	\$ 4,527,702	\$ (43,470)



County of Middlesex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

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:				
Categorical aid:				
Title I	\$ 333,948	\$ 399,253	\$ 330,971	\$ (68,282)
Title VI-B, special education flow-through	295,807	374,831	307,849	(66,982)
Vocational education	26,590	28,583	24,663	(3,920)
Title VI-B, special education pre-school	9,871	10,192	10,192	-
Title III - part A	-	2,047	782	(1,265)
Title VI-rural	-	31,069	8,514	(22,555)
Title II, Part A	58,060	83,512	60,454	(23,058)
Total categorical aid	<u>\$ 724,276</u>	<u>\$ 929,487</u>	<u>\$ 743,425</u>	<u>\$ (186,062)</u>
Total revenue from the federal government	<u>\$ 724,276</u>	<u>\$ 929,487</u>	<u>\$ 743,425</u>	<u>\$ (186,062)</u>
Total School Operating Fund	<u>\$ 13,265,156</u>	<u>\$ 13,657,827</u>	<u>\$ 13,392,601</u>	<u>\$ (265,226)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 200,000	\$ 200,000	\$ 165,527	\$ (34,473)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 81,941	\$ 81,941	\$ 166,899	\$ 84,958
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 8,809	\$ 8,809	\$ 9,292	\$ 483
Textbook payments	46,501	46,501	46,999	498
Total categorical aid	<u>\$ 55,310</u>	<u>\$ 55,310</u>	<u>\$ 56,291</u>	<u>\$ 981</u>
Total revenue from the Commonwealth	<u>\$ 55,310</u>	<u>\$ 55,310</u>	<u>\$ 56,291</u>	<u>\$ 981</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 320,000	\$ 320,000	\$ 358,250	\$ 38,250
Commodities	-	35,540	35,540	-
Total categorical aid	<u>\$ 320,000</u>	<u>\$ 355,540</u>	<u>\$ 393,790</u>	<u>\$ 38,250</u>
Total revenue from the federal government	<u>\$ 320,000</u>	<u>\$ 355,540</u>	<u>\$ 393,790</u>	<u>\$ 38,250</u>
Total School Special Revenue Fund	<u>\$ 657,251</u>	<u>\$ 692,791</u>	<u>\$ 782,507</u>	<u>\$ 89,716</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 13,922,407</u>	<u>\$ 14,350,618</u>	<u>\$ 14,175,108</u>	<u>\$ (175,510)</u>

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County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Schedule 2  
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
<b>General government administration:</b>				
Legislative:				
Board of supervisors	\$ 88,756	\$ 105,599	\$ 98,805	\$ 6,794
General and financial administration:				
County administrator	\$ 360,871	\$ 360,871	\$ 347,506	\$ 13,365
Legal services	62,000	113,447	111,123	2,324
Commissioner of revenue	226,622	226,622	218,217	8,405
Treasurer	231,006	234,166	234,446	(280)
Assessor	100,249	100,249	31,262	68,987
Data processing	192,650	192,650	184,101	8,549
Other general and financial administration	342,621	310,230	284,403	25,827
Total general and financial administration	\$ 1,516,019	\$ 1,538,235	\$ 1,411,058	\$ 127,177
Board of elections:				
Registrar, electoral board and officials	\$ 143,861	\$ 143,861	\$ 132,420	\$ 11,441
Total general government administration	\$ 1,748,636	\$ 1,787,695	\$ 1,642,283	\$ 145,412
<b>Judicial administration:</b>				
Courts:				
General district court	\$ 9,200	\$ 9,200	\$ 4,537	\$ 4,663
Juvenile court	5,050	5,050	3,430	1,620
Sheriff	178,732	197,732	196,241	1,491
Court services unit	44,025	34,025	24,900	9,125
Special Magistrates	500	500	-	500
Victim Witness	26,470	65,388	64,889	499
Clerk of the circuit court	220,831	245,958	259,350	(13,392)
Total courts	\$ 484,808	\$ 557,853	\$ 553,347	\$ 4,506
Commonwealth's attorney:				
Commonwealth's attorney	\$ 216,000	\$ 216,000	\$ 210,044	\$ 5,956
Total judicial administration	\$ 700,808	\$ 773,853	\$ 763,391	\$ 10,462
<b>Public safety:</b>				
Law enforcement and traffic control:				
Sheriff	\$ 1,455,551	\$ 1,583,463	\$ 1,489,928	\$ 93,535
School resource officers	140,576	140,576	129,815	10,761
Forfeited assets	-	-	33,808	(33,808)
Total law enforcement and traffic control	\$ 1,596,127	\$ 1,724,039	\$ 1,653,551	\$ 70,488
Fire and rescue services:				
Volunteer fire departments	\$ 254,260	\$ 290,168	\$ 290,173	\$ (5)
Volunteer rescue squads	167,774	168,719	169,295	(576)
Total fire and rescue services	\$ 422,034	\$ 458,887	\$ 459,468	\$ (581)

