

COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

COUNTY OF MIDDLESEX, VIRGINIA

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

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex, Virginia, as of and for the year ended June 30, 2018, 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, 2018, 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 20 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 100, and 101-114 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 12, 2018, 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. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
November 12, 2018

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, 2018.

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 \$18,737,044 (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 \$194,999 (Exhibit 5) after making contributions totaling \$8,419,311 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$14,432,399, a decrease of \$194,999 in comparison with the prior year
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,761,828, or 40% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$1,269,995 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 \$18,737,044 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>2018</u>	<u>2017</u>
Current and other assets	\$ 24,560,555	\$ 22,616,536
Capital assets	<u>25,696,133</u>	<u>25,589,833</u>
Total assets	<u>\$ 50,256,688</u>	<u>\$ 48,206,369</u>
Deferred outflows of resources	<u>\$ 141,090</u>	<u>\$ 396,676</u>
Current liabilities	\$ 589,517	\$ 327,691
Long-term liabilities outstanding	<u>24,138,901</u>	<u>25,145,896</u>
Total liabilities	<u>\$ 24,728,418</u>	<u>\$ 25,473,587</u>
Deferred inflows of resources	<u>\$ 6,932,316</u>	<u>\$ 6,306,069</u>
Net position:		
Net investment in capital assets	\$ 3,825,069	\$ 3,333,198
Unrestricted	<u>14,911,975</u>	<u>13,490,191</u>
Total net position	<u>\$ 18,737,044</u>	<u>\$ 16,823,389</u>

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$2,161,655 during the current fiscal year. The following table summarizes the County's Statement of Activities:

<u>County of Middlesex, Virginia's Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Charges for services	\$ 422,690	\$ 411,078
Operating grants and contributions	3,229,377	3,104,050
General property taxes	15,794,570	14,644,982
Other local taxes	2,589,685	2,472,290
Grants and other contributions not restricted	1,205,153	1,186,316
Other general revenues	304,793	365,005
Total revenues	<u>\$ 23,546,268</u>	<u>\$ 22,183,721</u>
General government administration	\$ 1,733,324	\$ 1,797,748
Judicial administration	975,887	946,838
Public safety	4,143,619	3,577,456
Public works	1,423,763	1,406,880
Health and welfare	2,278,175	2,064,446
Education	9,423,629	8,870,247
Parks, recreation, and cultural	207,669	240,168
Community development	576,281	501,940
Interest and other fiscal charges	<u>622,266</u>	<u>881,384</u>
Total expenses	<u>\$ 21,384,613</u>	<u>\$ 20,287,107</u>
Change in net position	\$ 2,161,655	\$ 1,896,614
Net position, beginning of year	<u>16,575,389</u>	<u>14,926,775</u>
Net position, end of year	<u><u>\$ 18,737,044</u></u>	<u><u>\$ 16,823,389</u></u>

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations. Therefore, beginning net position for 2018 as displayed above does not agree to ending net position for 2017.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$14,432,399, a decrease of \$194,999. 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 \$963,883. Expenditures and other financing uses were less than budgetary estimates by \$1,055,224, resulting in a positive variance of \$2,019,107.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounted to \$25,696,133 (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 \$23,683,691. Of this amount, \$1,970,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds, leases and notes).

The County's debt decreased by \$1,361,398 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

The fiscal year 2019 budget increased by approximately 6 percent. The County's real estate rate increased from \$.56 to \$.61 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
June 30, 2018

	Primary Government		
	Governmental	Component Units	
	Activities	School Board	EDA
ASSETS			
Cash and cash equivalents	\$ 12,021,325	\$ 1,752,498	\$ 402,432
Receivables (net of allowance for uncollectibles):			
Taxes receivable	7,839,540	-	-
Accounts receivable	89,149	-	-
Note receivable	-	-	20,000
Due from other governmental units	1,632,333	254,381	-
Net pension asset	1,165,581	-	-
Restricted assets:			
Bond construction funds	1,812,627	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,306,156	248,545	11,155
Buildings and improvements	19,254,176	4,671,203	-
Equipment	4,135,801	748,661	-
Total assets	<u>\$ 50,256,688</u>	<u>\$ 7,675,288</u>	<u>\$ 433,587</u>
DEFERRED OUTFLOW OF RESOURCES			
Pension related items	\$ 125,920	\$ 1,473,067	\$ -
OPEB related items	15,170	138,983	-
Total deferred outflow of resources	<u>\$ 141,090</u>	<u>\$ 1,612,050</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 331,689	\$ -	\$ -
Accrued liabilities	26,350	1,391,223	-
Accrued interest payable	230,000	-	-
Due to other governmental units	-	249,044	47,988
Unearned revenue	1,478	-	-
Long-term liabilities:			
Due within one year	2,124,111	6,330	-
Due in more than one year	22,014,790	14,050,701	-
Total liabilities	<u>\$ 24,728,418</u>	<u>\$ 15,697,298</u>	<u>\$ 47,988</u>
DEFERRED INFLOW OF RESOURCES			
Deferred revenue - property taxes	\$ 6,612,169	\$ -	\$ -
Pension related items	295,147	1,658,772	-
OPEB related items	25,000	96,000	-
Total deferred inflow of resources	<u>\$ 6,932,316</u>	<u>\$ 1,754,772</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 3,825,069	\$ 5,668,409	\$ 11,155
Unrestricted	14,911,975	(13,833,141)	374,444
Total net position	<u>\$ 18,737,044</u>	<u>\$ (8,164,732)</u>	<u>\$ 385,599</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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Governmental Activities	Component Units	
			Grants and Contributions	Capital Grants and Contributions		School Board	EDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,733,324	\$ 5,460	\$ 230,058	\$ -	\$ (1,497,806)		
Judicial administration	975,887	39,110	438,597	-	(498,180)		
Public safety	4,143,619	145,713	932,321	-	(3,065,585)		
Public works	1,423,763	-	6,038	-	(1,417,725)		
Health and welfare	2,278,175	-	1,580,561	-	(697,614)		
Education	9,423,629	-	-	-	(9,423,629)		
Parks, recreation, and cultural	207,669	26,697	4,500	-	(176,472)		
Community development	576,281	205,710	37,302	-	(333,269)		
Interest on long-term debt	622,266	-	-	-	(622,266)		
Total governmental activities	\$ 21,384,613	\$ 422,690	\$ 3,229,377	\$ -	\$ (17,732,546)		
Total primary government	\$ 21,384,613	\$ 422,690	\$ 3,229,377	\$ -			
COMPONENT UNITS:							
School Board	\$ 14,053,456	\$ 175,467	\$ 5,914,769	\$ -	\$ (7,963,220)	\$ -	\$ -
Economic Development Authority	16,784	52,087	-	-	-	-	35,303
Total component unit	\$ 14,070,240	\$ 227,554	\$ 5,914,769	\$ -	\$ (7,963,220)	\$ (7,963,220)	\$ 35,303
General revenues:							
General property taxes					\$ 15,794,570	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					1,085,357	-	-
Motor vehicle licenses					283,283	-	-
Meals tax					378,171	-	-
Other local taxes					842,874	-	-
Unrestricted revenues from use of money and property					135,321	30,041	4,163
Miscellaneous					169,472	183,904	-
Contributions from Middlesex County					-	8,864,354	11,155
Grants and contributions not restricted to specific programs					1,205,153	-	-
Total general revenues					\$ 19,894,201	\$ 9,078,299	\$ 15,318
Change in net position					\$ 2,161,655	\$ 1,115,079	\$ 50,621
Net position - beginning, as restated					16,575,389	(9,279,811)	334,978
Net position - ending					\$ 18,737,044	\$ (8,164,732)	\$ 385,599

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

County of Middlesex, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 9,047,894	\$ 2,973,431	\$ 12,021,325
Receivables (net of allowance for uncollectibles):			
Taxes receivable	7,839,540	-	7,839,540
Accounts receivable	89,149	-	89,149
Due from other governmental units	932,333	-	932,333
Restricted assets:			
Bond construction funds	-	1,812,627	1,812,627
Total assets	<u>\$ 17,908,916</u>	<u>\$ 4,786,058</u>	<u>\$ 22,694,974</u>
LIABILITIES			
Accounts payable	\$ 137,888	\$ 193,801	\$ 331,689
Accrued liabilities	26,350	-	26,350
Unearned revenue	1,478	-	1,478
Total liabilities	<u>\$ 165,716</u>	<u>\$ 193,801</u>	<u>\$ 359,517</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 7,903,058	\$ -	\$ 7,903,058
Total deferred inflows of resources	<u>\$ 7,903,058</u>	<u>\$ -</u>	<u>\$ 7,903,058</u>
FUND BALANCES:			
Restricted	\$ -	\$ 1,812,627	\$ 1,812,627
Committed	78,314	2,779,630	2,857,944
Unassigned	9,761,828	-	9,761,828
Total fund balances	<u>\$ 9,840,142</u>	<u>\$ 4,592,257</u>	<u>\$ 14,432,399</u>

