

COUNTY OF MIDDLESEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

COUNTY OF MIDDLESEX, VIRGINIA

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Judge of the General District Court
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Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Director of Department of Social Services
Clerk of the School Board
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FOR THE YEAR ENDED JUNE 30, 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex, Virginia, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position, and where applicable, cash flows for thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 21 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 23 to the financial statements, in 2019, the County restated beginning balances to correct beginning cash, to remove a note receivable that was forgiven and to correct classification of a long-term receivable to a contribution. Our opinion is not modified with respect to these matters.

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, 76, and 77-89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of County of Middlesex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Middlesex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Middlesex, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
November 22, 2019

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, 2019.

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 \$18,051,914 (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 \$2,357,648 (Exhibit 5) after making contributions totaling \$10,025,310 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,087,863, a decrease of \$2,357,648 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,222,096, or 29% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,060,094 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 \$18,051,914 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

<u>County of Middlesex, Virginia's Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 21,952,185	\$ 24,560,555
Capital assets	<u>25,561,017</u>	<u>25,696,133</u>
Total assets	<u>\$ 47,513,202</u>	<u>\$ 50,256,688</u>
Deferred outflows of resources	\$ <u>148,817</u>	\$ <u>141,090</u>
Current liabilities	\$ 406,020	\$ 589,517
Long-term liabilities outstanding	<u>22,078,807</u>	<u>24,138,901</u>
Total liabilities	<u>\$ 22,484,827</u>	<u>\$ 24,728,418</u>
Deferred inflows of resources	\$ <u>7,125,278</u>	\$ <u>6,932,316</u>
Net position:		
Net investment in capital assets	\$ 5,229,265	\$ 3,825,069
Unrestricted	<u>12,822,649</u>	<u>14,911,975</u>
Total net position	<u>\$ 18,051,914</u>	<u>\$ 18,737,044</u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$1,758 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	
	2019	2018
Charges for services	\$ 482,958	\$ 422,690
Operating grants and contributions	3,385,147	3,229,377
General property taxes	16,739,818	15,794,570
Other local taxes	2,823,035	2,589,685
Grants and other contributions not restricted	1,141,057	1,205,153
Other general revenues	312,761	304,793
Total revenues	\$ 24,884,776	\$ 23,546,268
General government administration	\$ 1,905,557	\$ 1,733,324
Judicial administration	1,018,531	975,887
Public safety	3,838,704	4,143,619
Public works	3,114,624	1,423,763
Health and welfare	2,419,854	2,278,175
Education	11,038,834	9,423,629
Parks, recreation, and cultural	250,640	207,669
Community development	613,121	576,281
Interest and other fiscal charges	683,153	622,266
Total expenses	\$ 24,883,018	\$ 21,384,613
Change in net position	\$ 1,758	\$ 2,161,655
Net position, beginning of year, as restated	18,050,156	16,575,389
Net position, end of year	\$ 18,051,914	\$ 18,737,044

See the notes to the financial statements for details of the restatement of beginning net position.

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 \$12,087,863, a decrease of \$2,357,648. Approximately 68% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources exceeded General Fund budgetary estimates in the amount of \$302,693. Expenditures and other financing uses were less than budgetary estimates by \$2,306,451, resulting in a positive variance of \$2,609,144.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2019 amounted to \$25,561,017 (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 \$21,570,521. Of this amount, \$1,815,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, leases and notes).

The County's debt decreased by \$2,113,170 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indices.

All these factors were considered in preparing the County's budget for the 2020 fiscal year.

The fiscal year 2020 budget increased by approximately 4 percent. The County's personal property rate increased from \$2.05 to \$2.10 per \$100 of assessed value.

Requests for Information

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

County of Middlesex, Virginia
Statement of Net Position
As of June 30, 2019

	Primary Government		
	Governmental Activities	Component Units	
		School Board	EDA
ASSETS			
Cash and cash equivalents	\$ 9,837,696	\$ 1,945,140	\$ 404,767
Receivables (net of allowance for uncollectibles):			
Taxes receivable	8,203,340	-	-
Accounts receivable	86,848	-	-
Note receivable	-	-	40,000
Due from other governmental units	1,030,254	337,503	-
Net pension asset	1,555,278	-	-
Restricted assets:			
Bond construction funds	1,238,769	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,437,256	248,545	11,155
Buildings and improvements	18,452,788	5,483,257	-
Intangibles	552,000	-	-
Equipment	4,101,550	944,104	-
Construction in progress	17,423	-	-
Total assets	<u>\$ 47,513,202</u>	<u>\$ 8,958,549</u>	<u>\$ 455,922</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 118,251	\$ 1,991,703	\$ -
OPEB related items	30,566	254,038	-
Total deferred outflows of resources	<u>\$ 148,817</u>	<u>\$ 2,245,741</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 81,619	\$ 142	\$ -
Accrued liabilities	28,719	1,562,580	-
Accrued interest payable	295,098	-	-
Due to other governmental units	-	331,318	35,000
Unearned revenue	584	-	-
Long-term liabilities:			
Due within one year	2,165,908	8,755	-
Due in more than one year	19,912,899	14,034,155	-
Total liabilities	<u>\$ 22,484,827</u>	<u>\$ 15,936,950</u>	<u>\$ 35,000</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 6,811,898	\$ -	\$ -
Pension related items	292,380	1,467,291	-
OPEB related items	21,000	86,000	-
Total deferred inflows of resources	<u>\$ 7,125,278</u>	<u>\$ 1,553,291</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 5,229,265	\$ 6,675,906	\$ 11,155
Unrestricted	12,822,649	(12,961,857)	409,767
Total net position	<u>\$ 18,051,914</u>	<u>\$ (6,285,951)</u>	<u>\$ 420,922</u>

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government	Component Units	
			Grants and Contributions	Capital Grants and Contributions		School Board	EDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,905,557	\$ 8,330	\$ 231,165	\$ -	\$ (1,666,062)		
Judicial administration	1,018,531	26,595	568,404	-	(423,532)		
Public safety	3,838,704	164,395	830,238	-	(2,844,071)		
Public works	3,114,624	-	6,207	-	(3,108,417)		
Health and welfare	2,419,854	-	1,670,114	-	(749,740)		
Education	11,038,834	-	-	-	(11,038,834)		
Parks, recreation, and cultural	250,640	26,937	4,500	-	(219,203)		
Community development	613,121	256,701	74,519	-	(281,901)		
Interest on long-term debt	683,153	-	-	-	(683,153)		
Total governmental activities	\$ 24,883,018	\$ 482,958	\$ 3,385,147	\$ -	\$ (21,014,913)		
Total primary government	\$ 24,883,018	\$ 482,958	\$ 3,385,147	\$ -			
COMPONENT UNITS:							
School Board	\$ 15,855,844	\$ 170,457	\$ 6,423,245	\$ -	\$ (9,262,142)	\$ (9,262,142)	\$ (14,990)
Economic Development Authority	62,469	47,479	-	-	-	-	(14,990)
Total component unit	\$ 15,918,313	\$ 217,936	\$ 6,423,245	\$ -	\$ (9,262,142)	\$ (9,262,142)	\$ (14,990)
General revenues:							
General property taxes					\$ 16,739,818	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					1,143,220	-	-
Motor vehicle licenses					282,339	-	-
Meals tax					401,497	-	-
Other local taxes					995,979	-	-
Unrestricted revenues from use of money and property					194,317	15,467	2,325
Miscellaneous					118,444	612,964	-
Contributions from Middlesex County					-	10,512,492	-
Grants and contributions not restricted to specific programs					1,141,057	-	-
Total general revenues					\$ 21,016,671	\$ 11,140,923	\$ 2,325
Change in net position					\$ 1,758	\$ 1,878,781	\$ (12,665)
Net position- beginning, as restated					18,050,156	(8,164,732)	433,587
Net position - ending					\$ 18,051,914	\$ (6,285,951)	\$ 420,922

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

County of Middlesex, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2019

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,215,007	\$ 1,622,689	\$ 9,837,696
Receivables (net of allowance for uncollectibles):			
Taxes receivable	8,203,340	-	8,203,340
Accounts receivable	86,848	-	86,848
Due from other governmental units	1,030,254	-	1,030,254
Restricted assets:			
Bond construction funds	-	1,238,769	1,238,769
Total assets	<u>\$ 17,535,449</u>	<u>\$ 2,861,458</u>	<u>\$ 20,396,907</u>
LIABILITIES			
Accounts payable	\$ 81,619	\$ -	\$ 81,619
Accrued liabilities	28,719	-	28,719
Unearned revenue	584	-	584
Total liabilities	<u>\$ 110,922</u>	<u>\$ -</u>	<u>\$ 110,922</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 8,198,122	\$ -	\$ 8,198,122
Total deferred inflows of resources	<u>\$ 8,198,122</u>	<u>\$ -</u>	<u>\$ 8,198,122</u>
FUND BALANCES:			
Restricted	\$ -	\$ 1,238,769	\$ 1,238,769
Committed	94,238	1,622,689	1,716,927
Assigned	910,071	-	910,071
Unassigned	8,222,096	-	8,222,096
Total fund balances	<u>\$ 9,226,405</u>	<u>\$ 2,861,458</u>	<u>\$ 12,087,863</u>

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

County of Middlesex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
As of June 30, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 12,087,863
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 43,320,547	
Accumulated depreciation	<u>(17,759,530)</u>	25,561,017
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$ 1,386,224	
Net pension asset	<u>1,555,278</u>	2,941,502
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 118,251	
OPEB related items	<u>30,566</u>	148,817
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	\$ (448,721)	
General obligation bonds	(1,815,000)	
Lease revenue bonds	(19,306,800)	
Compensated absences	(275,286)	
Net OPEB liability	(233,000)	
Accrued interest payable	<u>(295,098)</u>	(22,373,905)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (292,380)	
OPEB related items	<u>(21,000)</u>	(313,380)
Net position of governmental activities		<u><u>\$ 18,051,914</u></u>