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

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	\$ 912,969	\$ 912,969	\$ 767,943	\$ 145,026
Juvenile probation and detention	75,400	111,063	119,895	(8,832)
Total correction and detention	<u>\$ 988,369</u>	<u>\$ 1,024,032</u>	<u>\$ 887,838</u>	<u>\$ 136,194</u>
Inspections:				
Building	\$ 130,726	\$ 130,726	\$ 108,852	\$ 21,874
Other protection:				
Animal control	\$ 112,709	\$ 119,579	\$ 116,909	\$ 2,670
Emergency services	180,000	324,399	295,932	28,467
Medical examiner	2,200	2,200	100	2,100
E-911 communications	121,939	121,939	110,943	10,996
Total other protection	<u>\$ 416,848</u>	<u>\$ 568,117</u>	<u>\$ 523,884</u>	<u>\$ 44,233</u>
Total public safety	<u>\$ 3,554,104</u>	<u>\$ 3,905,801</u>	<u>\$ 3,633,593</u>	<u>\$ 272,208</u>
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 97,982	\$ 97,982	\$ 92,976	\$ 5,006
Litter	13,500	13,500	8,320	5,180
Landfill maintenance	11,087	11,087	5,275	5,812
VPPSA	629,171	629,171	620,245	8,926
Total sanitation and waste removal	<u>\$ 751,740</u>	<u>\$ 751,740</u>	<u>\$ 726,816</u>	<u>\$ 24,924</u>
Maintenance of general buildings and grounds:				
General properties	\$ 616,914	\$ 616,914	\$ 581,639	\$ 35,275
Capital outlay reserve - general properties	154,169	154,169	62,262	91,907
Total maintenance of general buildings and grounds	<u>\$ 771,083</u>	<u>\$ 771,083</u>	<u>\$ 643,901</u>	<u>\$ 127,182</u>
Total public works	<u>\$ 1,522,823</u>	<u>\$ 1,522,823</u>	<u>\$ 1,370,717</u>	<u>\$ 152,106</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 167,060	\$ 167,060	\$ 167,060	\$ -
Other health contributions	11,900	11,900	11,900	-
Total health	<u>\$ 178,960</u>	<u>\$ 178,960</u>	<u>\$ 178,960</u>	<u>\$ -</u>
Mental health:				
Community services board	\$ 35,842	\$ 35,842	\$ 35,842	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,213,895	\$ 1,264,687	\$ 1,261,919	\$ 2,768
Area agency on aging	43,085	43,085	43,085	-
Comprehensive services act	516,148	516,148	563,315	(47,167)
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, 2017