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

County of Middlesex, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	14,432,399
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$	42,158,018
Accumulated depreciation	<u>(16,461,885)</u>	25,696,133
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue - property taxes	\$	1,290,889
Due from other governmental units	700,000	
Net pension asset	<u>1,165,581</u>	3,156,470
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$	125,920
OPEB related items	<u>15,170</u>	141,090
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases	\$	(652,191)
General obligation bonds	(1,970,000)	
Lease revenue bonds	(21,061,500)	
Compensated absences	(228,210)	
Net OPEB liability	(227,000)	
Accrued interest payable	<u>(230,000)</u>	(24,368,901)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(295,147)
OPEB related items	<u>(25,000)</u>	(320,147)
Net position of governmental activities		<u><u>\$ 18,737,044</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, 2018

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 15,742,745	\$ -	\$ 15,742,745
Other local taxes	2,589,685	-	2,589,685
Permits, privilege fees, and regulatory licenses	140,759	-	140,759
Fines and forfeitures	20,121	-	20,121
Revenue from the use of money and property	111,818	23,503	135,321
Charges for services	261,810	-	261,810
Miscellaneous	169,472	-	169,472
Recovered costs	192,427	-	192,427
Intergovernmental:			
Commonwealth	3,498,269	-	3,498,269
Federal	936,261	-	936,261
Total revenues	<u>\$ 23,663,367</u>	<u>\$ 23,503</u>	<u>\$ 23,686,870</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,563,121	\$ -	\$ 1,563,121
Judicial administration	809,357	-	809,357
Public safety	3,975,770	-	3,975,770
Public works	1,997,054	-	1,997,054
Health and welfare	2,311,942	-	2,311,942
Education	8,428,186	-	8,428,186
Parks, recreation, and cultural	203,470	-	203,470
Community development	600,602	-	600,602
Capital projects	-	2,005,735	2,005,735
Debt service:			
Principal retirement	2,003,241	-	2,003,241
Interest and other fiscal charges	625,234	-	625,234
Total expenditures	<u>\$ 22,517,977</u>	<u>\$ 2,005,735</u>	<u>\$ 24,523,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,145,390</u>	<u>\$ (1,982,232)</u>	<u>\$ (836,842)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 2,090,000	\$ 2,090,000
Transfers out	(2,090,000)	-	(2,090,000)
Issuance of capital lease	641,843	-	641,843
Total other financing sources (uses)	<u>\$ (1,448,157)</u>	<u>\$ 2,090,000</u>	<u>\$ 641,843</u>
Net change in fund balances	\$ (302,767)	\$ 107,768	\$ (194,999)
Fund balances - beginning	10,142,909	4,484,489	14,627,398
Fund balances - ending	<u>\$ 9,840,142</u>	<u>\$ 4,592,257</u>	<u>\$ 14,432,399</u>

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, 2018

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

Net change in fund balances - total governmental funds \$ (194,999)

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	\$ 2,053,116	
Depreciation expense	(1,490,618)	
Activity related to joint tenancy assets of Component Unit and Primary Government	(445,043)	117,455

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (11,155)

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 51,825

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	\$ 9,152	
Principal retired on general obligation bonds	181,570	
Principal retired on lease revenue bonds	1,769,100	
Principal retired on note payable	43,419	
Issuance of capital leases	(641,843)	1,361,398

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	\$ (127,403)	
Amounts due from other governmental units	700,000	
Pension expense	251,514	
OPEB expense	11,170	
Decrease (increase) in accrued interest payable	1,850	837,131

Change in net position of governmental activities \$ 2,161,655

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

County of Middlesex, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>85,390</u>
LIABILITIES	
Amounts held for others	\$ 83,013
Amounts held for social services clients	<u>2,377</u>
Total liabilities	<u>\$ 85,390</u>

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

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.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2018.

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, 2018.

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, 2018. The Authority does not issue a separate financial report.

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

None

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

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.

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).

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

G. Receivables and Payables (Continued)

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$227,862 at June 30, 2018 and was comprised of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

J. Use of Estimates

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

K. Fund Equity

The County reports fund balances in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

K. Fund Equity (Continued)

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

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

	General Fund	County Capital Projects	Total
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Restricted:			
Bond construction funds	\$ -	\$ 1,812,627	\$ 1,812,627
Total Restricted	<u>\$ -</u>	<u>\$ 1,812,627</u>	<u>\$ 1,812,627</u>
Committed:			
Capital Projects	\$ -	\$ 2,779,630	\$ 2,779,630
Proffers	41,371	-	41,371
Forfeited Assets - Sheriff	923	-	923
Forfeited Assets - Commonwealth's Attorney	3,504	-	3,504
Airport	32,516	-	32,516
Total Committed	<u>\$ 78,314</u>	<u>\$ 2,779,630</u>	<u>\$ 2,857,944</u>
Unassigned	<u>\$ 9,761,828</u>	<u>\$ -</u>	<u>\$ 9,761,828</u>
Total Fund Balances	<u><u>\$ 9,840,142</u></u>	<u><u>\$ 4,592,257</u></u>	<u><u>\$ 14,432,399</u></u>

L. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

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

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)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The 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. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

Teacher Employee Health Insurance Credit Program

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. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

O. Other Postemployment Benefits (OPEB) (Continued)

Medical, Dental and Vision Pay-As-You Go

For purposes of measuring the medical and dental pay-as-you go liability, deferred outflows of resources and deferred inflows of resources related to the Plan's OPEB, and the related OPEB expenses, information about the fiduciary net position of the County's and School Board's Medical and Dental Pay-As-You go Plan and the additions to/deductions from the County and School Board's OPEB 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.

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.

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2018.

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).

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale. The County's investment policy has an emphasis on safety and liquidity of investments. The County's policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 16,993
U.S Government Obligations	1,812,627
Total	\$ 1,829,620

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 16,993	\$ 16,993
U.S. Government Obligations	1,812,627	1,812,627
Total	\$ 1,829,620	\$ 1,829,620

Note 3—Deposits and Investments: (Continued)

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 amortized cost basis portfolios under the provisions of GASB Statement No. 79. 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, 2018

Note 4—Due to/from Other Governments:

At June 30, 2018, 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	\$ 249,044	\$ -	\$ -
Economic Development Authority of Middlesex County, Virginia	47,988	-	-
Water Authority of Middlesex County, Virginia	700,000	-	-
Commonwealth of Virginia:			
Local sales tax	251,694	-	-
Rental tax	357	-	-
State Sales Tax	-	162,910	-
Victim/witness grant	5,123	-	-
Constitutional officer reimbursements	110,779	-	-
Recordation tax	9,482	-	-
Mobile home titling tax	2,387	-	-
Communications tax	64,462	-	-
Comprehensive services act	66,446	-	-
Wireless funds	7,208	-	-
Welfare	36,908	-	-
Rolling stock tax	545	-	-
Federal Government:			
Emergency management	7,500	-	-
School fund grants	-	91,471	-
Victim/witness	15,367	-	-
Welfare	57,043	-	-
Total due from other governments	<u>\$ 1,632,333</u>	<u>\$ 254,381</u>	<u>\$ -</u>

At June 30, 2018, amounts due to other governmental units are as follows:

Other Local Governments:			
County of Middlesex, Virginia	<u>\$ -</u>	<u>\$ 249,044</u>	<u>\$ 47,988</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,317,311	\$ -	\$ 11,155	\$ 2,306,156
Construction in progress	2,136,566	1,190,084	3,326,650	-
Total capital assets not subject to depreciation	<u>\$ 4,453,877</u>	<u>\$ 1,190,084</u>	<u>\$ 3,337,805</u>	<u>\$ 2,306,156</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 12,879,907	\$ -	\$ -	\$ 12,879,907
Equipment	1,906,579	4,189,682	29,081	6,067,180
Infrastructure	16,170	-	-	16,170
Jointly owned assets	21,605,748	-	717,143	20,888,605
Total capital assets subject to depreciation	<u>\$ 36,408,404</u>	<u>\$ 4,189,682</u>	<u>\$ 746,224</u>	<u>\$ 39,851,862</u>
Accumulated depreciation:				
Buildings and improvements	\$ 5,683,737	\$ 354,602	\$ -	\$ 6,038,339
Equipment	1,374,844	585,616	29,081	1,931,379
Infrastructure	16,170	-	-	16,170
Jointly owned assets	8,197,697	550,400	272,100	8,475,997
Total accumulated depreciation	<u>\$ 15,272,448</u>	<u>\$ 1,490,618</u>	<u>\$ 301,181</u>	<u>\$ 16,461,885</u>
Total capital assets subject to depreciation, net	<u>\$ 21,135,956</u>	<u>\$ 2,699,064</u>	<u>\$ 445,043</u>	<u>\$ 23,389,977</u>
Governmental activities capital assets, net	<u><u>\$ 25,589,833</u></u>	<u><u>\$ 3,889,148</u></u>	<u><u>\$ 3,782,848</u></u>	<u><u>\$ 25,696,133</u></u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 5—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<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	<u>\$ 248,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,545</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 816,262	\$ -	\$ -	\$ 816,262
Equipment	2,533,057	230,918	-	2,763,975
Jointly owned assets	6,880,651	-	(717,143)	7,597,794
Total capital assets subject to depreciation	<u>\$ 10,229,970</u>	<u>\$ 230,918</u>	<u>\$ (717,143)</u>	<u>\$ 11,178,031</u>
Accumulated depreciation:				
Building improvement	\$ 648,200	\$ 11,686	\$ -	\$ 659,886
Equipment	1,835,612	179,702	-	2,015,314
Jointly owned assets	2,610,671	200,196	(272,100)	3,082,967
Total accumulated depreciation	<u>\$ 5,094,483</u>	<u>\$ 391,584</u>	<u>\$ (272,100)</u>	<u>\$ 5,758,167</u>
Total capital assets subject to depreciation, net	<u>\$ 5,135,487</u>	<u>\$ (160,666)</u>	<u>\$ (445,043)</u>	<u>\$ 5,419,864</u>
Component unit school board capital assets, net	<u>\$ 5,384,032</u>	<u>\$ (160,666)</u>	<u>\$ (445,043)</u>	<u>\$ 5,668,409</u>
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<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	<u>\$ -</u>	<u>\$ 11,155</u>	<u>\$ -</u>	<u>\$ 11,155</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 5—Capital Assets: (Continued)

Governmental activities:		
General government administration	\$	204,900
Judicial administration		204,489
Public safety		490,500
Public works		33,693
Education		550,400
Parks, recreation and cultural		<u>6,636</u>
 Total Governmental activities	\$	<u>1,490,618</u>
 Component Unit School Board	\$	<u>391,584</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, 2018, is that school financed assets in the amount of \$12,412,608 are reported in the Primary Government for financial reporting purposes.

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 2,090,000
County Capital Projects Fund	<u>2,090,000</u>	<u>-</u>
 Total	<u>\$ 2,090,000</u>	<u>\$ 2,090,000</u>

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2018:

Primary Government:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences					
(payloadable by General Fund)	\$ 100,807	\$ 137,484	\$ 10,081	\$ 228,210	\$ 22,821
Net OPEB liability	263,000	4,000	40,000	227,000	-
Capital leases	19,500	641,843	9,152	652,191	191,590
Note payable	43,419	-	43,419	-	-
Lease revenue bonds	11,542,549	-	923,657	10,618,892	905,032
	<u>\$ 11,969,275</u>	<u>\$ 783,327</u>	<u>\$ 1,026,309</u>	<u>\$ 11,726,293</u>	<u>\$ 1,119,443</u>
Incurred by School Board:					
General obligation bonds	\$ 2,151,570	\$ -	\$ 181,570	\$ 1,970,000	\$ 155,000
Lease revenue bonds	11,288,051	-	845,443	10,442,608	849,668
	<u>\$ 13,439,621</u>	<u>\$ -</u>	<u>\$ 1,027,013</u>	<u>\$ 12,412,608</u>	<u>\$ 1,004,668</u>
Total Governmental Activities Obligations	<u><u>\$ 25,408,896</u></u>	<u><u>\$ 783,327</u></u>	<u><u>\$ 2,053,322</u></u>	<u><u>\$ 24,138,901</u></u>	<u><u>\$ 2,124,111</u></u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations			
	Lease Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2019	\$ 905,032	\$ 246,039	\$ 191,590	\$ 21,206
2020	924,202	225,749	187,559	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>\$ 10,618,892</u>	<u>\$ 1,649,035</u>	<u>\$ 652,191</u>	<u>\$ 45,232</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 155,000	\$ 88,571	\$ 849,668	\$ 276,371
2020	165,000	80,491	873,498	258,619
2021	175,000	71,906	895,592	238,114
2022	180,000	62,943	927,364	214,836
2023	190,000	53,600	949,943	190,742
2024	200,000	43,753	977,301	165,881
2025	210,000	33,400	1,015,102	140,058
2026	225,000	22,416	1,042,683	113,255
2027	230,000	13,228	1,079,548	85,474
2028	240,000	4,860	265,913	66,582
2029	-	-	278,385	56,861
2030	-	-	295,193	46,539
2031	-	-	312,466	35,536
2032	-	-	330,303	23,826
2033	-	-	349,649	11,365
Total	<u>\$ 1,970,000</u>	<u>\$ 475,168</u>	<u>\$ 10,442,608</u>	<u>\$ 1,924,059</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i>Incurred by County:</i>	
<u>Lease revenue bonds:</u>	
\$630,000 lease revenue bond issued April 30, 2012, payable in varying annual installments through October 1, 2026, interest at rates varying from 2.125% to 5.125%, payable semi-annually	\$ 430,000
\$638,000 refunding lease revenue bond issued July 8, 2015, payable in varying annual installments through August 1, 2023, interest at 2.35%, payable semi-annually	490,000
\$5,000,000 lease revenue bond issued March 29, 2016, payable in varying annual installments through February 1, 2026, interest at 1.74%, payable semi-annually	4,056,000
\$7,835,000 lease revenue bond (County is responsible for 76.421% of total bond) issued May 1, 2017, payable in varying annual installments through August 1, 2032, interest at 2.64%, payable semi-annually	<u>5,642,892</u>
Total lease revenue bonds	<u>\$ 10,618,892</u>
<u>Capital leases:</u>	
\$19,500 capital lease issued March 1, 2017 for purchase of one truck payable in two combined principal and interest installments of \$11,700 through March, 2019, interest payable at 12.28%	\$ 10,348
\$65,461 capital lease issued January 5, 2018 for purchase of three vehicles payable in two combined principal and interest installments of \$35,639 through January, 2020, interest payable at 5.87%	65,461
\$43,708 capital lease issued January 5, 2018 for purchase of two vehicles payable in two combined principal and interest installments of \$23,693 through January, 2020, interest payable at 5.56%	43,708
\$532,674 capital lease issued January 8, 2018 for purchase of phone system in four combined principal and interest installments of \$141,765 through January, 2022, interest payable at 2.55%	<u>532,674</u>
Total capital leases	<u>\$ 652,191</u>
Compensated absences (payable by General Fund)	<u>\$ 228,210</u>
Net OPEB liability	<u>\$ 227,000</u>
Total incurred by County	<u>\$ 11,726,293</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	<u>Total Amount</u>
<i><u>Incurring by School Board:</u></i>	
<u>General Obligation Bonds:</u>	
\$2,555,000 general obligation bond issued May 10, 2012 payable in various annual installments through July 15, 2027, interest payable semi-annually at rates varying from 2.55% to 5.05%	\$ 1,970,000
<u>Lease revenue bonds:</u>	
\$2,092,700 lease revenue bond issued October 28, 2013, payable in varying annual installments through October 15, 2032, interest at 4.52% payable annually	\$ 1,904,500
\$1,515,000 refunding lease revenue bond issued July 8, 2015, payable in varying annual installments through August 1, 2019, interest at 1.52%, payable semi-annually	972,000
\$6,627,000 refunding lease revenue bond issued July 8, 2015, payable in varying annual installments through August 1, 2026, interest at 2.35%, payable semi-annually	5,825,000
\$7,835,000 lease revenue bond (School Board is responsible for 23.579% of total bond) issued May 1, 2017, payable in varying annual installments through August 1, 2032, interest at 2.64%, payable semi-annually	<u>1,741,108</u>
Total lease revenue bonds	<u>\$ 10,442,608</u>
Total incurred by School Board	<u>\$ 12,412,608</u>
Total Long-Term Obligations, Primary Government	<u><u>\$ 24,138,901</u></u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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, 2018:

	Restated Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 61,042	\$ 8,366	\$ 6,104	\$ 63,304	\$ 6,330
Net pension liability	13,891,798	1,863,479	3,864,673	11,890,604	-
Net OPEB liabilities	2,219,195	117,370	233,442	2,103,123	-
Total Component Unit-School Board	<u>\$ 16,172,035</u>	<u>\$ 1,989,215</u>	<u>\$ 4,104,219</u>	<u>\$ 14,057,031</u>	<u>\$ 6,330</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:

	<u>Primary Government Incurred by County</u>
Asset:	
Equipment	\$ 878,139
Less: accumulated depreciation	(115,204)
Total	<u>\$ 762,935</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 8—Capital Leases: (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018 were as follows:

Year Ended June 30	Primary Government Incurred by County
2019	\$ 212,796
2020	201,097
2021	141,765
2022	141,765
Total minimum lease payments	\$ 697,423
Less: amount representing interest	(45,232)
Present value of minimum lease payments	\$ 652,191

Note 9—Unearned and Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$7,903,058 (including 2nd half tax billings of \$6,333,113 not due until December 5) at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$279,056 at June 30, 2018.