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, 2019

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 16,644,483	\$ -	\$ 16,644,483
Other local taxes	2,823,035	-	2,823,035
Permits, privilege fees, and regulatory licenses	150,331	-	150,331
Fines and forfeitures	12,504	-	12,504
Revenue from the use of money and property	161,814	32,503	194,317
Charges for services	320,123	-	320,123
Miscellaneous	118,444	-	118,444
Recovered costs	193,114	-	193,114
Intergovernmental:			
Commonwealth	3,698,387	-	3,698,387
Federal	827,817	-	827,817
Total revenues	\$ 24,950,052	\$ 32,503	\$ 24,982,555
EXPENDITURES			
Current:			
General government administration	\$ 1,629,217	\$ -	\$ 1,629,217
Judicial administration	867,493	-	867,493
Public safety	4,039,782	-	4,039,782
Public works	2,053,212	-	2,053,212
Health and welfare	2,479,942	-	2,479,942
Education	10,034,165	-	10,034,165
Parks, recreation, and cultural	247,699	-	247,699
Community development	667,918	-	667,918
Capital projects	-	2,581,902	2,581,902
Debt service:			
Principal retirement	2,113,170	-	2,113,170
Interest and other fiscal charges	625,703	-	625,703
Total expenditures	\$ 24,758,301	\$ 2,581,902	\$ 27,340,203
Excess (deficiency) of revenues over (under) expenditures	\$ 191,751	\$ (2,549,399)	\$ (2,357,648)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 125,000	\$ 882,500	\$ 1,007,500
Transfers out	(882,500)	(125,000)	(1,007,500)
Total other financing sources (uses)	\$ (757,500)	\$ 757,500	\$ -
Net change in fund balances	\$ (565,749)	\$ (1,791,899)	\$ (2,357,648)
Fund balances - beginning, as restated	9,792,154	4,653,357	14,445,511
Fund balances - ending	\$ 9,226,405	\$ 2,861,458	\$ 12,087,863

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, 2019

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

Net change in fund balances - total governmental funds \$ (2,357,648)

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	\$ 2,016,134	
Depreciation expense	(1,643,818)	
Activity related to joint tenancy assets of Component Unit and Primary Government	(487,182)	(114,866)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (20,250)

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	95,335
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on capital leases	\$ 203,470	
Principal retired on general obligation bonds	155,000	
Principal retired on lease revenue bonds	1,754,700	2,113,170

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	\$ (47,076)	
Pension expense	384,795	
OPEB expense	13,396	
Decrease (increase) in accrued interest payable	(65,098)	286,017

Change in net position of governmental activities	\$ 1,758
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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
As of June 30, 2019

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 58,502
	<u>58,502</u>
LIABILITIES	
Amounts held for others	\$ 56,556
Amounts held for social services clients	1,946
Total liabilities	<u>\$ 58,502</u>

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

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2019.

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, 2019.

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, 2019. 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 (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner 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 financial statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real 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.

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

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

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.

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

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

- 2. Fiduciary Funds - (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.

Note 1—Summary of Significant Accounting Policies: (Continued)**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for 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 \$240,882 at June 30, 2019 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.

*Note 1—Summary of Significant Accounting Policies: (Continued)***H. Capital Assets (Continued)**

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. No liability is recorded for 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 Balance

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

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts 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;

Note 1—Summary of Significant Accounting Policies: (Continued)**K. Fund Balance (Continued)**

- 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.

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

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

	General Fund	County Capital Projects	Total
Fund Balances:			
Restricted:			
Bond construction funds	\$ -	\$ 1,238,769	\$ 1,238,769
Total Restricted	\$ -	\$ 1,238,769	\$ 1,238,769
Committed:			
Capital Projects	\$ -	\$ 1,622,689	\$ 1,622,689
Proffers	41,371	-	41,371
Forfeited Assets - Commonwealth's Attorney	3,305	-	3,305
Airport	49,562	-	49,562
Total Committed	\$ 94,238	\$ 1,622,689	\$ 1,716,927
Assigned:			
Dredge funding	\$ 750,000	\$ -	\$ 750,000
Unsafe structure removal	40,000	-	40,000
Election equipment	30,071	-	30,071
Reassessment	90,000	-	90,000
Total Assigned Fund Balance	\$ 910,071	\$ -	\$ 910,071
Unassigned	\$ 8,222,096	\$ -	\$ 8,222,096
Total Fund Balances	\$ 9,226,405	\$ 2,861,458	\$ 12,087,863

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

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.

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 (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's and School Board's Retirement Plan and the additions to/deductions from the County's and School Board's Retirement Plan's 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. Other Postemployment Benefits (OPEB)

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

P. 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.

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

Q. Deferred Outflows/Inflows of Resources

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
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, 2019.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2019

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, 2019 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The County’s investment policy has an emphasis on safety and liquidity of investments. The County’s policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 17,405
U.S Government Obligations	1,299,868
Total	\$ 1,317,273

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
<u>Investment Type</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 17,405	\$ 17,405
U.S. Government Obligations	<u>1,299,868</u>	<u>1,299,868</u>
Total	<u>\$ 1,317,273</u>	<u>\$ 1,317,273</u>

External Investment Pools

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 4—Due to/from Other Governments:

At June 30, 2019, 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	\$ 331,318	\$ -	\$ -
Economic Development Authority of Middlesex County, Virginia	35,000	-	-
Commonwealth of Virginia:			
Local sales tax	229,248	-	-
Rental tax	458	-	-
State Sales Tax	-	160,145	-
Victim/witness grant	4,340	-	-
Constitutional officer reimbursements	104,141	-	-
Recordation tax	9,040	-	-
Mobile home titling tax	4,621	-	-
Communications tax	59,438	-	-
Children's services act	133,593	-	-
Wireless funds	7,270	-	-
Welfare	39,059	-	-
Rolling stock tax	24	-	-
Federal Government:			
School fund grants	-	177,358	-
Victim/witness	14,148	-	-
Welfare	58,556	-	-
Total due from other governments	<u>\$ 1,030,254</u>	<u>\$ 337,503</u>	<u>\$ -</u>

At June 30, 2019, amounts due to other governmental units are as follows:

Other Local Governments:			
County of Middlesex, Virginia	<u>\$ -</u>	<u>\$ 331,318</u>	<u>\$ 35,000</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,306,156	\$ 131,100	\$ -	\$ 2,437,256
Construction in progress	-	17,423	-	17,423
Total capital assets not subject to depreciation	\$ 2,306,156	\$ 148,523	\$ -	\$ 2,454,679
Capital assets subject to depreciation:				
Buildings and improvements	\$ 12,879,907	\$ 558,900	\$ -	\$ 13,438,807
Equipment	6,067,180	618,711	33,750	6,652,141
Infrastructure	16,170	-	-	16,170
Intangibles	-	690,000	-	690,000
Jointly owned assets	20,888,605	-	819,855	20,068,750
Total capital assets subject to depreciation	\$ 39,851,862	\$ 1,867,611	\$ 853,605	\$ 40,865,868
Accumulated depreciation:				
Buildings and improvements	\$ 6,038,339	\$ 355,619	\$ -	\$ 6,393,958
Equipment	1,931,379	632,712	13,500	2,550,591
Infrastructure	16,170	-	-	16,170
Intangibles	-	138,000	-	138,000
Jointly owned assets	8,475,997	517,487	332,673	8,660,811
Total accumulated depreciation	\$ 16,461,885	\$ 1,643,818	\$ 346,173	\$ 17,759,530
Total capital assets subject to depreciation, net	\$ 23,389,977	\$ 223,793	\$ 507,432	\$ 23,106,338
Governmental activities capital assets, net	\$ 25,696,133	\$ 372,316	\$ 507,432	\$ 25,561,017

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<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	\$ 816,262	\$ 593,070	\$ -	\$ 1,409,332
Equipment	2,763,975	428,379	-	3,192,354
Jointly owned assets	7,597,794	-	(819,855)	8,417,649
Total capital assets subject to depreciation	\$ 11,178,031	\$ 1,021,449	\$ (819,855)	\$ 13,019,335
Accumulated depreciation:				
Buildings and improvements	\$ 659,886	\$ 51,143	\$ -	\$ 711,029
Equipment	2,015,314	232,936	-	2,248,250
Jointly owned assets	3,082,967	217,055	(332,673)	3,632,695
Total accumulated depreciation	\$ 5,758,167	\$ 501,134	\$ (332,673)	\$ 6,591,974
Total capital assets subject to depreciation, net	\$ 5,419,864	\$ 520,315	\$ (487,182)	\$ 6,427,361
Component unit school board capital assets, net	\$ 5,668,409	\$ 520,315	\$ (487,182)	\$ 6,675,906
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<i>Component Unit-Economic Development Authority:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 11,155	\$ -	\$ -	\$ 11,155
Component unit economic development authority capital assets, net	\$ 11,155	\$ -	\$ -	\$ 11,155

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2019

Note 5—Capital Assets: (Continued)

Governmental activities:	
General government administration	\$ 246,269
Judicial administration	204,489
Public safety	635,245
Public works	33,693
Education	517,487
Parks, recreation and cultural	<u>6,635</u>
 Total Governmental activities	 \$ <u>1,643,818</u>
 Component Unit School Board	 \$ <u>501,134</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Middlesex, Virginia for the year ended June 30, 2019, is that school financed assets in the amount of \$11,407,939 are reported in the Primary Government for financial reporting purposes.

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 125,000	\$ 882,500
County Capital Projects Fund	<u>882,500</u>	<u>125,000</u>
 Total	 \$ <u>1,007,500</u>	 \$ <u>1,007,500</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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2019:

Primary Government:

	Balance at July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences					
(payloadable by General Fund)	\$ 228,210	\$ 69,897	\$ 22,821	\$ 275,286	\$ 27,529
Net OPEB liabilities	227,000	42,000	36,000	233,000	-
Capital leases	652,191	-	203,470	448,721	175,679
Direct borrowings and placements:					
Lease revenue bonds	10,618,892	-	905,032	9,713,860	924,202
Total incurred by County	<u>\$ 11,726,293</u>	<u>\$ 111,897</u>	<u>\$ 1,167,323</u>	<u>\$ 10,670,867</u>	<u>\$ 1,127,410</u>
Incurred by School Board:					
Direct borrowings and placements:					
General obligation bonds	\$ 1,970,000	\$ -	\$ 155,000	\$ 1,815,000	\$ 165,000
Lease revenue bonds	10,442,608	-	849,668	9,592,940	873,498
Total incurred by School Board	<u>\$ 12,412,608</u>	<u>\$ -</u>	<u>\$ 1,004,668</u>	<u>\$ 11,407,940</u>	<u>\$ 1,038,498</u>
Total Governmental Activities Obligations	<u><u>\$ 24,138,901</u></u>	<u><u>\$ 111,897</u></u>	<u><u>\$ 2,171,991</u></u>	<u><u>\$ 22,078,807</u></u>	<u><u>\$ 2,165,908</u></u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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			
	Direct borrowings and placements			
	Lease Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2020	\$ 924,202	\$ 225,749	\$ 175,679	\$ 13,538
2021	948,608	204,687	134,802	6,963
2022	970,836	183,172	138,240	3,525
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	449,351	5,933	-	-
Total	<u>\$ 9,713,860</u>	<u>\$ 1,402,996</u>	<u>\$ 448,721</u>	<u>\$ 24,026</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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			
	Direct borrowings and placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
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	-	-	349,649	11,365
Total	<u>\$ 1,815,000</u>	<u>\$ 386,597</u>	<u>\$ 9,592,940</u>	<u>\$ 1,647,688</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurred by the County:						
Compensated absences (payable from the General Fund)					\$ 275,286	\$ 27,529
Net OPEB liabilities (payable from the General Fund)					\$ 233,000	\$ -
Direct borrowings and placements:						
<u>Lease Revenue Bonds:</u>						
Public Facility Lease Revenue Bond	2.125% - 5.125%	4/30/2012	10/1/2026	630,000	\$ 390,000	\$ 40,000
Public Facility Lease Revenue Refunding Bond	2.64%	5/1/2017	8/1/2032	5,987,585	5,331,860	320,202
Public Facility Lease Revenue Refunding Bond	2.35%	7/8/2015	12/30/2026	638,000	413,000	79,000
Public Facility Lease Revenue Bond	1.74%	3/29/2016	2/1/2026	5,000,000	3,579,000	485,000
Total Lease Revenue Bonds					\$ 9,713,860	\$ 924,202
Other long-term debt:						
<u>Capital Leases:</u>						
Capital Lease, two Chevy Caprice. Finance company has titles	5.87%	1/5/2018	1/5/2020	65,461	\$ 21,784	\$ 21,784
Capital Lease, two Chevy Caprice. Finance company has titles	5.56%	1/5/2018	1/5/2020	43,708	22,445	22,445
Capital Lease, Communication System. No collateral	2.55%	1/8/2018	1/8/2022	532,674	404,492	131,450
Total Capital Leases					\$ 448,721	\$ 175,679
Total long-term obligations incurred by the County					\$ 10,670,867	\$ 1,127,410
Incurred by the School Board:						
Direct borrowings and placements:						
<u>General Obligation Bond:</u>						
VPSPA Bond Outstanding	2.55% - 5.05%	5/10/2012	7/15/2027	2,555,000	\$ 1,815,000	\$ 165,000
<u>Revenue Bonds:</u>						
Public Facility Lease Revenue Refunding Bond	1.52%	7/8/2015	12/30/2026	1,515,000	476,000	476,000
Public Facility Lease Revenue Refunding Bond	2.64%	5/1/2017	8/1/2032	1,847,451	1,645,140	98,798
Public Facility Lease Revenue Refunding Bond	2.35%	7/8/2015	12/30/2026	6,627,000	5,629,000	230,000
Equipment Lease/Purchase Revenue Bond	4.52%	10/28/2013	10/15/2032	2,092,700	1,842,800	68,700
Total Direct Borrowings and Placements					\$ 11,407,940	\$ 1,038,498
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 11,407,940	\$ 1,038,498
Total outstanding debt - governmental activities					\$ 22,078,807	\$ 2,165,908

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

The following is a summary of long-term obligation transactions for the year ended June 30, 2019:

	Restated Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 63,304	\$ 30,580	\$ 6,330	\$ 87,554	\$ 8,755
Net pension liability	11,890,604	2,971,162	3,096,397	11,765,369	-
Net OPEB liabilities	2,103,123	326,114	239,250	2,189,987	-
Total Component Unit-School Board	<u>\$ 14,057,031</u>	<u>\$ 3,327,856</u>	<u>\$ 3,341,977</u>	<u>\$ 14,042,910</u>	<u>\$ 8,755</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	\$ 844,389
Less: accumulated depreciation	(209,888)
Total	<u>\$ 634,501</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019 were as follows:

Year Ended June 30	Primary Government Incurred by County
2020	\$ 189,217
2021	141,765
2022	141,765
Total minimum lease payments	\$ 472,747
Less: amount representing interest	(24,026)
Present value of minimum lease payments	\$ 448,721

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 \$8,198,122 (including 2nd half tax billings of \$6,545,336 not due until December 5) at June 30, 2019.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2019 but paid in advance by the taxpayers totaled \$266,562 at June 30, 2019.

Deferred Revenue - Deferred revenue representing prepaid taxes due subsequent to June 30, 2019 totaling \$266,562 and \$6,545,336 of 2nd half tax billing levied in current year but due in FY2019 totaled \$6,811,898.

Unearned Revenue - Other unearned revenue items totaled \$584 at June 30, 2019, which consisted of forfeited assets grant funds.

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Note 10—Commitments and Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2019, 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:

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.

Note 13—Pension Plans:

Plan Description

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

Benefit Structures

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

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 13—Pension Plans:**Average Final Compensation and Service Retirement Multiplier**

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 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	51	36
Inactive members:		
Vested inactive members	14	8
Non-vested inactive members	19	8
Inactive members active elsewhere in VRS	50	11
Total inactive members	83	27
Active members	65	25
Total covered employees	199	88

Note 13—Pension Plans: (Continued)

Contributions

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

The County’s contractually required employer contribution rate for the year ended June 30, 2019 was 4.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$118,251 and \$125,920 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 12.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$58,835 and \$59,997 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer’s total pension liability/asset determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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.

Note 13—Pension Plans: (Continued)**Actuarial Assumptions - General Employees (Continued)**

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 13—Pension Plans: (Continued)**Actuarial Assumptions - General Employees (Continued)**

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 13—Pension Plans: (Continued)**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)**

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 13—Pension Plans: (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 13—Pension Plans: (Continued)

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, 2017	\$ 10,138,642	\$ 11,304,223	\$ (1,165,581)
Changes for the year:			
Service cost	\$ 319,227	\$ -	\$ 319,227
Interest	693,866	-	693,866
Differences between expected and actual experience	(263,707)	-	(263,707)
Contributions - employer	-	125,630	(125,630)
Contributions - employee	-	184,677	(184,677)
Net investment income	-	836,732	(836,732)
Benefit payments, including refunds			
Refund of employee contributions	(452,539)	(452,539)	-
Administrative expenses	-	(7,212)	7,212
Other changes	-	(744)	744
Net changes	\$ 296,847	\$ 686,544	\$ (389,697)
Balances at June 30, 2018	\$ 10,435,489	\$ 11,990,767	\$ (1,555,278)

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 13—Pension Plans: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 3,003,317	\$ 2,532,713	\$ 470,604
Changes for the year:			
Service cost	\$ 45,026	\$ -	\$ 45,026
Interest	203,159	-	203,159
Differences between expected and actual experience	(26,426)	-	(26,426)
Contributions - employer	-	59,997	(59,997)
Contributions - employee	-	21,595	(21,595)
Net investment income	-	184,219	(184,219)
Benefit payments, including refunds			
Refund of employee contributions	(202,104)	(202,104)	-
Administrative expenses	-	(1,656)	1,656
Other changes	-	(161)	161
Net changes	\$ 19,655	\$ 61,890	\$ (42,235)
Balances at June 30, 2018	\$ 3,022,972	\$ 2,594,603	\$ 428,369

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Note 13—Pension Plans: (Continued)**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 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's			
Net Pension Liability (Asset)	\$ (277,140)	\$ (1,555,278)	\$ (2,624,385)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ 737,846	\$ 428,369	\$ 164,220

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$266,834) and (\$21,719), respectively. At June 30, 2019, 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	\$ -	\$ 188,616	\$ -	\$ 9,154
Change of assumptions	-	2,671	-	-
Net difference between projected and actual earnings on pension plan investments	-	101,093	-	20,137
Employer contributions subsequent to the measurement date	118,251	-	58,835	-
Total	\$ 118,251	\$ 292,380	\$ 58,835	\$ 29,291

Note 13—Pension Plans: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$118,251 and \$58,835 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. 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>
2020	\$ (88,833)	\$ 531
2021	(76,547)	(1,407)
2022	(116,863)	(26,172)
2023	(10,137)	(2,243)
2024	-	-
Thereafter	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)***Plan Description***

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,408,868 and \$1,246,070 for the years ended June 30, 2019 and June 30, 2018, respectively.

Note 13—Pension Plans: (Continued)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the school division reported a liability of \$11,337,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.09640% as compared to 0.09286% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$653,000. 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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 970,000
Change of assumptions	135,000	-
Net difference between projected and actual earnings on pension plan investments	-	240,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	389,000	228,000
Employer contributions subsequent to the measurement date	1,408,868	-
Total	\$ 1,932,868	\$ 1,438,000

Note 13—Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$1,408,868 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. 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>	
2020	\$ (155,000)
2021	(230,000)
2022	(455,000)
2023	(78,000)
2024	4,000

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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, 2019

Note 13—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

Note 13—Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)****Net Pension Liability (Continued)**

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

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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 (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 17,317,000	\$ 11,337,000	\$ 6,387,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019

Note 13—Pension Plans: (Continued)

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 118,251	\$ 292,380	\$ (1,555,278)	\$ (266,834)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	58,835	29,291	428,369	(21,719)
School Board Professional	-	-	-	-	1,932,868	1,438,000	11,337,000	653,000
Totals	<u>\$ 118,251</u>	<u>\$ 292,380</u>	<u>\$ (1,555,278)</u>	<u>\$ (266,834)</u>	<u>\$ 1,991,703</u>	<u>\$ 1,467,291</u>	<u>\$ 11,765,369</u>	<u>\$ 631,281</u>

Note 14—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Benefit Amounts***

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$16,566 and \$15,170 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board professional group were \$46,649 and \$40,590 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$2,546 and \$2,379 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the County reported a liability of \$233,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$623,000 and \$37,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 0.01534% as compared to 0.01505% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was 0.04105% and 0.00241%, respectively as compared to 0.03988% and 0.00243% respectively at June 30, 2017.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2019

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

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

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$3,000. For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of \$7,000. For the year ended June 30, 2019, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,000	\$ 3,000	\$ 30,000	\$ 11,000	\$ 2,000	\$ -
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,000	-	20,000	-	1,000
Change in assumptions	-	10,000	-	26,000	-	2,000
Changes in proportion	3,000	-	17,000	-	-	-
Employer contributions subsequent to the measurement date	16,566	-	46,649	-	2,546	-
Total	\$ 30,566	\$ 21,000	\$ 93,649	\$ 57,000	\$ 4,546	\$ 3,000

\$16,566, \$46,649 and \$2,546, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
Year Ended June 30			
2020	\$ (2,000)	\$ (6,000)	\$ (1,000)
2021	(2,000)	(6,000)	-
2022	(2,000)	(6,000)	-
2023	(1,000)	-	-
2024	-	5,000	-
Thereafter	-	3,000	-

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates - Teachers**Pre-Retirement:**

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

Post-Retirement:

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

Post-Disablement:

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Teachers (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$ 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return (Continued)**

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (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's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 304,000	\$ 233,000	\$ 175,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 814,000	\$ 623,000	\$ 468,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 48,000	\$ 37,000	\$ 28,000

Note 14—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

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

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

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$107,651 and \$96,014 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,225,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.09652% as compared to 0.09321% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$104,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	11,000
Change in proportion	37,000	9,000
Employer contributions subsequent to the measurement date	107,651	-
Total	\$ 144,651	\$ 26,000

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB: (Continued)**

\$107,651 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2020	\$	1,000
2021		1,000
2022		1,000
2023		1,000
2024		2,000
Thereafter		5,000

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates - Teachers**Pre-Retirement:**

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

Pre-Retirement:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2019

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,269,674

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
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Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Net Teacher Employee HIC OPEB Liability (Continued)**

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Discount Rate (Continued)**

July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (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%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,369,000	\$ 1,225,000	\$ 1,103,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

In addition to the pension and OPEB benefits described in Notes 13-15 and OPEB benefits described in Notes 14-15, the School Board administers a single-employer defined benefit healthcare plan, The Middlesex County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

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

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

Plan Membership

At June 30, 2019 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	150
Total active employees without coverage	-
Total retirees with coverage	5
Total retirees without coverage	-
Total	<u>155</u>

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2019 was \$12,250.