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	5,000	5,000	23,750	(18,750)
Total welfare	<u>\$ 1,785,420</u>	<u>\$ 1,836,212</u>	<u>\$ 1,899,361</u>	<u>\$ (63,149)</u>
Total health and welfare	<u>\$ 2,000,222</u>	<u>\$ 2,051,014</u>	<u>\$ 2,114,163</u>	<u>\$ (63,149)</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 6,417	\$ 6,417	\$ 6,417	\$ -
Contribution to Virginia School League	4,000	4,000	4,000	-
Contribution to County School Board	7,963,349	8,034,258	8,009,787	24,471
Total education	<u>\$ 7,973,766</u>	<u>\$ 8,044,675</u>	<u>\$ 8,020,204</u>	<u>\$ 24,471</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 54,093	\$ 83,961	\$ 77,274	\$ 6,687
Sports complex	26,000	26,000	20,094	5,906
YMCA	31,667	31,667	31,667	-
Total parks and recreation	<u>\$ 111,760</u>	<u>\$ 141,628</u>	<u>\$ 129,035</u>	<u>\$ 12,593</u>
Library:				
Contribution to library	<u>\$ 106,000</u>	<u>\$ 106,000</u>	<u>\$ 106,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 217,760</u>	<u>\$ 247,628</u>	<u>\$ 235,035</u>	<u>\$ 12,593</u>
Community development:				
Planning and community development:				
Planning	\$ 122,631	\$ 122,631	\$ 92,921	\$ 29,710
Zoning administration	103,119	103,119	67,837	35,282
Board of zoning appeals	4,128	4,128	915	3,213
Economic development	92,337	128,577	114,120	14,457
Airport	191,689	205,292	229,548	(24,256)
Total planning and community development	<u>\$ 513,904</u>	<u>\$ 563,747</u>	<u>\$ 505,341</u>	<u>\$ 58,406</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 4,750	\$ 4,750	\$ 4,750	\$ -
Wetlands	13,548	14,548	12,044	2,504
Forestry	3,961	3,961	3,961	-
Total environmental management	<u>\$ 22,259</u>	<u>\$ 23,259</u>	<u>\$ 20,755</u>	<u>\$ 2,504</u>

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Schedule 2  
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 33,936	\$ 33,936	\$ 28,601	\$ 5,335
Total community development	\$ 570,099	\$ 620,942	\$ 554,697	\$ 66,245
Debt service:				
Principal retirement	\$ 2,652,430	\$ 10,402,119	\$ 9,455,313	\$ 946,806
Interest and other fiscal charges	24,716	24,716	970,162	(945,446)
Total debt service	\$ 2,677,146	\$ 10,426,835	\$ 10,425,475	\$ 1,360
Total General Fund	\$ 20,965,364	\$ 29,381,266	\$ 28,759,558	\$ 621,708
County Capital Projects Fund:				
Public works:				
Capital projects:				
E911 radio system	\$ 300,000	\$ 4,476,230	\$ 1,411,219	\$ 3,065,011
Dredging projects	532,000	634,000	136,000	498,000
Cooks corner water system	-	-	40,841	(40,841)
Broadband project	-	-	25,154	(25,154)
Total County Capital Projects Fund	\$ 832,000	\$ 5,110,230	\$ 1,613,214	\$ 3,497,016
Total Primary Government	\$ 21,797,364	\$ 34,491,496	\$ 30,372,772	\$ 4,118,724
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 896,514	\$ 896,514	\$ 895,335	\$ 1,179
Instruction costs	9,079,043	9,445,009	9,141,133	303,876
Districtwide technology	744,809	744,809	739,850	4,959
Pupil transportation	1,283,142	1,274,694	1,240,192	34,502
Operation and maintenance of school plant	1,261,648	1,296,801	1,280,994	15,807
Total operating costs	\$ 13,265,156	\$ 13,657,827	\$ 13,297,504	\$ 360,323
Total education	\$ 13,265,156	\$ 13,657,827	\$ 13,297,504	\$ 360,323
Total School Operating Fund	\$ 13,265,156	\$ 13,657,827	\$ 13,297,504	\$ 360,323

County of Middlesex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

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	\$ 128,442	\$ 175,444	\$ 118,476	\$ 56,968
School food services	528,809	600,462	546,451	54,011
Commodities	-	35,540	35,540	-
Total School Special Revenue Fund	<u>\$ 657,251</u>	<u>\$ 811,446</u>	<u>\$ 700,467</u>	<u>\$ 110,979</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 13,922,407</u>	<u>\$ 14,469,273</u>	<u>\$ 13,997,971</u>	<u>\$ 471,302</u>

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## *OTHER STATISTICAL INFORMATION*