Deferred Revenue - Deferred revenue representing prepaid taxes due subsequent to June 30, 2018 totaling \$279,056 and \$6,333,113 of 2nd half tax billing levied in current year but due in FY2018 totaled \$6,612,169.

Unearned Revenue - Other unearned revenue items totaled \$1,478 at June 30, 2018, 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, 2018, 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.

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Note 13—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Continued)	Disability Coverage (Continued)	Disability Coverage (Continued) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 13—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 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	35
Inactive members:		
Vested inactive members	13	9
Non-vested inactive members	18	8
Inactive members active elsewhere in VRS	47	9
Total inactive members	78	26
Active members	64	24
Total covered employees	193	85

Contributions

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

The County’s contractually required employer contribution rate for the year ended June 30, 2018 was 4.65% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$125,920 and \$121,680 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 13—Pension Plan: (Continued)

Contributions (Continued)

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 13.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$59,997 and \$58,868 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability/Asset

The County’s and Component Unit School Board’s (nonprofessional) net pension asset and liability were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension asset and liability were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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, 2016, 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, 2017.

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 Plan: (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, 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:

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 Plan: (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, 2016, 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, 2017.

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 Plan: (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, 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:

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 Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

County of Middlesex, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Pension Plan: (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, 2016	\$ 9,706,784	\$ 10,264,216	\$ (557,432)
Changes for the year:			
Service cost	\$ 323,719	\$ -	\$ 323,719
Interest	663,628	-	663,628
Assumption changes	(10,415)	-	(10,415)
Differences between expected and actual experience	(92,300)	-	(92,300)
Contributions - employer	-	121,680	(121,680)
Contributions - employee	-	134,500	(134,500)
Net investment income	-	1,244,950	(1,244,950)
Benefit payments, including refunds			
Refund of employee contributions	(452,774)	(452,774)	-
Administrative expenses	-	(7,244)	7,244
Other changes	-	(1,105)	1,105
Net changes	\$ 431,858	\$ 1,040,007	\$ (608,149)
Balances at June 30, 2017	\$ 10,138,642	\$ 11,304,223	\$ (1,165,581)

Note 13—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 3,027,420	\$ 2,343,622	\$ 683,798
Changes for the year:			
Service cost	\$ 42,574	\$ -	\$ 42,574
Interest	205,984	-	205,984
Assumption changes	(20,804)	-	(20,804)
Differences between expected and actual experience	(82,281)	-	(82,281)
Contributions - employer	-	58,868	(58,868)
Contributions - employee	-	21,208	(21,208)
Net investment income	-	280,512	(280,512)
Benefit payments, including refunds			
Refund of employee contributions	(169,576)	(169,576)	-
Administrative expenses	-	(1,673)	1,673
Other changes	-	(248)	248
Net changes	\$ (24,103)	\$ 189,091	\$ (213,194)
Balances at June 30, 2017	\$ 3,003,317	\$ 2,532,713	\$ 470,604

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Note 13—Pension Plan: (Continued)

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

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County’s and Component Unit School Board’s (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's Net Pension Liability (Asset)	\$ 92,236	\$ (1,165,581)	\$ (2,216,993)
Component Unit School Board's (nonprofessional) Net Pension Liability (Asset)	\$ 783,368	\$ 470,604	\$ 204,404

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$133,017) and (\$11,640), respectively. At June 30, 2018, 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	\$ -	\$ 125,306	\$ -	\$ 26,686
Change of assumptions	-	6,543	-	6,747
Net difference between projected and actual earnings on pension plan investments	-	163,298	-	35,339
Employer contributions subsequent to the measurement date	125,920	-	59,997	-
Total	\$ 125,920	\$ 295,147	\$ 59,997	\$ 68,772

Note 13—Pension Plan: (Continued)

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

\$125,920 and \$59,997 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, 2019. 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>
2019	\$ (208,261)	\$ (57,604)
2020	20,073	11,927
2021	(235)	835
2022	(106,724)	(23,930)
Thereafter	-	-

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Note 13—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding 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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The 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 \$1,246,070 and \$1,056,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$11,420,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.09286% as compared to 0.09425% at June 30, 2016.

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense of \$704,000. 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, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 809,000
Change of assumptions	167,000	-
Net difference between projected and actual earnings on pension plan investments	-	415,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	366,000
Employer contributions subsequent to the measurement date	1,246,070	-
Total	\$ 1,413,070	\$ 1,590,000

\$1,246,070 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, 2019. 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>	
2019	\$ (587,000)
2020	(139,000)
2021	(209,000)
2022	(425,000)
2023	(63,000)

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

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 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 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (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 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):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

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.

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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 Asests	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 one 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%.

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	17,054,000	\$ 11,420,000	\$ 6,759,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

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

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% 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, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. 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 \$15,170 and \$14,437 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

Contributions (Continued)

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$40,590 and \$38,253 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$2,379 and \$2,329 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of \$227,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$600,000 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, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was 0.01505% as compared to 0.01502% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was 0.03988% and 0.00243%, respectively as compared to 0.03999% and 0.00253% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$4,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$5,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$2,000). 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, 2018, 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	\$ -	\$ 4,000	\$ -	\$ 13,000	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	9,000	-	23,000	-	1,000
Change in assumptions	-	12,000	-	31,000	-	2,000
Employer contributions subsequent to the measurement date	15,170	-	40,590	-	2,379	-
Total	\$ 15,170	\$ 25,000	\$ 40,590	\$ 67,000	\$ 2,379	\$ 4,000

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 Group Life Insurance Program OPEB (Continued)

\$15,170, \$40,590 and \$2,379, 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, 2019. 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:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2019	\$ (5,000)	\$ (14,000)	\$ (1,000)
2020	(5,000)	(14,000)	(1,000)
2021	(5,000)	(14,000)	(1,000)
2022	(5,000)	(14,000)	(1,000)
2023	(3,000)	(8,000)	-
Thereafter	(2,000)	(3,000)	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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.

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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 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
Line of Duty Disability	Increased rate from 14% to 25%

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

Actuarial Assumptions: (Continued)

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.

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 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

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 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, 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 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, 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

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	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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

Actuarial Assumptions: (Continued)

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, 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 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, 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 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.

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 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	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%

NET GLI OPEB Liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers’ Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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.

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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 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 ending June 30, 2019, 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. From July 1, 2019 on, employers are assumed 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.

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

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	\$ 293,000	\$ 227,000	\$ 173,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 777,000	\$ 600,000	\$ 458,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 47,000	\$ 37,000	\$ 28,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit 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 health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> - 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: <ul style="list-style-type: none"> ○ \$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.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit 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, 2018 was 1.23% 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, 2015. 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 Health Insurance Credit Program were \$96,104 and \$81,655 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,182,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.09321% as compared to 0.09424% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$94,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

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

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 2,000
Change in assumptions	-	12,000
Change in proportion	-	11,000
Employer contributions subsequent to the measurement date	<u>96,014</u>	<u>-</u>
Total	<u>\$ 96,014</u>	<u>\$ 25,000</u>

\$96,014 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, 2019. 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

2019	\$	(4,000)
2020		(4,000)
2021		(4,000)
2022		(4,000)
2023		(4,000)
Thereafter		(5,000)

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

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, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	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.

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (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 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 Health Insurance Credit Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$ <u>1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	7.04%
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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.

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	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 ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed 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.

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

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

The following presents the school division’s proportionate share of the VRS Teacher Employee Health Insurance Credit 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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,319,000	\$ 1,182,000	\$ 1,065,000

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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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 benefits described in Note 13, the School Board administers a single-employer defined benefit healthcare plan, The Middlesex County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board’s pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

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

Plan Membership

At June 30, 2018 (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	-
	<hr/>
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, 2018 was \$16,442.