Total OPEB Liability

The School Board's total OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The measurement date is the Schools' fiscal year end, June 30, 2019. Plan assets (Fiduciary Net Position) are measured as of this date. The Total OPEB Liability (TOL) as of this date is based on an actuarial valuation as of January 1, 2019, with adjustments made for the six months difference.

Inflation	2.50% per year
Salary Increases	3.00% per year
Discount Rate	3.62% for accounting and funding disclosures as of June 30, 2017 3.62% for accounting and funding disclosures as of June 30, 2018 3.13% for accounting and funding disclosures as of June 30, 2019
Investment Rate of Return	N/A
Mortality rates	Not available

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

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

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a 20 year municipal bond Aa index as of June 30, 2019.

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$	284,123
Changes for the year:		
Service cost		10,460
Interest		10,444
Changes in assumptions		12,210
Benefit payments		(12,250)
Net changes	\$	20,864
Balances at June 30, 2018	\$	304,987

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	Rate		
	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
\$	327,075	\$ 304,987	\$ 280,588

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2019

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

School Board: (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50% decreasing to an ultimate rate of 3.50%) or one percentage point higher (7.50% decreasing to an ultimate rate of 5.50%) than the current healthcare cost trend rates:

Rates		
1% Decrease (5.50% decreasing to 3.50%)	Healthcare Cost Trend (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
\$ 274,769	\$ 304,987	\$ 335,440

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

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$21,922. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 11,192	\$ -
Total	\$ 11,192	\$ -

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

Note 17—Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 14):								
County	\$ 30,566	\$ 21,000	\$ 233,000	\$ 3,000	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	4,546	3,000	37,000	-
School Board Professional	-	-	-	-	93,649	57,000	623,000	7,000
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	144,651	26,000	1,225,000	104,000
School Stand-Alone Plan (Note 16)	-	-	-	-	11,192	-	304,987	21,922
Totals	\$ 30,566	\$ 21,000	\$ 233,000	\$ 3,000	\$ 254,038	\$ 86,000	\$ 2,189,987	\$ 132,922

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2019

Note 18—Fair Value Measurements:

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

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

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

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

The County has the following recurring fair value measurements as of June 30, 2019:

Investment type	Balance June 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Government Obligations	\$ 1,299,868	\$ 1,299,868	\$ -	\$ -
	<u>\$ 1,299,868</u>	<u>\$ 1,299,868</u>	<u>\$ -</u>	<u>\$ -</u>

Note 19—Surety Bonds:

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

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$39,014.

Note 21 - Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 22—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 22—Upcoming Pronouncements: (Continued)

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 23—Restatement of Beginning Balances:

Beginning net position was restated as follows:

	Governmental Funds	Economic Development Authority
Net position, July 1, 2018, as previously stated	\$ 18,737,044	\$ 385,599
Forgiveness of note payable	(47,988)	47,988
Reclassification of long term receivable from Water Authority to prior year contribution	(700,000)	-
Additional cash received on debt issuance	61,100	-
Net position, July 1, 2018, as restated	<u>\$ 18,050,156</u>	<u>\$ 433,587</u>

Beginning fund balance was restated as follows:

	General Fund	Capital Projects Fund	Total
Fund balance, July 1, 2018, as previously stated	\$ 9,840,142	\$ 4,592,257	\$ 14,432,399
Additional cash received on debt issuance	-	61,100	61,100
Forgiveness of note receivable	(47,988)	-	(47,988)
Fund balance, July 1, 2018, as restated	<u>\$ 9,792,154</u>	<u>\$ 4,653,357</u>	<u>\$ 14,445,511</u>

County of Middlesex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 16,673,381	\$ 16,673,381	\$ 16,644,483	\$ (28,898)
Other local taxes	2,858,307	2,858,307	2,823,035	(35,272)
Permits, privilege fees, and regulatory licenses	130,000	130,000	150,331	20,331
Fines and forfeitures	30,000	30,000	12,504	(17,496)
Revenue from the use of money and property	75,000	75,000	161,814	86,814
Charges for services	293,250	378,285	320,123	(58,162)
Miscellaneous	106,250	129,032	118,444	(10,588)
Recovered costs	192,400	222,414	193,114	(29,300)
Intergovernmental:				
Commonwealth	3,360,145	3,461,849	3,698,387	236,538
Federal	782,910	814,091	827,817	13,726
Total revenues	\$ 24,501,643	\$ 24,772,359	\$ 24,950,052	\$ 177,693
EXPENDITURES				
Current:				
General government administration	\$ 1,923,084	\$ 1,811,920	\$ 1,629,217	\$ 182,703
Judicial administration	800,900	908,021	867,493	40,528
Public safety	3,998,048	4,248,383	4,039,782	208,601
Public works	2,170,468	2,240,194	2,053,212	186,982
Health and welfare	2,289,766	2,395,611	2,479,942	(84,331)
Education	10,414,888	10,425,787	10,034,165	391,622
Parks, recreation, and cultural	243,686	256,070	247,699	8,371
Community development	603,851	683,174	667,918	15,256
Debt service:				
Principal retirement	2,750,952	2,764,245	2,113,170	651,075
Interest and other fiscal charges	-	-	625,703	(625,703)
Total expenditures	\$ 25,195,643	\$ 25,733,405	\$ 24,758,301	\$ 975,104
Excess (deficiency) of revenues over (under) expenditures	\$ (694,000)	\$ (961,046)	\$ 191,751	\$ 1,152,797
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 125,000	\$ 125,000
Transfers out	(882,500)	(2,213,847)	(882,500)	1,331,347
Total other financing sources (uses)	\$ (882,500)	\$ (2,213,847)	\$ (757,500)	\$ 1,456,347
Net change in fund balances	\$ (1,576,500)	\$ (3,174,893)	\$ (565,749)	\$ 2,609,144
Fund balances - beginning, as restated	1,576,500	3,174,893	9,792,154	6,617,261
Fund balances - ending	\$ -	\$ -	\$ 9,226,405	\$ 9,226,405

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 319,227	\$ 323,719	\$ 313,001	\$ 308,501	\$ 313,075
Interest	693,866	663,628	641,382	622,514	586,951
Changes of assumptions	-	(10,415)	-	-	-
Differences between expected and actual experience	(263,707)	(92,300)	(206,116)	(263,473)	-
Benefit payments, including refunds of employee contributions	(452,539)	(452,774)	(408,167)	(387,841)	(396,113)
Net change in total pension liability	\$ 296,847	\$ 431,858	\$ 340,100	\$ 279,701	\$ 503,913
Total pension liability - beginning	10,138,642	9,706,784	9,366,684	9,086,983	8,583,070
Total pension liability - ending (a)	\$ 10,435,489	\$ 10,138,642	\$ 9,706,784	\$ 9,366,684	\$ 9,086,983
Plan fiduciary net position					
Contributions - employer	\$ 125,630	\$ 121,680	\$ 212,076	\$ 207,393	\$ 212,738
Contributions - employee	184,677	134,500	131,401	133,042	132,588
Net investment income	836,732	1,244,950	176,194	448,360	1,337,763
Benefit payments, including refunds of employee contributions	(452,539)	(452,774)	(408,167)	(387,841)	(396,113)
Administrative expense	(7,212)	(7,244)	(6,298)	(6,102)	(7,194)
Other	(744)	(1,105)	(75)	(96)	71
Net change in plan fiduciary net position	\$ 686,544	\$ 1,040,007	\$ 105,131	\$ 394,756	\$ 1,279,853
Plan fiduciary net position - beginning	11,304,223	10,264,216	10,159,085	9,764,329	8,484,476
Plan fiduciary net position - ending (b)	\$ 11,990,767	\$ 11,304,223	\$ 10,264,216	\$ 10,159,085	\$ 9,764,329
County's net pension liability (asset) - ending (a) - (b)	\$ (1,555,278)	\$ (1,165,581)	\$ (557,432)	\$ (792,401)	\$ (677,346)
Plan fiduciary net position as a percentage of the total pension liability	114.90%	111.50%	105.74%	108.46%	107.45%
Covered payroll	\$ 2,917,276	\$ 2,776,413	\$ 2,690,989	\$ 2,594,531	\$ 2,548,301
County's net pension liability (asset) as a percentage of covered payroll	-53.31%	-41.98%	-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.

Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 45,026	\$ 42,574	\$ 43,323	\$ 49,097	\$ 43,610
Interest	203,159	205,984	197,952	189,776	184,049
Changes of assumptions	-	(20,804)	-	-	-
Differences between expected and actual experience	(26,426)	(82,281)	45,772	40,934	-
Benefit payments, including refunds of employee contributions	(202,104)	(169,576)	(175,034)	(150,966)	(140,720)
Net change in total pension liability	\$ 19,655	\$ (24,103)	\$ 112,013	\$ 128,841	\$ 86,939
Total pension liability - beginning	3,003,317	3,027,420	2,915,407	2,786,566	2,699,627
Total pension liability - ending (a)	<u>\$ 3,022,972</u>	<u>\$ 3,003,317</u>	<u>\$ 3,027,420</u>	<u>\$ 2,915,407</u>	<u>\$ 2,786,566</u>
Plan fiduciary net position					
Contributions - employer	\$ 59,997	\$ 58,868	\$ 65,602	\$ 63,953	\$ 41,513
Contributions - employee	21,595	21,208	33,066	20,699	22,563
Net investment income	184,219	280,512	40,128	106,195	324,512
Benefit payments, including refunds of employee contributions	(202,104)	(169,576)	(175,034)	(150,966)	(140,720)
Administrative expense	(1,656)	(1,673)	(1,503)	(1,498)	(1,798)
Other	(161)	(248)	(17)	(20)	17
Net change in plan fiduciary net position	\$ 61,890	\$ 189,091	\$ (37,758)	\$ 38,363	\$ 246,087
Plan fiduciary net position - beginning	2,532,713	2,343,622	2,381,380	2,343,017	2,096,930
Plan fiduciary net position - ending (b)	<u>\$ 2,594,603</u>	<u>\$ 2,532,713</u>	<u>\$ 2,343,622</u>	<u>\$ 2,381,380</u>	<u>\$ 2,343,017</u>
School Division's net pension liability - ending (a) - (b)	\$ 428,369	\$ 470,604	\$ 683,798	\$ 534,027	\$ 443,549
Plan fiduciary net position as a percentage of the total pension liability	85.83%	84.33%	77.41%	81.68%	84.08%
Covered payroll	\$ 457,583	\$ 447,922	\$ 455,317	\$ 466,832	\$ 448,656
School Division's net pension liability as a percentage of covered payroll	93.62%	105.06%	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.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan-Component Unit School Board
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09640%	0.09286%	0.09425%	0.09504%	0.09589%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,337,000	\$ 11,420,000	\$ 13,208,000	\$ 11,962,000	\$ 11,588,000
Employer's Covered Payroll	7,805,956	7,356,335	7,186,194	7,066,046	7,012,136
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	145.24%	155.24%	183.80%	169.29%	165.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	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.

Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 118,251	\$ 118,251	\$ -	\$ 3,185,785	3.71%
2018	125,920	125,920	-	2,917,276	4.32%
2017	121,680	121,680	-	2,776,413	4.38%
2016	217,163	217,163	-	2,690,989	8.07%
2015	207,393	207,393	-	2,594,531	7.99%
2014	213,548	213,548	-	2,548,301	8.38%
2013	202,566	202,566	-	2,417,259	8.38%
2012	138,873	138,873	-	2,239,888	6.20%
2011	145,014	145,014	-	2,338,941	6.20%
2010	116,703	116,703	-	2,431,312	4.80%
Component Unit School Board (nonprofessional)					
2019	\$ 58,835	\$ 58,835	\$ -	\$ 489,637	12.02%
2018	59,997	59,997	-	457,583	13.11%
2017	58,868	58,868	-	447,922	13.14%
2016	66,658	66,658	-	455,317	14.64%
2015	63,953	63,953	-	466,832	13.70%
2014	58,280	41,276	17,004	448,656	9.20%
2013	53,988	38,236	15,752	415,614	9.20%
2012	37,884	37,884	-	411,782	9.20%
2011	65,779	65,779	-	714,990	9.20%
2010	87,049	87,049	-	738,332	11.79%
Component Unit School Board (professional)					
2019	\$ 1,408,868	\$ 1,408,868	\$ -	\$ 8,970,888	15.70%
2018	1,246,070	1,246,070	-	7,805,956	15.96%
2017	1,056,000	1,056,000	-	7,356,335	14.35%
2016	1,125,585	1,125,585	-	7,186,194	15.66%
2015	1,024,577	1,024,577	-	7,066,046	14.50%
2014	817,357	817,357	-	7,012,136	11.66%
2013	811,103	811,103	-	7,060,778	11.49%
2012	Unavailable	Unavailable	Unavailable	6,161,972	Unavailable
2011	Unavailable	Unavailable	Unavailable	6,280,777	Unavailable
2010	388,031	388,031	-	6,219,440	6.24%

Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

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

Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2017 through June 30, 2018

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government:					
2018	0.01534% \$	233,000 \$	2,917,276	7.99%	51.22%
2017	0.01505%	227,000	2,776,413	8.18%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00241% \$	37,000 \$	457,583	8.09%	51.22%
2017	0.00243%	37,000	447,922	8.26%	48.86%
Component Unit School Board (professional):					
2018	0.04105% \$	623,000 \$	7,805,956	7.98%	51.22%
2017	0.03988%	600,000	7,356,335	8.16%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2010 through June 30, 2019

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:					
2019	\$ 16,566	\$ 16,566	\$ -	\$ 3,185,785	0.52%
2018	15,170	15,170	-	2,917,276	0.52%
2017	14,437	14,437	-	2,776,413	0.52%
2016	12,953	12,953	-	2,690,989	0.48%
2015	12,476	12,476	-	2,594,531	0.48%
2014	12,232	12,232	-	2,548,301	0.48%
2013	11,603	11,603	-	2,417,259	0.48%
2012	6,272	6,272	-	2,239,888	0.28%
2011	6,549	6,549	-	2,338,941	0.28%
2010	4,975	4,975	-	2,431,312	0.20%
Component Unit School Board (nonprofessional):					
2019	\$ 2,546	\$ 2,546	\$ -	\$ 489,637	0.52%
2018	2,379	2,379	-	457,583	0.52%
2017	2,329	2,329	-	447,922	0.52%
2016	2,186	2,186	-	455,317	0.48%
2015	2,241	2,241	-	466,832	0.48%
2014	2,154	2,154	-	448,656	0.48%
2013	1,995	1,995	-	415,614	0.48%
2012	1,153	1,153	-	411,782	0.28%
2011	2,002	2,002	-	714,990	0.28%
2010	1,454	1,454	-	738,332	0.20%
Component Unit School Board (professional):					
2019	\$ 46,649	\$ 46,649	\$ -	\$ 8,970,888	0.52%
2018	40,590	40,590	-	7,805,956	0.52%
2017	38,253	38,253	-	7,356,335	0.52%
2016	34,494	34,494	-	7,186,194	0.48%
2015	33,917	33,917	-	7,066,046	0.48%
2014	33,658	33,658	-	7,012,136	0.48%
2013	33,892	33,892	-	7,060,778	0.48%
2012	17,254	17,254	-	6,161,972	0.28%
2011	17,586	17,586	-	6,280,777	0.28%
2010	11,899	11,899	-	6,219,440	0.19%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

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

Non-Largest Ten Locality Employers - Hazardous Duty Employees

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

Schedule of School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2017 through June 30, 2018

Date	Employer's Proportion of the Net HIC OPEB Liability (Asset)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
(1)	(2)	(3)	(4)	(5)	(6)
2018	0.09652%	\$ 1,225,000	\$ 7,805,956	15.69%	8.08%
2017	0.09321%	1,182,000	7,356,335	16.07%	7.04%

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

Schedule of Employer Contributions

Teacher Employee Health Insurance Credit (HIC) Program - Component Unit School Board

For the Years Ended June 30, 2010 through June 30, 2019

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2019	\$ 107,651	\$ 107,651	\$ -	\$ 8,970,888	1.20%
2018	96,014	96,014		7,805,956	1.23%
2017	81,655	81,655		7,356,335	1.11%
2016	76,174	76,174		7,186,194	1.06%
2015	74,900	74,900		7,066,046	1.06%
2014	77,835	77,835		7,012,136	1.11%
2013	77,259	77,259		6,960,265	1.11%
2012	36,972	36,972		6,161,972	0.60%
2011	37,685	37,685		6,280,777	0.60%
2010	45,806	45,806		6,216,770	0.74%

Notes to Required Supplementary Information

Teacher Employee Health Insurance Credit (HIC) Program - Component Unit School Board

For the Year Ended June 30, 2019

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Healthcare Plan
 Component Unit School Board
 For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 10,460	\$ 10,155
Interest	10,444	10,215
Changes in assumptions	12,210	-
Benefit payments	(12,250)	(16,442)
Net change in total OPEB liability	\$ 20,864	\$ 3,928
Total OPEB liability - beginning	284,123	280,195
Total OPEB liability - ending	<u>\$ 304,987</u>	<u>\$ 284,123</u>
 Covered-employee payroll	 \$ 9,464,520	 \$ 8,224,832
 School's total OPEB liability (asset) as a percentage of covered employee payroll	 3.2%	 3.5%

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

Notes to Required Supplementary Information - School OPEB - Healthcare Plan
For the Year Ended June 30, 2019

Valuation Date: 1/1/2018

Measurement Date: 6/30/2019

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal level % of salary
Amortization Method	Level % of salary
Amortization Period	30 years
Asset Valuation Method	Fair market value of assets
Discount Rate	3.13%
Payroll increases	3.00%
Inflation	2.50% per year
Medical Trend Rate	The medical trend rate assumption starts at 6.50% in 2017 and gradually declines to 4.50%

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 32,503	\$ 32,503
Total revenues	\$ -	\$ -	\$ 32,503	\$ 32,503
EXPENDITURES				
Capital projects	\$ 882,500	\$ 3,893,773	\$ 2,581,902	\$ 1,311,871
Total expenditures	\$ 882,500	\$ 3,893,773	\$ 2,581,902	\$ 1,311,871
Excess (deficiency) of revenues over (under) expenditures	\$ (882,500)	\$ (3,893,773)	\$ (2,549,399)	\$ 1,344,374
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 888,250	\$ 2,213,847	\$ 882,500	\$ (1,331,347)
Transfers out	-	-	(125,000)	(125,000)
Total other financing sources (uses)	\$ 888,250	\$ 2,213,847	\$ 757,500	\$ (1,456,347)
Net change in fund balances	\$ 5,750	\$ (1,679,926)	\$ (1,791,899)	\$ (111,973)
Fund balance - beginning, as restated	-	1,679,926	4,653,357	2,973,431
Fund balance - ending	\$ 5,750	\$ -	\$ 2,861,458	\$ 2,861,458

County of Middlesex, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2019

	Agency Funds		
	Chesapeake Bay Governor's School		
	Special <u>Welfare</u>	<u>School</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,946	\$ 56,556	\$ 58,502
LIABILITIES			
Amounts held for others	\$ -	\$ 56,556	\$ 56,556
Amounts held for social services clients	1,946	-	1,946
Total liabilities	\$ 1,946	\$ 56,556	\$ 58,502

County of Middlesex, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2019

	<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>2,377</u>	\$ <u>6,948</u>	\$ <u>7,379</u>	\$ <u>1,946</u>
Liabilities:				
Amounts held for social services clients	\$ <u>2,377</u>	\$ <u>6,948</u>	\$ <u>7,379</u>	\$ <u>1,946</u>
Chesapeake Bay Governor's School:				
Assets:				
Cash and cash equivalents	\$ <u>83,013</u>	\$ <u>1,641,500</u>	\$ <u>1,667,957</u>	\$ <u>56,556</u>
Liabilities:				
Amounts held for others	\$ <u>83,013</u>	\$ <u>1,641,500</u>	\$ <u>1,667,957</u>	\$ <u>56,556</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>85,390</u>	\$ <u>1,648,448</u>	\$ <u>1,675,336</u>	\$ <u>58,502</u>
Liabilities:				
Amounts held for others	\$ 83,013	\$ 1,641,500	\$ 1,667,957	\$ 56,556
Amounts held for social services clients	2,377	6,948	7,379	1,946
Total liabilities	\$ <u>85,390</u>	\$ <u>1,648,448</u>	\$ <u>1,675,336</u>	\$ <u>58,502</u>