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2008	\$ 1,534,437	859,285	\$ 2,743,335	\$ 1,972,545	\$ 1,769,112	\$ 6,592,497	\$ 215,643	\$ 316,946	\$ 1,354,087	\$ 17,357,887
2009	1,333,731	903,325	3,302,858	2,067,376	2,159,380	7,607,213	251,557	471,996	1,328,472	19,425,908
2010	1,667,597	723,111	3,009,235	1,410,745	2,180,137	7,104,144	193,651	283,556	1,305,599	17,877,775
2011	1,522,660	836,428	3,106,856	1,553,944	2,020,487	7,988,806	232,105	235,397	1,267,491	18,764,174
2012	1,291,402	829,480	2,872,445	1,477,432	1,603,094	7,837,679	252,265	237,812	1,564,059	17,965,668
2013	1,306,637	908,487	3,208,066	1,248,114	1,558,165	7,991,805	247,781	683,739	1,184,264	18,337,058
2014	1,366,993	926,453	3,538,517	1,197,655	1,781,157	8,067,078	248,044	649,809	941,072	18,716,778
2015	1,457,228	831,479	3,288,198	1,474,267	1,973,669	9,926,613	257,713	344,347	987,607	20,541,121
2016	1,464,481	860,162	3,618,446	1,366,155	1,857,896	9,040,534	243,763	528,592	1,038,037	20,018,066
2017	1,797,748	946,838	3,577,456	1,406,880	2,064,446	8,870,247	240,168	501,940	881,384	20,287,107

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	Contributions Not Restricted to Specific Programs	Total	
2008	\$ 531,653	2,615,005	\$ -	\$ -	\$ 10,528,167	\$ 2,378,949	\$ 219,960	\$ 99,377	\$ 810,056	\$ 17,183,167	
2009	350,139	2,703,065	-	-	10,963,199	2,240,138	111,028	113,186	778,513	17,259,268	
2010	360,648	2,735,584	-	-	12,026,611	1,674,067	95,638	216,040	1,324,139	18,432,727	
2011	320,826	2,544,210	-	-	12,984,605	1,794,343	55,765	-	1,111,883	18,811,632	
2012	214,077	3,154,006	-	-	12,825,584	2,023,959	393,052	126,033	1,165,550	19,902,261	
2013	505,433	2,415,946	-	-	13,677,537	1,859,906	99,176	183,079	1,205,922	19,946,999	
2014	515,975	2,567,072	-	-	13,732,367	1,890,242	99,787	407,643	1,230,853	20,443,939	
2015	428,516	2,820,609	-	-	14,107,366	2,343,504	103,938	203,600	1,215,189	21,222,722	
2016	391,148	3,052,274	-	-	14,303,096	2,382,127	105,421	107,161	1,187,823	21,529,050	
2017	411,078	3,104,050	-	-	14,644,982	2,472,290	109,596	255,409	1,186,316	22,183,721	

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
2008	\$ 1,491,029	\$ 616,057	\$ 2,774,444	\$ 1,896,680	\$ 1,768,359	\$ 12,712,079	\$ 216,668	\$ 316,946	\$ 2,001,275	\$ 23,793,537
2009	1,310,144	667,627	3,220,782	1,691,089	2,176,012	12,744,401	232,918	373,876	2,161,807	24,813,691
2010	1,291,007	630,324	3,087,176	1,381,551	2,159,469	12,588,815	217,699	259,109	2,217,281	23,832,431
2011	1,315,923	626,717	2,908,158	1,524,750	1,978,625	12,600,085	209,375	227,835	2,411,498	23,802,966
2012	1,296,408	673,283	2,963,489	1,543,555	1,600,524	12,731,443	239,684	237,812	2,031,465	23,317,663
2013	1,260,285	698,583	3,198,712	1,218,921	1,557,764	12,878,820	234,652	683,403	2,159,196	23,890,336
2014	1,318,092	715,522	3,532,583	1,168,461	1,782,561	12,793,640	237,207	686,809	2,266,421	24,501,296
2015	1,351,926	644,723	3,498,446	1,452,943	2,005,405	13,308,328	257,691	607,904	2,252,437	25,379,803
2016	1,704,376	696,202	3,672,460	1,350,772	1,922,103	13,361,378	239,761	570,747	10,842,992	34,360,791
2017	1,642,283	763,391	3,633,593	1,370,717	2,114,163	14,008,388	235,035	554,697	10,425,475	34,747,742