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

School Board: (Continued)

Total OPEB Liability

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

Actuarial Assumptions

The measurement date is the Schools' fiscal year end, June 30, 2018. 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, 2018, with adjustments made for the six months difference.

Inflation	2.50% per year as of June 30, 2017 2.50% per year as of June 30, 2018
Salary Increases	3.00% per year for general salary inflations as of June 30, 2017 and June 30, 2018 respectively
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
Investment Rate of Return	N/A

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

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a 20 year municipal bond Aa index as of June 30, 2018.

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

School Board: (Continued)

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$	280,195
Changes for the year:		
Service cost		10,155
Interest		10,215
Benefit payments		(16,442)
Net changes		<u>3,928</u>
Balances at June 30, 2018	\$	<u><u>284,123</u></u>

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 (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 306,933	\$ 284,123	\$ 263,248

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%)
\$ 257,685	\$ 284,123	\$ 314,946

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

For the year ended June 30, 2018, the School Board recognized OPEB expense in the amount of \$20,370. At June 30, 2018, the School Board reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 17—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, 2018:

Investment type	Balance June 30, 2018	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	\$ 1,812,627	\$ 1,812,627	\$ -	\$ -
	<u>\$ 1,812,627</u>	<u>\$ 1,812,627</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 18—Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Lynn L. Dunlevy, Clerk of the Circuit Court	\$ 103,000
Betty S. Bray, Treasurer	400,000
Priscilla J. Davenport, Commissioner of the Revenue	3,000
David P. Bushey, Sheriff	30,000
VACo Risk Management Programs:	
All County, School Board and EDA Employees-blanket bond	250,000
Western Surety Company-Surety:	
All Social Services Employees-blanket bond	100,000

Note 19 - 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, 2018 was \$51,468.

Note 20 - Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition,

Note 21-Upcoming Pronouncements: (Continued)

use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about 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. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

County of Middlesex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 15,258,908	\$ 15,258,908	\$ 15,742,745	\$ 483,837
Other local taxes	2,409,000	2,413,765	2,589,685	175,920
Permits, privilege fees, and regulatory licenses	115,000	115,000	140,759	25,759
Fines and forfeitures	30,000	30,000	20,121	(9,879)
Revenue from the use of money and property	115,000	115,005	111,818	(3,187)
Charges for services	202,650	289,487	261,810	(27,677)
Miscellaneous	73,250	141,108	169,472	28,364
Recovered costs	189,000	222,910	192,427	(30,483)
Intergovernmental:				
Commonwealth	3,266,629	3,325,822	3,498,269	172,447
Federal	724,906	787,479	936,261	148,782
Total revenues	<u>\$ 22,384,343</u>	<u>\$ 22,699,484</u>	<u>\$ 23,663,367</u>	<u>\$ 963,883</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,785,266	\$ 1,656,272	\$ 1,563,121	\$ 93,151
Judicial administration	774,058	814,395	809,357	5,038
Public safety	4,066,877	4,323,170	3,975,770	347,400
Public works	1,855,143	2,488,446	1,997,054	491,392
Health and welfare	2,136,162	2,326,245	2,311,942	14,303
Education	8,541,284	8,572,658	8,428,186	144,472
Parks, recreation, and cultural	190,791	210,153	203,470	6,683
Community development	568,710	632,810	600,602	32,208
Debt service:				
Principal retirement	2,003,241	2,003,241	2,003,241	-
Interest and other fiscal charges	670,811	670,811	625,234	45,577
Total expenditures	<u>\$ 22,592,343</u>	<u>\$ 23,698,201</u>	<u>\$ 22,517,977</u>	<u>\$ 1,180,224</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (208,000)</u>	<u>\$ (998,717)</u>	<u>\$ 1,145,390</u>	<u>\$ 2,144,107</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,965,000)	\$ (1,965,000)	\$ (2,090,000)	\$ (125,000)
Issuance of capital leases	-	641,843	641,843	-
Total other financing sources (uses)	<u>\$ (1,965,000)</u>	<u>\$ (1,323,157)</u>	<u>\$ (1,448,157)</u>	<u>\$ (125,000)</u>
Net change in fund balances	\$ (2,173,000)	\$ (2,321,874)	\$ (302,767)	\$ 2,019,107
Fund balances - beginning	2,173,000	2,321,874	10,142,909	7,821,035
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,840,142</u>	<u>\$ 9,840,142</u>

County of Middlesex, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Primary Government
 For the Years Ended June 30, 2015 through June 30, 2018

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

County of Middlesex, Virginia
 Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (Nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2018

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

County of Middlesex, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09286%	0.09425%	0.09504%	0.09589%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,420,000	\$ 13,208,000	\$ 11,962,000	\$ 11,588,000
Employer's Covered Payroll	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	155.24%	183.80%	169.29%	165.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

County of Middlesex, Virginia
 Schedule of Employer Contributions
 For the Years Ended June 30, 2009 through June 30, 2018

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					
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%
2009	117,462	117,462	-	2,447,125	4.80%
Component Unit School Board (nonprofessional)					
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%
2009	89,184	89,184	-	756,439	11.79%
Component Unit School Board (professional)					
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			6,161,972	
2011	Unavailable			6,280,777	
2010	388,031	388,031	-	6,219,440	6.24%
2009	563,503	563,503	-	6,402,844	8.80%

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

County of Middlesex, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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%

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) - 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%

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

County of Middlesex, Virginia
 Schedule of County's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.01505% \$	227,000 \$	2,776,413	8.18%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00243% \$	37,000 \$	447,922	8.26%	48.86%
Component Unit School Board (professional):					
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.

County of Middlesex, Virginia
 Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2009 through June 30, 2018

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:					
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%
2009	6,607	6,607	-	2,447,125	0.27%
Component Unit School Board (nonprofessional):					
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%
2009	2,042	2,042	-	756,439	0.27%
Component Unit School Board (professional):					
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%
2009	17,288	17,288	-	6,402,844	0.27%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 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
Line of Duty Disability	Increased rate from 14% to 25%

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

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience 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 50% to 35%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	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-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%

County of Middlesex, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Health Insurance Credit Program (HIC)
 For the Year Ended June 30, 2018

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

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

County of Middlesex, Virginia
 Schedule of Employer Contributions
 Teacher Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
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%
2009	69,079	69,079	-	6,396,178	1.08%

County of Middlesex, Virginia
 Notes to Required Supplementary Information
 Teacher Health Insurance Credit Program (HIC)
 For the Year Ended June 30, 2018

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

County of Middlesex, Virginia
 Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios - Healthcare Plan
 Component Unit School Board
 For the Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	\$	10,155
Interest		10,215
Benefit payments		(16,442)
Net change in total OPEB liability	\$	3,928
Total OPEB liability - beginning		280,195
Total OPEB liability - ending	\$	284,123
Covered-employee payroll	\$	8,224,832
School's net OPEB liability (asset) as a percentage of covered payroll		3.5%

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

County of Middlesex, Virginia
 Notes to Required Supplementary Information - School OPEB - Healthcare Plan
 For the Year Ended June 30, 2018

Valuation Date: 1/1/2018
 Measurement Date: 6/30/2018

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	3.62%
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%

County of Middlesex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 County Capital Projects Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 23,503	\$ 23,503
Total revenues	\$ -	\$ -	\$ 23,503	\$ 23,503
EXPENDITURES				
Capital projects	\$ -	\$ 3,155,084	\$ 2,005,735	\$ 1,149,349
Total expenditures	\$ -	\$ 3,155,084	\$ 2,005,735	\$ 1,149,349
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (3,155,084)	\$ (1,982,232)	\$ 1,172,852
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 1,965,000	\$ 2,090,000	\$ 125,000
Total other financing sources (uses)	\$ -	\$ 1,965,000	\$ 2,090,000	\$ 125,000
Net change in fund balances	\$ -	\$ (1,190,084)	\$ 107,768	\$ 1,297,852
Fund balance - beginning	-	1,190,084	4,484,489	3,294,405
Fund balance - ending	\$ -	\$ -	\$ 4,592,257	\$ 4,592,257

County of Middlesex, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2018

	Agency Funds		
	Special <u>Welfare</u>	Chesapeake Bay Governor's <u>School</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,377	\$ 83,013	\$ 85,390
LIABILITIES			
Amounts held for others	\$ -	\$ 83,013	\$ 83,013
Amounts held for social services clients	2,377	-	2,377
Total liabilities	<u>\$ 2,377</u>	<u>\$ 83,013</u>	<u>\$ 85,390</u>