County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2019

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,776,750	\$ 168,390	\$ 1,945,140
Due from other governmental units	337,503	-	337,503
Total assets	<u>\$ 2,114,253</u>	<u>\$ 168,390</u>	<u>\$ 2,282,643</u>
LIABILITIES			
Accounts payable	\$ 142	\$ -	\$ 142
Accrued liabilities	1,562,580	-	1,562,580
Due to other governmental units	331,318	-	331,318
Total liabilities	<u>\$ 1,894,040</u>	<u>\$ -</u>	<u>\$ 1,894,040</u>
FUND BALANCES			
Committed:			
School operating	\$ 220,213	\$ -	\$ 220,213
School food	-	168,390	168,390
Total fund balances	<u>\$ 220,213</u>	<u>\$ 168,390</u>	<u>\$ 388,603</u>

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

Total fund balances per above		\$ 388,603
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets cost	\$ 13,267,880	
Accumulated depreciation	<u>(6,591,974)</u>	6,675,906
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 1,991,703	
OPEB related items	<u>254,038</u>	2,245,741
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	\$ (87,554)	
Net pension liability	(11,765,369)	
Net OPEB liabilities	<u>(2,189,987)</u>	(14,042,910)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,467,291)	
OPEB related items	<u>(86,000)</u>	(1,553,291)
Net position of governmental activities		<u><u>\$ (6,285,951)</u></u>

County of Middlesex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2019

	School Operating <u>Fund</u>	School Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 15,467	\$ -	\$ 15,467
Charges for services	27,330	143,127	170,457
Miscellaneous	612,964	-	612,964
Intergovernmental:			
Local government	9,952,120	73,190	10,025,310
Commonwealth	5,074,586	53,033	5,127,619
Federal	896,523	399,103	1,295,626
Total revenues	<u>\$ 16,578,990</u>	<u>\$ 668,453</u>	<u>\$ 17,247,443</u>
EXPENDITURES			
Current:			
Education	\$ 15,795,061	\$ 756,991	\$ 16,552,052
Capital projects	673,400	-	673,400
Total expenditures	<u>\$ 16,468,461</u>	<u>\$ 756,991</u>	<u>\$ 17,225,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 110,529</u>	<u>\$ (88,538)</u>	<u>\$ 21,991</u>
Net change in fund balances	\$ 110,529	\$ (88,538)	\$ 21,991
Fund balances - beginning	109,684	256,928	366,612
Fund balances - ending	<u>\$ 220,213</u>	<u>\$ 168,390</u>	<u>\$ 388,603</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	\$	21,991
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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	\$	1,021,449	
Depreciation expense		(501,134)	
Activity related to joint tenancy assets of Component Unit and Primary Government		<u>487,182</u>	1,007,497

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.

Pension expense	\$	835,352	
OPEB expense		38,191	
Changes in compensated absences		<u>(24,250)</u>	849,293

Change in net position of governmental activities	\$	<u>1,878,781</u>
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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, 2019

	School Operating Fund			School Special Revenue Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Original</u>	<u>Final</u>	
REVENUES						
Revenue from the use of money and property	\$ -	\$ -	\$ 15,467	\$ -	\$ -	\$ -
Charges for services	25,000	25,000	27,330	189,738	189,738	(46,611)
Miscellaneous	262,160	428,293	612,964	-	-	-
Intergovernmental:						
Local government	10,331,068	10,340,309	9,952,120	73,190	73,190	-
Commonwealth	5,124,725	5,155,639	5,074,586	55,845	55,845	(2,812)
Federal	722,365	952,057	896,523	350,000	385,527	13,576
Total revenues	\$ 16,465,318	\$ 16,901,298	\$ 16,578,990	\$ 668,773	\$ 704,300	\$ (35,847)
EXPENDITURES						
Current:						
Education	\$ 15,869,318	\$ 16,296,798	\$ 15,795,061	\$ 668,773	\$ 931,171	\$ 174,180
Capital projects	596,000	793,000	673,400	-	-	-
Total expenditures	\$ 16,465,318	\$ 17,089,798	\$ 16,468,461	\$ 668,773	\$ 931,171	\$ 174,180
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (188,500)	\$ 110,529	\$ -	\$ (226,871)	\$ 138,333
Net change in fund balances	\$ -	\$ (188,500)	\$ 110,529	\$ -	\$ (226,871)	\$ 138,333
Fund balances - beginning		188,500	109,684		226,871	30,057
Fund balances - ending	\$ -	\$ -	\$ 220,213	\$ -	\$ -	\$ 168,390

County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
As of June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 404,767
Note receivable	40,000
Total current assets	<u>\$ 444,767</u>

Noncurrent assets:

Capital assets:

Land	\$ 11,155
Total noncurrent assets	<u>\$ 11,155</u>
Total assets	<u>\$ 455,922</u>

LIABILITIES

Current liabilities:

Due to other governmental units	\$ 35,000
Total liabilities	<u>\$ 35,000</u>

NET POSITION

Net investment in capital assets	\$ 11,155
Unrestricted	409,767
Total net position	<u><u>\$ 420,922</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, 2019

OPERATING REVENUES

Charges for services:

Bond fees	\$	47,479
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Total operating revenues	\$	47,479
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OPERATING EXPENSES

Grants	\$	25,000
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Insurance claims and expenses		1,527
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Other charges		942
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Total operating expenses	\$	27,469
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Operating income (loss)	\$	20,010
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NONOPERATING REVENUES (EXPENSES)

Interest income	\$	2,325
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Contribution to County of Middlesex		(35,000)
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Total nonoperating revenues (expenses)	\$	(32,675)
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Change in net position	\$	(12,665)
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Total net position - beginning, as restated		433,587
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Total net position - ending	\$	420,922
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County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 47,479
Payments for operating activities	(27,469)
Net cash provided by (used for) operating activities	<u>\$ 20,010</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Issuance of note receivable	\$ (20,000)
Net cash provided by (used for) capital and related financing activities	<u>\$ (20,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 2,325
Net cash provided by (used for) investing activities	<u>\$ 2,325</u>

Net increase (decrease) in cash and cash equivalents \$ 2,335

Cash and cash equivalents - beginning 402,432

Cash and cash equivalents - ending \$ 404,767

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

Operating income (loss)	\$ 20,010
Net cash provided (used) by operating activities	<u><u>\$ 20,010</u></u>

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 1 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:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,127,544	\$ 13,127,544	\$ 13,286,329	\$ 158,785
Real and personal public service corporation taxes	297,352	297,352	333,516	36,164
Personal property taxes	3,023,427	3,023,427	2,756,343	(267,084)
Airplane taxes	15,058	15,058	9,256	(5,802)
Penalties	110,000	110,000	133,870	23,870
Interest	100,000	100,000	125,169	25,169
Total general property taxes	\$ 16,673,381	\$ 16,673,381	\$ 16,644,483	\$ (28,898)
Other local taxes:				
Local sales and use taxes	\$ 1,100,000	\$ 1,100,000	\$ 1,143,220	\$ 43,220
Consumers' utility taxes	231,000	231,000	233,684	2,684
Consumption taxes	45,000	45,000	47,189	2,189
Business license taxes	324,307	324,307	390,067	65,760
Motor vehicle licenses	298,000	298,000	282,339	(15,661)
Bank stock taxes	90,000	90,000	130,310	40,310
Taxes on recordation and wills	220,000	220,000	146,552	(73,448)
Transient occupancy taxes	200,000	200,000	48,177	(151,823)
Meals tax	350,000	350,000	401,497	51,497
Total other local taxes	\$ 2,858,307	\$ 2,858,307	\$ 2,823,035	\$ (35,272)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 8,136	\$ (2,364)
Building permits	82,000	82,000	78,833	(3,167)
Permits and other licenses	37,500	37,500	63,362	25,862
Total permits, privilege fees, and regulatory licenses	\$ 130,000	\$ 130,000	\$ 150,331	\$ 20,331
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 12,504	\$ (17,496)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 12,333	\$ 10,833
Revenue from use of property	73,500	73,500	149,481	75,981
Total revenue from use of money and property	\$ 75,000	\$ 75,000	\$ 161,814	\$ 86,814
Charges for services:				
Charges for court services	\$ 24,750	\$ 24,750	\$ 13,194	\$ (11,556)
Charges for Commonwealth's Attorney	1,000	1,000	897	(103)
Charges for Treasurer	2,000	7,869	8,330	461
Charges for other protection	9,900	9,900	14,064	4,164
Charges for planning and community development	13,600	13,600	23,433	9,833
Charges for parks and recreation	22,000	33,543	26,937	(6,606)
Charges for airport	220,000	287,623	233,268	(54,355)
Total charges for services	\$ 293,250	\$ 378,285	\$ 320,123	\$ (58,162)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 106,250	\$ 129,032	\$ 118,444	\$ (10,588)
Recovered costs:				
Sheriff	\$ 3,400	\$ 33,414	\$ 41,180	\$ 7,766
Health department	-	-	7,648	7,648
Economic development	-	-	35,000	35,000
EMS fee for service	189,000	189,000	108,860	(80,140)
Contractor training	-	-	426	426
Total recovered costs	\$ 192,400	\$ 222,414	\$ 193,114	\$ (29,300)
Total revenue from local sources	\$ 20,358,588	\$ 20,496,419	\$ 20,423,848	\$ (72,571)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 1,500	\$ 1,500	\$ 1,472	\$ (28)
Rolling stock tax	500	500	25	(475)
Mobile home titling tax	18,000	18,000	20,916	2,916
Communications tax	460,000	460,000	372,398	(87,602)
State recordation tax	-	-	36,611	36,611
Personal property tax relief funds	709,635	709,635	709,635	-
Total noncategorical aid	\$ 1,189,635	\$ 1,189,635	\$ 1,141,057	\$ (48,578)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 159,519	\$ 159,519	\$ 159,272	\$ (247)
Sheriff	706,010	706,010	702,654	(3,356)
Commissioner of revenue	96,041	96,041	104,531	8,490
Treasurer	88,261	88,261	88,859	598
Registrar/electoral board	40,000	40,000	37,500	(2,500)
Clerk of the circuit court	200,753	200,753	190,041	(10,712)
Total shared expenses	\$ 1,290,584	\$ 1,290,584	\$ 1,282,857	\$ (7,727)
Other categorical aid:				
Public assistance and welfare administration	\$ 457,530	\$ 461,184	\$ 444,039	\$ (17,145)
Fire programs fund	-	36,285	36,285	-
Children's services act	300,000	348,624	466,252	117,628
Wireless funds	45,000	45,000	43,000	(2,000)
Emergency medical services	-	13,141	26,940	13,799
Victim-witness grant	66,696	66,696	16,991	(49,705)
PSAP grant	-	-	150,000	150,000
Arts commission grant	4,500	4,500	4,500	-
Forfeitted assets	-	-	1,041	1,041
Airport grant	-	-	74,519	74,519