(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
2008	\$ 10,305,154	\$ 2,378,949	\$ 172,590	\$ 19,027	\$ 249,055	\$ 618,124	\$ 153,383	\$ 196,158	9,598,934	\$ 23,691,374
2009	10,935,020	2,240,138	113,813	45,827	140,626	484,057	170,397	170,221	8,859,153	23,159,252
2010	11,890,905	1,674,067	121,206	53,628	126,070	442,953	271,714	96,219	9,690,955	24,367,717
2011	12,902,699	1,780,100	99,613	44,837	131,821	282,980	198,821	119,976	8,344,413	23,905,260
2012	12,937,272	2,023,959	118,879	34,674	3,110,547	265,248	18,567	278,232	4,883,972	23,671,350
2013	12,686,449	1,859,906	112,107	23,582	119,051	571,153	180,316	83,673	8,583,695	24,219,932
2014	13,593,810	1,890,242	98,445	33,149	124,046	573,957	169,002	127,847	8,721,423	25,331,921
2015	14,062,184	2,343,504	120,618	29,228	130,841	465,909	252,232	102,112	8,747,929	26,254,557
2016	14,226,581	2,382,127	131,186	13,042	130,957	440,126	189,990	147,682	8,928,986	26,590,677
2017	14,657,260	2,472,290	110,733	23,339	136,876	479,223	466,307	130,076	10,011,574	28,487,678

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2,3)	Percent of Delinquent Taxes to Tax Levy
2008	\$ 11,001,273	\$ 10,412,579	94.65%	\$ 483,889	\$ 10,896,468	99.05%	\$ 661,817	6.02%
2009	11,658,122	10,985,625	94.23%	538,055	11,523,680	98.85%	559,733	4.80%
2010	12,553,471	12,124,238	96.58%	325,615	12,449,853	99.17%	470,157	3.75%
2011	13,477,221	12,813,099	95.07%	633,646	13,446,745	99.77%	337,788	2.51%
2012	13,639,196	12,440,376	91.21%	333,594	12,773,970	93.66%	754,416	5.53%
2013	13,191,416	12,276,557	93.06%	510,798	12,787,355	96.94%	975,833	7.40%
2014	14,276,904	13,137,860	92.02%	517,094	13,654,954	95.64%	885,410	6.20%
2015	14,628,063	13,646,589	93.29%	918,876	14,565,465	99.57%	1,023,362	7.00%
2016	14,684,785	13,771,342	93.78%	947,863	14,719,205	100.23%	1,279,733	8.71%
2016	15,456,814	14,137,344	91.46%	979,136	15,116,480	97.80%	1,011,338	6.54%

(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	Personal						Public		Total
	Real Estate (1)	Property and Mobile Homes	Machinery and Tools	Airplane	Watercraft	Service (2)			
2008	\$ 1,815,934,227	\$ 108,559,269	\$ 313,111	\$ -	\$ -	\$ 16,566,244	\$ 1,941,372,851		
2009	2,361,923,641	104,646,192	254,063	-	-	36,703,825	2,503,527,721		
2010	2,383,366,546	101,564,084	240,158	-	-	33,301,317	2,518,472,105		
2011	2,251,385,965	80,205,876	85,040	-	-	32,479,070	2,364,155,951		
2012	2,122,059,100	102,463,279	267,677	-	-	43,195,070	2,267,985,126		
2013	2,133,216,900	102,463,279	267,677	-	-	43,172,566	2,279,120,422		
2014	2,139,783,400	100,037,169	119,065	324,365	-	42,272,477	2,282,536,476		
2015	2,143,324,547	94,292,585	-	253,529	-	44,518,007	2,282,388,668		
2016	2,149,138,406	96,238,818	-	242,229	-	45,486,553	2,291,106,006		
2017	2,179,327,400	70,867,986	-	264,939	99,355,563	50,115,575	2,399,931,463		

(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
2008	0.52/0.35	\$ 3.50	\$ 0.52	\$ 1.75	\$ -	\$ -	\$ 0.52	\$ 3.50
2009	0.35	3.50	0.35	1.75	-	-	0.35	3.50
2010	0.35/0.43	3.50	0.35	1.75	-	-	0.35	3.50
2011	0.43	3.50	0.43	1.75	-	-	0.43	3.50
2012	0.46	3.50	0.46	1.75	-	-	0.46	3.50
2013	0.46/0.48	3.50	0.46	1.75	-	-	0.46	3.50
2014	0.48/0.53	3.50	0.48	1.75	3.50	-	0.48	3.50
2015	0.53	3.50	0.48	-	3.50	-	0.53	3.50
2016	0.53	3.50	0.53	-	3.50	-	0.53	3.50
2017	0.53	3.50	0.53	-	3.50	0.98	0.53	3.50