County of Middlesex, Virginia

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 1,918	\$ 8,697	\$ 8,238	\$ 2,377
Liabilities:				
Amounts held for social services clients	\$ 1,918	\$ 8,697	\$ 8,238	\$ 2,377
Chesapeake Bay Governor's School:				
Assets:				
Cash and cash equivalents	\$ 178,794	\$ 1,644,751	\$ 1,740,532	\$ 83,013
Liabilities:				
Amounts held for others	\$ 178,794	\$ 1,644,751	\$ 1,740,532	\$ 83,013
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 180,712	\$ 1,653,448	\$ 1,748,770	\$ 85,390
Liabilities:				
Amounts held for others	\$ 178,794	\$ 1,644,751	\$ 1,740,532	\$ 83,013
Amounts held for social services clients	1,918	8,697	8,238	2,377
Total liabilities	\$ 180,712	\$ 1,653,448	\$ 1,748,770	\$ 85,390

County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,495,570	\$ 256,928	\$ 1,752,498
Due from other governmental units	254,381	-	254,381
Total assets	<u>\$ 1,749,951</u>	<u>\$ 256,928</u>	<u>\$ 2,006,879</u>
LIABILITIES			
Accrued liabilities	\$ 1,391,223	\$ -	\$ 1,391,223
Due to other governmental units	249,044	-	249,044
Total liabilities	<u>\$ 1,640,267</u>	<u>\$ -</u>	<u>\$ 1,640,267</u>
FUND BALANCES			
Committed:			
School operating	\$ 109,684	\$ -	\$ 109,684
School food	-	256,928	256,928
Total fund balances	<u>\$ 109,684</u>	<u>\$ 256,928</u>	<u>\$ 366,612</u>

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

Total fund balances per above	\$ 366,612
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets cost	\$ 11,426,576
Accumulated depreciation	<u>(5,758,167)</u>
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 1,473,067
OPEB related items	<u>138,983</u>
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	\$ (63,304)
Net pension liability	(11,890,604)
Net OPEB liabilities	<u>(2,103,123)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (1,658,772)
OPEB related items	<u>(96,000)</u>
Net position of governmental activities	<u>\$ (8,164,732)</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, 2018

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 30,041	\$ -	\$ 30,041
Charges for services	31,800	143,667	175,467
Miscellaneous	183,904	-	183,904
Intergovernmental:			
Local government	8,337,234	82,077	8,419,311
Commonwealth	4,724,079	58,178	4,782,257
Federal	731,343	401,169	1,132,512
Total revenues	<u>\$ 14,038,401</u>	<u>\$ 685,091</u>	<u>\$ 14,723,492</u>
EXPENDITURES			
Current:			
Education	\$ 14,037,632	\$ 591,359	\$ 14,628,991
Total expenditures	<u>\$ 14,037,632</u>	<u>\$ 591,359</u>	<u>\$ 14,628,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 769</u>	<u>\$ 93,732</u>	<u>\$ 94,501</u>
Net change in fund balances	\$ 769	\$ 93,732	\$ 94,501
Fund balances - beginning	108,915	163,196	272,111
Fund balances - ending	<u>\$ 109,684</u>	<u>\$ 256,928</u>	<u>\$ 366,612</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 \$ 94,501

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	\$ 230,918	
Depreciation expense	(391,584)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>445,043</u>	284,377

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	\$ 700,408	
OPEB expense	38,055	
Changes in compensated absences	<u>(2,262)</u>	736,201

Change in net position of governmental activities \$ 1,115,079

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, 2018

	School Operating Fund			School Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	
	Original	Final		Original	Final		
REVENUES							
Revenue from the use of money and property	\$ -	\$ -	\$ 30,041	\$ 30,041	\$ -	\$ -	\$ -
Charges for services	25,000	25,000	31,800	6,800	191,455	143,667	(47,788)
Miscellaneous	164,200	180,945	183,904	2,959	-	-	-
Intergovernmental:							
Local government	8,448,707	8,480,081	8,337,234	(142,847)	82,077	82,077	-
Commonwealth	4,686,701	4,715,390	4,724,079	8,689	56,883	58,178	1,295
Federal	750,328	941,350	731,343	(210,007)	331,000	401,169	32,230
Total revenues	\$ 14,074,936	\$ 14,342,766	\$ 14,038,401	\$ (304,365)	\$ 661,415	\$ 685,091	\$ (14,263)
EXPENDITURES							
Current:							
Education	\$ 14,074,936	\$ 14,342,766	\$ 14,037,632	\$ 305,134	\$ 661,415	\$ 591,359	\$ 233,714
Total expenditures	\$ 14,074,936	\$ 14,342,766	\$ 14,037,632	\$ 305,134	\$ 661,415	\$ 591,359	\$ 233,714
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 769	\$ 769	\$ -	\$ 93,732	\$ 219,451
Net change in fund balances	\$ -	\$ -	\$ 769	\$ 769	\$ -	\$ 93,732	\$ 219,451
Fund balances - beginning			108,915	108,915		163,196	37,477
Fund balances - ending	\$ -	\$ -	\$ 109,684	\$ 109,684	\$ -	\$ 256,928	\$ 256,928

County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$	402,432
Note receivable		20,000
Total current assets	\$	<u>422,432</u>

Noncurrent assets:

Capital assets:

Land	\$	11,155
Total noncurrent assets	\$	<u>11,155</u>
Total assets	\$	<u>433,587</u>

LIABILITIES

Current liabilities:

Due to other governmental units	\$	47,988
Total liabilities	\$	<u>47,988</u>

NET POSITION

Net investment in capital assets	\$	11,155
Unrestricted		374,444
Total net position	\$	<u>385,599</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, 2018

OPERATING REVENUES

Charges for services:

Bond fees	\$	52,087
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Total operating revenues	\$	<u>52,087</u>
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OPERATING EXPENSES

Grants	\$	8,500
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Insurance claims and expenses		1,186
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Other charges		5,980
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Total operating expenses	\$	<u>15,666</u>
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Operating income (loss)	\$	<u>36,421</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	\$	4,163
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Contribution from County of Middlesex		11,155
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Interest expense		(1,118)
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Total nonoperating revenues (expenses)	\$	<u>14,200</u>
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Change in net position	\$	50,621
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Total net position - beginning		334,978
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Total net position - ending	\$	<u><u>385,599</u></u>
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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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 52,087
Payments for operating activities	<u>(22,346)</u>
Net cash provided by (used for) operating activities	<u>\$ 29,741</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on notes receivable	\$ 23,419
Interest payments	<u>(1,118)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ 22,301</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 4,163
Net cash provided by (used for) investing activities	<u>\$ 4,163</u>
 Net increase (decrease) in cash and cash equivalents	 \$ 56,205
 Cash and cash equivalents - beginning	 <u>346,227</u>
Cash and cash equivalents - ending	<u>\$ 402,432</u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ <u>36,421</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in due to other governmental units	<u>(6,680)</u>
Total adjustments	<u>\$ (6,680)</u>
Net cash provided (used) by operating activities	<u>\$ 29,741</u>

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

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	\$ 12,052,543	\$ 12,052,543	\$ 12,738,037	\$ 685,494
Real and personal public service corporation taxes	241,000	241,000	297,352	56,352
Personal property taxes	2,696,865	2,696,865	2,396,408	(300,457)
Mobile home taxes	50,000	50,000	55,750	5,750
Airplane taxes	8,500	8,500	8,739	239
Penalties	110,000	110,000	140,255	30,255
Interest	100,000	100,000	106,204	6,204
Total general property taxes	<u>\$ 15,258,908</u>	<u>\$ 15,258,908</u>	<u>\$ 15,742,745</u>	<u>\$ 483,837</u>
Other local taxes:				
Local sales and use taxes	\$ 1,025,000	\$ 1,025,000	\$ 1,085,357	\$ 60,357
Consumers' utility taxes	231,000	231,000	232,695	1,695
Consumption taxes	45,000	45,000	47,203	2,203
Business license taxes	180,000	180,000	156,640	(23,360)
Motor vehicle licenses	298,000	298,000	283,283	(14,717)
Bank stock taxes	80,000	80,000	119,379	39,379
Taxes on recordation and wills	200,000	200,000	286,957	86,957
Meals tax	350,000	354,765	378,171	23,406
Total other local taxes	<u>\$ 2,409,000</u>	<u>\$ 2,413,765</u>	<u>\$ 2,589,685</u>	<u>\$ 175,920</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,500	\$ 10,500	\$ 8,021	\$ (2,479)
Building permits	82,000	82,000	91,004	9,004
Permits and other licenses	22,500	22,500	41,734	19,234
Total permits, privilege fees, and regulatory licenses	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 140,759</u>	<u>\$ 25,759</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 20,121	\$ (9,879)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 6,401	\$ 4,901
Revenue from use of property	113,500	113,505	105,417	(8,088)
Total revenue from use of money and property	<u>\$ 115,000</u>	<u>\$ 115,005</u>	<u>\$ 111,818</u>	<u>\$ (3,187)</u>
Charges for services:				
Charges for court services	\$ 28,000	\$ 28,000	\$ 18,069	\$ (9,931)
Charges for Commonwealth's Attorney	1,000	1,000	920	(80)
Charges for Treasurer	2,000	5,700	5,460	(240)
Charges for other protection	4,050	4,050	4,954	904
Charges for planning and community development	13,600	13,850	21,776	7,926
Charges for parks and recreation	5,000	24,362	26,697	2,335
Charges for airport	149,000	212,525	183,934	(28,591)
Total charges for services	<u>\$ 202,650</u>	<u>\$ 289,487</u>	<u>\$ 261,810</u>	<u>\$ (27,677)</u>