County of Middlesex, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Litter control	\$ 6,200	\$ 6,200	\$ 6,207	\$ 7
Animal friendly plates	-	-	275	275
School resource officer	-	-	1,996	1,996
Other grants	-	-	2,428	2,428
Total other categorical aid	<u>\$ 879,926</u>	<u>\$ 981,630</u>	<u>\$ 1,274,473</u>	<u>\$ 292,843</u>
Total categorical aid	<u>\$ 2,170,510</u>	<u>\$ 2,272,214</u>	<u>\$ 2,557,330</u>	<u>\$ 285,116</u>
Total revenue from the Commonwealth	<u>\$ 3,360,145</u>	<u>\$ 3,461,849</u>	<u>\$ 3,698,387</u>	<u>\$ 236,538</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 782,910	\$ 789,163	\$ 759,823	\$ (29,340)
Asset forfeiture	-	-	894	894
Victim-witness grant	-	-	52,100	52,100
Emergency services grants	-	24,928	15,000	(9,928)
Total categorical aid	<u>\$ 782,910</u>	<u>\$ 814,091</u>	<u>\$ 827,817</u>	<u>\$ 13,726</u>
Total revenue from the federal government	<u>\$ 782,910</u>	<u>\$ 814,091</u>	<u>\$ 827,817</u>	<u>\$ 13,726</u>
Total General Fund	<u>\$ 24,501,643</u>	<u>\$ 24,772,359</u>	<u>\$ 24,950,052</u>	<u>\$ 177,693</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 32,503	\$ 32,503
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,503</u>	<u>\$ 32,503</u>
Total Primary Government	<u>\$ 24,501,643</u>	<u>\$ 24,772,359</u>	<u>\$ 24,982,555</u>	<u>\$ 210,196</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 15,467	\$ 15,467

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 25,000	\$ 25,000	\$ 27,330	\$ 2,330
Miscellaneous:				
Miscellaneous	\$ 262,160	\$ 428,293	\$ 612,964	\$ 184,671
Total revenue from local sources	\$ 287,160	\$ 453,293	\$ 655,761	\$ 202,468
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 10,331,068	\$ 10,340,309	\$ 9,952,120	\$ (388,189)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,345,198	\$ 1,345,198	\$ 1,358,190	\$ 12,992
Basic school aid	2,276,475	2,276,475	2,207,027	(69,448)
GED funding	7,859	7,859	8,355	496
English as a second language	5,167	5,167	5,167	-
Gifted and talented	22,656	22,656	22,125	(531)
Special education	305,177	305,177	302,869	(2,308)
Remedial education	92,436	92,436	90,663	(1,773)
Vocational education	69,305	69,305	74,171	4,866
Early reading intervention	15,403	15,403	10,268	(5,135)
School fringes	442,245	442,245	431,875	(10,370)
Mentor teacher program	1,034	1,034	825	(209)
At risk payments	112,354	112,354	121,888	9,534
Primary class size	147,311	147,311	129,792	(17,519)
Project graduation	3,435	3,435	3,435	-
SOL algebra readiness	14,328	14,328	11,761	(2,567)
School security grant	128,000	128,000	128,000	-
Supplemental lottery	133,622	163,945	161,134	(2,811)
Other state funds	2,720	3,311	7,041	3,730
Total categorical aid	\$ 5,124,725	\$ 5,155,639	\$ 5,074,586	\$ (81,053)
Total revenue from the Commonwealth	\$ 5,124,725	\$ 5,155,639	\$ 5,074,586	\$ (81,053)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
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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	\$ 322,519	\$ 393,759	\$ 386,434	\$ (7,325)
Title VI-B, special education flow-through	296,388	373,175	359,592	(13,583)
Vocational education	23,199	30,126	27,417	(2,709)
Title VI-B, special education pre-school	10,192	10,192	10,421	229
Title III - part A	1,858	5,520	2,522	(2,998)
Title V-rural	20,603	47,781	20,289	(27,492)
Title IV	-	24,582	29,539	4,957
Title II, part A	47,606	66,922	60,309	(6,613)
Total categorical aid	<u>\$ 722,365</u>	<u>\$ 952,057</u>	<u>\$ 896,523</u>	<u>\$ (55,534)</u>
Total revenue from the federal government	<u>\$ 722,365</u>	<u>\$ 952,057</u>	<u>\$ 896,523</u>	<u>\$ (55,534)</u>
Total School Operating Fund	<u>\$ 16,465,318</u>	<u>\$ 16,901,298</u>	<u>\$ 16,578,990</u>	<u>\$ (322,308)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 189,738	\$ 189,738	\$ 143,127	\$ (46,611)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 73,190	\$ 73,190	\$ 73,190	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 10,220	\$ 10,220	\$ 8,478	\$ (1,742)
Textbook payments	45,625	45,625	44,555	(1,070)
Total categorical aid	<u>\$ 55,845</u>	<u>\$ 55,845</u>	<u>\$ 53,033</u>	<u>\$ (2,812)</u>
Total revenue from the Commonwealth	<u>\$ 55,845</u>	<u>\$ 55,845</u>	<u>\$ 53,033</u>	<u>\$ (2,812)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 350,000	\$ 350,000	\$ 363,576	\$ 13,576
Commodities	-	35,527	35,527	-
Total categorical aid	<u>\$ 350,000</u>	<u>\$ 385,527</u>	<u>\$ 399,103</u>	<u>\$ 13,576</u>
Total revenue from the federal government	<u>\$ 350,000</u>	<u>\$ 385,527</u>	<u>\$ 399,103</u>	<u>\$ 13,576</u>
Total School Special Revenue Fund	<u>\$ 668,773</u>	<u>\$ 704,300</u>	<u>\$ 668,453</u>	<u>\$ (35,847)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,134,091</u>	<u>\$ 17,605,598</u>	<u>\$ 17,247,443</u>	<u>\$ (358,155)</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 91,114	\$ 98,797	\$ 69,794	\$ 29,003
General and financial administration:				
County administrator	\$ 405,641	\$ 409,012	\$ 383,858	\$ 25,154
Legal services	123,920	148,653	143,819	4,834
Commissioner of revenue	259,138	262,168	256,980	5,188
Treasurer	262,147	268,989	258,570	10,419
Assessor	45,000	45,000	8,220	36,780
Data processing	212,920	235,048	219,310	15,738
Other general and financial administration	354,532	168,515	137,732	30,783
Total general and financial administration	\$ 1,663,298	\$ 1,537,385	\$ 1,408,489	\$ 128,896
Board of elections:				
Registrar, electoral board and officials	\$ 168,672	\$ 175,738	\$ 150,934	\$ 24,804
Total general government administration	\$ 1,923,084	\$ 1,811,920	\$ 1,629,217	\$ 182,703
Judicial administration:				
Courts:				
General district court	\$ 8,300	\$ 11,000	\$ 9,831	\$ 1,169
Juvenile court	4,050	4,050	2,166	1,884
Sheriff	197,048	204,422	185,898	18,524
Court services unit	39,160	132,359	110,896	21,463
Special Magistrates	600	400	-	400
Victim Witness	69,756	69,756	71,725	(1,969)
Clerk of the circuit court	260,794	264,159	264,434	(275)
Total courts	\$ 579,708	\$ 686,146	\$ 644,950	\$ 41,196
Commonwealth's attorney:				
Commonwealth's attorney	\$ 221,192	\$ 221,875	\$ 222,543	\$ (668)
Total judicial administration	\$ 800,900	\$ 908,021	\$ 867,493	\$ 40,528
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,615,694	\$ 1,675,206	\$ 1,602,740	\$ 72,466
School resource officers	150,843	153,440	149,757	3,683
Forfeited assets	-	-	7,882	(7,882)
Total law enforcement and traffic control	\$ 1,766,537	\$ 1,828,646	\$ 1,760,379	\$ 68,267
Fire and rescue services:				
Volunteer fire departments	\$ 264,332	\$ 300,617	\$ 296,012	\$ 4,605
Volunteer rescue squads	158,583	171,724	170,572	1,152
Total fire and rescue services	\$ 422,915	\$ 472,341	\$ 466,584	\$ 5,757

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
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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	\$ 728,700	\$ 742,919	\$ 742,919	\$ -
Juvenile probation and detention	73,311	78,261	78,262	(1)
Total correction and detention	<u>\$ 802,011</u>	<u>\$ 821,180</u>	<u>\$ 821,181</u>	<u>\$ (1)</u>
Inspections:				
Building	\$ 96,696	\$ 97,037	\$ 89,646	\$ 7,391
Other protection:				
Animal control	\$ 123,691	\$ 128,732	\$ 119,523	\$ 9,209
Gloucester-Mathews Humane Society	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Emergency services	650,571	764,820	678,963	85,857
Medical examiner	2,200	2,200	40	2,160
E-911 communications	128,427	128,427	98,466	29,961
Total other protection	<u>\$ 909,889</u>	<u>\$ 1,029,179</u>	<u>\$ 901,992</u>	<u>\$ 127,187</u>
Total public safety	<u>\$ 3,998,048</u>	<u>\$ 4,248,383</u>	<u>\$ 4,039,782</u>	<u>\$ 208,601</u>
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 98,032	\$ 104,663	\$ 102,891	\$ 1,772
Litter	13,500	13,500	10,206	3,294
Landfill maintenance	9,650	9,650	3,572	6,078
VPPSA	627,344	660,961	654,853	6,108
Total sanitation and waste removal	<u>\$ 748,526</u>	<u>\$ 788,774</u>	<u>\$ 771,522</u>	<u>\$ 17,252</u>
Maintenance of general buildings and grounds:				
General properties	\$ 568,206	\$ 597,684	\$ 586,325	\$ 11,359
Capital outlay reserve	853,736	853,736	695,365	158,371
Total maintenance of general buildings and grounds	<u>\$ 1,421,942</u>	<u>\$ 1,451,420</u>	<u>\$ 1,281,690</u>	<u>\$ 169,730</u>
Total public works	<u>\$ 2,170,468</u>	<u>\$ 2,240,194</u>	<u>\$ 2,053,212</u>	<u>\$ 186,982</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 186,760	\$ 186,760	\$ 186,760	\$ -
Other health contributions	11,900	11,900	10,000	1,900
Total health	<u>\$ 198,660</u>	<u>\$ 198,660</u>	<u>\$ 196,760</u>	<u>\$ 1,900</u>
Mental health:				
Community services board	\$ 41,257	\$ 41,257	\$ 41,257	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,426,004	\$ 1,446,849	\$ 1,361,612	\$ 85,237
Area agency on aging	61,170	71,941	71,941	-
Children's services act	555,383	629,612	780,884	(151,272)
Housing office	2,292	2,292	2,292	-