(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
2008	9,932	\$ 1,941,372,851	\$ 24,662,348	0.013	\$ 2,483
2009	9,932	2,503,527,721	24,609,209	0.010	2,478
2010	10,959	2,518,472,105	23,439,136	0.009	2,139
2011	10,959	2,364,155,951	21,936,641	0.009	2,002
2012	10,959	2,267,985,126	24,227,984	0.011	2,211
2013	10,959	2,279,120,422	22,881,952	0.010	2,088
2014	10,959	2,282,536,476	23,795,965	0.010	2,171
2015	10,959	2,282,388,668	22,601,703	0.010	2,062
2016	10,959	2,291,106,006	26,539,479	0.012	2,422
2017	10,959	2,290,286,750	24,982,168	0.011	2,280

(1) Bureau of Census

(2) From Table 6

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

*COMPLIANCE*

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

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  
Middlesex, 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, 2017, and the related notes to the financial statements, which collectively comprise the County of Middlesex, Virginia's basic financial statements, and have issued our report thereon dated November 17, 2017.

### 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Middlesex, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Middlesex, Virginia's internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Middlesex, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. F. Clark", followed by a long horizontal line.

Richmond, Virginia  
November 17, 2017

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## 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  
Middlesex, 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, 2017. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. 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, 2017.

## Report on Internal Control over Compliance

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

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

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

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

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

Richmond, Virginia  
November 17, 2017



County of Middlesex, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

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Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950116/0950117	\$ 13,669
Temporary Assistance for Needy Families	93.558	0400116/0400117	118,072
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/0500117	349
Low-Income Home Energy Assistance	93.568	0600416/0600417	11,518
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760116/0760117	19,626
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	188
Foster Care - Title IV-E	93.658	1100116/1100117	64,452
Adoption Assistance	93.659	1130116/1130117	91,772
Social Services Block Grant	93.667	1000116/1000117	101,629
Chafee Foster Care Independence Program	93.674	9150116/9150117	660
Children's Health Insurance Program	93.767	0540116/0540117	4,178
Medical Assistance Program	93.778	1200116/1200117	138,383
Total Department of Health and Human Services			<u>\$ 564,496</u>
Department of Homeland Security:			
Direct Payments:			
Staffing for Adequate Fire and Emergency Reponse	97.083	N/A	\$ 64,900
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52743	15,000
Homeland Security Grant Program	97.067	Unknown	3,594
Total Department of Homeland Security			<u>\$ 83,494</u>
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,433
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	Unknown	\$ 48,568
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	1,638
Total Department of Justice			<u>\$ 52,639</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Food Distribution (Child Nutrition Cluster)	10.555	Unknown	\$ 35,540
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	252,639
			<u>\$ 288,179</u>
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	105,610
			<u>\$ 393,789</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116	110,980
Total Department of Agriculture			<u>\$ 504,769</u>

County of Middlesex, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

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Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Treasury:			
Direct Payments:			
Sheriff Asset Forfeiture Funds	21.xxx	N/A	\$ 21,734
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 330,971
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	\$ 307,849
Special Education - Preschool Grants	84.173	17901- 62521	10,192
			318,041
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	24,663
Rural Education	84.358	17901- 43481	8,514
Supporting Effective Instruction State Grant	84.367	17901- 61480	60,454
English Language Acquisition State Grant	84.365	Unknown	782
			782
Total Department of Education			\$ 743,425
Total Expenditures of Federal Awards			\$ 1,970,557

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, 2017

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Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Middlesex, Virginia under programs of the federal government for the year ended June 30, 2017. 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)*, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

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

Note C - Food Donation

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

Note D - Subrecipients

No awards were passed through to subrecipients.

Note E - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 833,342
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Component Unit School Board:

School Operating Fund	\$ 743,425
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School Special Revenue Fund	393,790
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Total component unit school board	<u>\$ 1,137,215</u>
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Total expenditures of federal awards per basic financial statements	<u><u>\$ 1,970,557</u></u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,970,557</u></u>
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County of Middlesex, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes      ✓ no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes      ✓ none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes      ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes      ✓ no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes      ✓ none reported

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

unmodified

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

\_\_\_\_\_ yes      ✓ no

Identification of major programs:

CFDA Number(s)

10.553/10.555

84.010

Name of Federal Program or Cluster

Child Nutrition Cluster

Title I Grants to Local Educational Agencies

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

\$750,000

Auditee qualified as low-risk auditee?

✓ yes      \_\_\_\_\_ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Middlesex, Virginia  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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There were no prior year findings.

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