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

Schedule 1
 Page 2 of 5

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 73,250	\$ 141,108	\$ 169,472	\$ 28,364
Recovered costs:				
Sheriff	\$ -	\$ 33,910	\$ 40,825	\$ 6,915
Debt service	-	-	1,118	1,118
EMS fee for service	189,000	189,000	138,942	(50,058)
Contractor training	-	-	11,542	11,542
Total recovered costs	\$ 189,000	\$ 222,910	\$ 192,427	\$ (30,483)
Total revenue from local sources	\$ 18,392,808	\$ 18,586,183	\$ 19,228,837	\$ 642,654
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 1,500	\$ 1,500	\$ 1,152	\$ (348)
Rolling stock tax	(500)	(500)	545	1,045
Mobile home titling tax	18,000	18,000	17,741	(259)
Communications tax	460,000	460,000	401,419	(58,581)
State recordation tax	-	-	74,660	74,660
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	\$ 1,188,635	\$ 1,188,635	\$ 1,205,153	\$ 16,518
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 159,519	\$ 159,519	\$ 161,052	\$ 1,533
Sheriff	706,010	706,010	715,695	9,685
Commissioner of revenue	96,041	96,041	103,813	7,772
Treasurer	88,261	88,261	88,724	463
Registrar/electoral board	40,000	40,000	37,399	(2,601)
Clerk of the circuit court	200,753	200,753	195,366	(5,387)
Total shared expenses	\$ 1,290,584	\$ 1,290,584	\$ 1,302,049	\$ 11,465
Other categorical aid:				
Public assistance and welfare administration	\$ 464,863	\$ 464,863	\$ 464,863	-
Fire programs fund	-	35,046	35,046	-
Comprehensive services act	215,000	215,000	341,087	126,087
Wireless funds	45,000	45,000	45,969	969
Emergency medical services	-	13,147	-	(13,147)
Victim-witness grant	16,347	16,347	16,347	-
Clerk's records grant	-	-	16,791	16,791
Arts commission grant	5,000	5,000	4,500	(500)
Forfeitted assets	-	-	1,632	1,632
Airport grant	-	-	37,302	37,302

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

<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	\$ 6,038	\$ (162)
Animal friendly plates	-	-	122	122
School resource officer	-	-	16,324	16,324
Other grants	35,000	46,000	5,046	(40,954)
Total other categorical aid	<u>\$ 787,410</u>	<u>\$ 846,603</u>	<u>\$ 991,067</u>	<u>\$ 144,464</u>
Total categorical aid	<u>\$ 2,077,994</u>	<u>\$ 2,137,187</u>	<u>\$ 2,293,116</u>	<u>\$ 155,929</u>
Total revenue from the Commonwealth	<u>\$ 3,266,629</u>	<u>\$ 3,325,822</u>	<u>\$ 3,498,269</u>	<u>\$ 172,447</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 674,557	\$ 675,440	\$ 774,611	\$ 99,171
Asset forfeiture	-	-	5,218	5,218
Edward Byrne JAG grant	-	-	1,701	1,701
Victim-witness grant	50,349	50,349	49,041	(1,308)
SAFER grant	-	61,690	98,190	36,500
Emergency services grants	-	-	7,500	7,500
Total categorical aid	<u>\$ 724,906</u>	<u>\$ 787,479</u>	<u>\$ 936,261</u>	<u>\$ 148,782</u>
Total revenue from the federal government	<u>\$ 724,906</u>	<u>\$ 787,479</u>	<u>\$ 936,261</u>	<u>\$ 148,782</u>
Total General Fund	<u>\$ 22,384,343</u>	<u>\$ 22,699,484</u>	<u>\$ 23,663,367</u>	<u>\$ 963,883</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 23,503	\$ 23,503
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,503</u>	<u>\$ 23,503</u>
Total Primary Government	<u>\$ 22,384,343</u>	<u>\$ 22,699,484</u>	<u>\$ 23,686,870</u>	<u>\$ 987,386</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	\$ -	\$ -	\$ 30,041	\$ 30,041

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

<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	\$ 31,800	\$ 6,800
Miscellaneous:				
Miscellaneous	\$ 164,200	\$ 180,945	\$ 183,904	\$ 2,959
Total revenue from local sources	\$ 189,200	\$ 205,945	\$ 245,745	\$ 39,800
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 8,448,707	\$ 8,480,081	\$ 8,337,234	\$ (142,847)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,312,462	\$ 1,312,462	\$ 1,245,097	\$ (67,365)
Basic school aid	2,070,423	2,070,423	2,099,160	28,737
GED funding	7,859	7,859	8,294	435
English as a second language	4,082	4,082	4,802	720
Gifted and talented	20,753	20,753	21,004	251
Special education	237,186	237,186	259,512	22,326
Remedial education	74,483	74,483	75,377	894
Vocational education	67,269	72,269	77,288	5,019
Early reading intervention	9,571	9,571	13,160	3,589
School fringes	408,573	408,573	413,510	4,937
Compensation supplement	19,727	19,727	19,969	242
Technology	128,000	128,000	128,000	-
Mentor teacher program	1,685	1,685	1,034	(651)
At risk payments	92,406	92,406	95,095	2,689
Primary class size	99,457	99,457	102,371	2,914
Project graduation	3,328	3,328	3,327	(1)
SOL algebra readiness	10,921	10,921	10,856	(65)
School security grant	-	23,689	23,689	-
Supplemental lottery	118,516	118,516	120,058	1,542
Other state funds	-	-	2,476	2,476
Total categorical aid	\$ 4,686,701	\$ 4,715,390	\$ 4,724,079	\$ 8,689
Total revenue from the Commonwealth	\$ 4,686,701	\$ 4,715,390	\$ 4,724,079	\$ 8,689