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
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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	-	-	20,196	(20,196)
Total welfare	\$ 2,049,849	\$ 2,155,694	\$ 2,241,925	\$ (86,231)
Total health and welfare	\$ 2,289,766	\$ 2,395,611	\$ 2,479,942	\$ (84,331)
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 6,630	\$ 8,288	\$ 8,255	\$ 33
Contribution to Virginia School League	4,000	4,000	600	3,400
Contribution to County School Board	10,404,258	10,413,499	10,025,310	388,189
Total education	\$ 10,414,888	\$ 10,425,787	\$ 10,034,165	\$ 391,622
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 59,686	\$ 72,070	\$ 69,798	\$ 2,272
Sports complex	26,500	26,500	20,401	6,099
YMCA	47,500	47,500	47,500	-
Total parks and recreation	\$ 133,686	\$ 146,070	\$ 137,699	\$ 8,371
Library:				
Contribution to library	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total parks, recreation, and cultural	\$ 243,686	\$ 256,070	\$ 247,699	\$ 8,371
Community development:				
Planning and community development:				
Planning	\$ 170,647	\$ 171,330	\$ 165,366	\$ 5,964
Zoning administration	54,135	53,835	48,195	5,640
Board of zoning appeals	4,428	4,428	1,739	2,689
Economic development	126,240	131,021	123,353	7,668
Airport	198,917	273,776	300,260	(26,484)
Total planning and community development	\$ 554,367	\$ 634,390	\$ 638,913	\$ (4,523)
Environmental management:				
Contribution to soil and water conservation district	\$ 4,750	\$ 4,750	\$ 4,750	\$ -
Wetlands	15,798	15,598	11,124	4,474
Forestry	3,961	3,961	3,693	268
Total environmental management	\$ 24,509	\$ 24,309	\$ 19,567	\$ 4,742

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 24,975	\$ 24,475	\$ 9,438	\$ 15,037
Total community development	\$ 603,851	\$ 683,174	\$ 667,918	\$ 15,256
Debt service:				
Principal retirement	\$ 2,750,952	\$ 2,764,245	\$ 2,113,170	\$ 651,075
Interest and other fiscal charges	-	-	625,703	(625,703)
Total debt service	\$ 2,750,952	\$ 2,764,245	\$ 2,738,873	\$ 25,372
Total General Fund	\$ 25,195,643	\$ 25,733,405	\$ 24,758,301	\$ 975,104
County Capital Projects Fund:				
Public works:				
Capital projects:				
E911 radio system	\$ -	\$ 1,979,273	\$ 752,978	\$ 1,226,295
SCBA replacement	-	180,000	180,000	-
Water project	882,500	1,450,000	1,450,000	-
Broadband project	-	82,000	77,500	4,500
Water connections - county offices	-	102,500	104,000	(1,500)
Cooks Corner Water System	-	100,000	7,889	92,111
COCC renovations	-	-	9,535	(9,535)
Total capital projects	\$ 882,500	\$ 3,893,773	\$ 2,581,902	\$ 1,311,871
Total County Capital Projects Fund	\$ 882,500	\$ 3,893,773	\$ 2,581,902	\$ 1,311,871
Total Primary Government	\$ 26,078,143	\$ 29,627,178	\$ 27,340,203	\$ 2,286,975
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 1,143,455	\$ 1,143,455	\$ 1,139,160	\$ 4,295
Instruction costs	11,081,408	11,426,355	11,118,546	307,809
Districtwide technology	1,058,050	1,058,049	1,027,188	30,861
Pupil transportation	1,383,206	1,400,980	1,301,304	99,676
Operation and maintenance of school plant	1,203,199	1,267,959	1,208,863	59,096
Total operating costs	\$ 15,869,318	\$ 16,296,798	\$ 15,795,061	\$ 501,737
Total education	\$ 15,869,318	\$ 16,296,798	\$ 15,795,061	\$ 501,737
Capital projects:				
Other school capital projects	\$ 596,000	\$ 793,000	\$ 673,400	\$ 119,600
Total School Operating Fund	\$ 16,465,318	\$ 17,089,798	\$ 16,468,461	\$ 621,337

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
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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>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund:				
Education:				
Operating Costs:				
Instruction costs	\$ 118,815	\$ 275,841	\$ 172,403	\$ 103,438
School food services	549,958	619,803	549,061	70,742
Commodities	-	35,527	35,527	-
Total School Special Revenue Fund	<u>\$ 668,773</u>	<u>\$ 931,171</u>	<u>\$ 756,991</u>	<u>\$ 174,180</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,134,091</u>	<u>\$ 18,020,969</u>	<u>\$ 17,225,452</u>	<u>\$ 795,517</u>

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
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
2018	1,733,324	975,887	4,143,619	1,423,763	2,278,175	9,423,629	207,669	576,281	622,266	21,384,613
2019	1,905,557	1,018,531	3,838,704	3,114,624	2,419,854	11,038,834	250,640	613,121	683,153	24,883,018

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	
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	
2018	422,690	3,229,377	-	-	15,794,570	2,589,685	135,321	169,472	1,205,153	23,546,268	
2019	482,958	3,385,147	-	-	16,739,818	2,823,035	194,317	118,444	1,141,057	24,884,776	

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
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
2018	1,563,121	809,357	3,975,770	1,997,054	2,311,942	14,637,866	203,470	600,602	2,628,475	28,727,657
2019	1,629,217	867,493	4,039,782	2,053,212	2,479,942	16,560,907	247,699	667,918	2,738,873	31,285,043

(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.

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
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
2018	15,742,745	2,589,685	140,759	20,121	141,859	437,277	353,376	192,427	10,349,299	29,967,548
2019	16,644,483	2,823,035	150,331	12,504	177,281	490,580	731,408	193,114	10,949,449	32,172,185

(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
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%
2017	15,456,814	14,137,344	91.46%	979,136	15,116,480	97.80%	1,011,338	6.54%
2018	16,765,947	15,268,276	91.07%	937,647	16,205,923	96.66%	1,032,380	6.16%
2019	17,394,537	16,092,676	92.52%	1,002,403	17,095,079	98.28%	1,399,618	8.05%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal					Public Service (2)	Total
		Property and Mobile Homes	Machinery and Tools	Airplane	Watercraft			
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
2018	2,185,941,200	134,907,015	-	257,088	94,510,070		52,816,875	2,468,432,248
2019	2,192,832,479	174,541,523	-	-	50,769,687		54,506,634	2,472,650,323

(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
2010	\$ 0.35	\$ 3.50	\$ 0.35	\$ 1.75	\$ -	\$ -	\$ 0.35	\$ 3.50
2011	0.35/0.43	3.50	0.35	1.75	-	-	0.35	3.50
2012	0.43	3.50	0.43	1.75	-	-	0.43	3.50
2013	0.46	3.50	0.46	1.75	-	-	0.46	3.50
2014	0.46/0.48	3.50	0.46	1.75	-	-	0.46	3.50
2015	0.48/0.53	3.50	0.48	1.75	3.50	-	0.48	3.50
2016	0.53	3.50	0.48	-	3.50	-	0.53	3.50
2017	0.53	3.50	0.53	-	3.50	-	0.53	3.50
2018	0.56	3.50	0.56	-	3.50	0.98	0.56	3.50
2019	0.62	3.50	0.61	-	-	0.98	0.61	3.50

(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
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	2,399,931,463	24,982,170	0.010	2,280
2018	10,959	2,468,432,248	23,031,500	0.009	2,102
2019	10,959	2,472,650,323	21,121,800	0.009	1,927

(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.



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, 2019, 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 22, 2019.

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 22, 2019



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, 2019. County of Middlesex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Middlesex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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 22, 2019

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Page 1 of 2

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	0950118/0950119	\$ 16,122
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400118/0400119	115,923
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119	67
Low-Income Home Energy Assistance	93.568	0600418/0600419	17,162
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760118/0760119	18,913
Chafee Education and Training Voucher Program	93.599	9160118/9160119	635
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118/0900119	125
Foster Care - Title IV-E	93.658	1100118/1100119	55,139
Adoption Assistance	93.659	1130118/1130119	127,573
Social Services Block Grant	93.667	1000118/1000119	123,445
Chafee Foster Care Independence Program	93.674	9150118/9150119	1,214
Children's Health Insurance Program (CHIP)	93.767	0540118/0540119	3,006
Medical Assistance Program (Medicaid Cluster)	93.778	1200118/1200119	147,271
Total Department of Health and Human Services			<u>\$ 626,595</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52743	15,000
Total Department of Homeland Security			<u>\$ 15,000</u>
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	Unknown	\$ 52,100
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Food Distribution	10.555	Unknown	\$ 35,527
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901- 40623	259,925
	Total CFDA 10.555		<u>\$ 295,452</u>
School Breakfast Program	10.553	17901- 40591	103,651
Total Child Nutrition Cluster			<u>\$ 399,103</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010118/0010119	133,228
Total Department of Agriculture			<u>\$ 532,331</u>

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Treasury:			
Pass Through Payments:			
<i>Office of the Attorney General:</i>			
Asset Forfeiture Funds	21.016	Unknown	\$ 894
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 386,434
<i>Special Education Cluster:</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	17901- 43071	\$ 359,592
Special Education - Preschool Grants (IDEA Preschool)	84.173	17901- 62521	10,421
Total Special Education Cluster			\$ 370,013
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	27,417
Rural Education	84.358	17901- 43481	20,289
Supporting Effective Instruction State Grant	84.367	17901- 61480	60,309
Student Support and Academic Enrichment Program	84.424	17901-60024	29,539
English Language Acquisition State Grant	84.365	Unknown	2,522
Total Department of Education			\$ 896,523
Total Expenditures of Federal Awards			\$ 2,123,443

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, 2019

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Middlesex, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

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

Note C - Food Donation

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

Note D - 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:

Note F - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 827,817
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Component Unit School Board:

School Operating Fund	\$ 896,523
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School Special Revenue Fund	399,103
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Total component unit school board	<u>\$ 1,295,626</u>
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Total expenditures of federal awards per basic financial statements	<u>\$ 2,123,443</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,123,443</u></u>
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County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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)
10.553/10.555/10.559
84.027/84.173

Name of Federal Program or Cluster
Child Nutrition Cluster
Special Education Cluster

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, 2019

There were no prior year findings.