County of Middlesex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

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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	\$ 334,226	\$ 401,952	\$ 336,163	\$ (65,789)
Title VI-B, special education flow-through	297,002	364,988	288,991	(75,997)
Vocational education	26,182	28,996	23,383	(5,613)
Title VI-B, special education pre-school	10,192	10,192	10,192	-
Title III - part A	795	2,721	604	(2,117)
Title VI-rural	24,962	53,566	27,066	(26,500)
Title II, Part A	56,969	78,935	43,562	(35,373)
Other federal funds	-	-	1,382	1,382
Total categorical aid	<u>\$ 750,328</u>	<u>\$ 941,350</u>	<u>\$ 731,343</u>	<u>\$ (210,007)</u>
Total revenue from the federal government	<u>\$ 750,328</u>	<u>\$ 941,350</u>	<u>\$ 731,343</u>	<u>\$ (210,007)</u>
Total School Operating Fund	<u>\$ 14,074,936</u>	<u>\$ 14,342,766</u>	<u>\$ 14,038,401</u>	<u>\$ (304,365)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 191,455	\$ 191,455	\$ 143,667	\$ (47,788)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 82,077	\$ 82,077	\$ 82,077	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 9,419	\$ 9,419	\$ 10,141	\$ 722
Textbook payments	47,464	47,464	48,037	573
Total categorical aid	<u>\$ 56,883</u>	<u>\$ 56,883</u>	<u>\$ 58,178</u>	<u>\$ 1,295</u>
Total revenue from the Commonwealth	<u>\$ 56,883</u>	<u>\$ 56,883</u>	<u>\$ 58,178</u>	<u>\$ 1,295</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 331,000	\$ 331,000	\$ 363,230	\$ 32,230
Commodities	-	37,939	37,939	-
Total categorical aid	<u>\$ 331,000</u>	<u>\$ 368,939</u>	<u>\$ 401,169</u>	<u>\$ 32,230</u>
Total revenue from the federal government	<u>\$ 331,000</u>	<u>\$ 368,939</u>	<u>\$ 401,169</u>	<u>\$ 32,230</u>
Total School Special Revenue Fund	<u>\$ 661,415</u>	<u>\$ 699,354</u>	<u>\$ 685,091</u>	<u>\$ (14,263)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 14,736,351</u>	<u>\$ 15,042,120</u>	<u>\$ 14,723,492</u>	<u>\$ (318,628)</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 88,756	\$ 88,756	\$ 90,899	\$ (2,143)
General and financial administration:				
County administrator	\$ 362,599	\$ 363,524	\$ 361,903	\$ 1,621
Legal services	116,668	116,668	118,975	(2,307)
Commissioner of revenue	230,871	230,871	234,777	(3,906)
Treasurer	242,673	246,373	243,543	2,830
Assessor	45,000	45,000	10,482	34,518
Data processing	211,245	211,245	187,500	23,745
Other general and financial administration	343,500	203,434	177,468	25,966
Total general and financial administration	<u>\$ 1,552,556</u>	<u>\$ 1,417,115</u>	<u>\$ 1,334,648</u>	<u>\$ 82,467</u>
Board of elections:				
Registrar, electoral board and officials	\$ 143,954	\$ 150,401	\$ 137,574	\$ 12,827
Total general government administration	<u>\$ 1,785,266</u>	<u>\$ 1,656,272</u>	<u>\$ 1,563,121</u>	<u>\$ 93,151</u>
Judicial administration:				
Courts:				
General district court	\$ 9,200	\$ 9,200	\$ 8,412	\$ 788
Juvenile court	4,050	4,050	2,667	1,383
Sheriff	186,947	190,124	170,797	19,327
Court services unit	39,160	75,539	95,379	(19,840)
Special Magistrates	-	781	781	-
Victim Witness	66,696	66,696	65,230	1,466
Clerk of the circuit court	253,297	253,297	252,224	1,073
Total courts	<u>\$ 559,350</u>	<u>\$ 599,687</u>	<u>\$ 595,490</u>	<u>\$ 4,197</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 214,708	\$ 214,708	\$ 213,867	\$ 841
Total judicial administration	<u>\$ 774,058</u>	<u>\$ 814,395</u>	<u>\$ 809,357</u>	<u>\$ 5,038</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,534,089	\$ 1,700,462	\$ 1,653,603	\$ 46,859
School resource officers	140,576	140,576	106,763	33,813
Forfeited assets	-	-	5,418	(5,418)
Total law enforcement and traffic control	<u>\$ 1,674,665</u>	<u>\$ 1,841,038</u>	<u>\$ 1,765,784</u>	<u>\$ 75,254</u>
Fire and rescue services:				
Volunteer fire departments	\$ 256,000	\$ 294,858	\$ 295,000	\$ (142)
Volunteer rescue squads	168,644	182,744	177,891	4,853
Total fire and rescue services	<u>\$ 424,644</u>	<u>\$ 477,602</u>	<u>\$ 472,891</u>	<u>\$ 4,711</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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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	\$ 850,000	\$ 850,000	\$ 720,349	\$ 129,651
Juvenile probation and detention	106,000	69,621	60,708	8,913
Total correction and detention	<u>\$ 956,000</u>	<u>\$ 919,621</u>	<u>\$ 781,057</u>	<u>\$ 138,564</u>
Inspections:				
Building	\$ 91,860	\$ 92,110	\$ 80,534	\$ 11,576
Other protection:				
Animal control	\$ 111,943	\$ 111,943	\$ 105,370	\$ 6,573
Emergency services	680,700	753,791	663,789	90,002
Medical examiner	2,200	2,200	80	2,120
E-911 communications	124,865	124,865	106,265	18,600
Total other protection	<u>\$ 919,708</u>	<u>\$ 992,799</u>	<u>\$ 875,504</u>	<u>\$ 117,295</u>
Total public safety	<u>\$ 4,066,877</u>	<u>\$ 4,323,170</u>	<u>\$ 3,975,770</u>	<u>\$ 347,400</u>
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 98,032	\$ 98,032	\$ 95,654	\$ 2,378
Litter	13,500	13,500	7,174	6,326
Landfill maintenance	9,085	9,085	2,023	7,062
VPPSA	633,771	684,400	675,349	9,051
Total sanitation and waste removal	<u>\$ 754,388</u>	<u>\$ 805,017</u>	<u>\$ 780,200</u>	<u>\$ 24,817</u>
Maintenance of general buildings and grounds:				
General properties	\$ 567,706	\$ 567,706	\$ 536,904	\$ 30,802
Capital outlay reserve - general properties	533,049	1,115,723	679,950	435,773
Total maintenance of general buildings and grounds	<u>\$ 1,100,755</u>	<u>\$ 1,683,429</u>	<u>\$ 1,216,854</u>	<u>\$ 466,575</u>
Total public works	<u>\$ 1,855,143</u>	<u>\$ 2,488,446</u>	<u>\$ 1,997,054</u>	<u>\$ 491,392</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 167,060	\$ 167,060	\$ 167,060	\$ -
Other health contributions	11,900	11,900	11,900	-
Total health	<u>\$ 178,960</u>	<u>\$ 178,960</u>	<u>\$ 178,960</u>	<u>\$ -</u>
Mental health:				
Community services board	\$ 41,257	\$ 41,257	\$ 41,257	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,344,420	\$ 1,419,503	\$ 1,420,881	\$ (1,378)
Area agency on aging	43,085	43,085	32,314	10,771
Comprehensive services act	516,148	631,148	591,175	39,973
Housing office	2,292	2,292	2,292	-

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Vocational rehab center	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Other welfare contributions	5,000	5,000	40,063	(35,063)
Total welfare	\$ 1,915,945	\$ 2,106,028	\$ 2,091,725	\$ 14,303
Total health and welfare	\$ 2,136,162	\$ 2,326,245	\$ 2,311,942	\$ 14,303
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 6,500	\$ 6,500	\$ 4,875	\$ 1,625
Contribution to Virginia School League	4,000	4,000	4,000	-
Contribution to County School Board	8,530,784	8,562,158	8,419,311	142,847
Total education	\$ 8,541,284	\$ 8,572,658	\$ 8,428,186	\$ 144,472
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 56,791	\$ 76,153	\$ 73,426	\$ 2,727
Sports complex	24,000	24,000	20,044	3,956
Total parks and recreation	\$ 80,791	\$ 100,153	\$ 93,470	\$ 6,683
Library:				
Contribution to library	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Total parks, recreation, and cultural	\$ 190,791	\$ 210,153	\$ 203,470	\$ 6,683
Community development:				
Planning and community development:				
Planning	\$ 157,424	\$ 138,651	\$ 123,868	\$ 14,783
Zoning administration	49,324	68,097	62,238	5,859
Board of zoning appeals	4,428	4,428	388	4,040
Economic development	108,572	109,147	108,996	151
Airport	191,517	255,042	268,977	(13,935)
Total planning and community development	\$ 511,265	\$ 575,365	\$ 564,467	\$ 10,898
Environmental management:				
Contribution to soil and water conservation district	\$ 4,750	\$ 4,750	\$ 4,750	\$ -
Wetlands	14,798	14,798	16,594	(1,796)
Forestry	3,961	3,961	3,961	-
Total environmental management	\$ 23,509	\$ 23,509	\$ 25,305	\$ (1,796)

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 33,936	\$ 33,936	\$ 10,830	\$ 23,106
Total community development	\$ 568,710	\$ 632,810	\$ 600,602	\$ 32,208
Debt service:				
Principal retirement	\$ 2,003,241	\$ 2,003,241	\$ 2,003,241	\$ -
Interest and other fiscal charges	670,811	670,811	625,234	45,577
Total debt service	\$ 2,674,052	\$ 2,674,052	\$ 2,628,475	\$ 45,577
Total General Fund	\$ 22,592,343	\$ 23,698,201	\$ 22,517,977	\$ 1,180,224
County Capital Projects Fund:				
Public works:				
Capital projects:				
E911 radio system	\$ -	\$ 1,190,084	\$ 1,215,746	\$ (25,662)
SCBA replacement	-	90,000	89,989	11
Loan to Middlesex Water Authority	-	1,700,000	700,000	1,000,000
Broadband project	-	175,000	-	175,000
Total County Capital Projects Fund	\$ -	\$ 3,155,084	\$ 2,005,735	\$ 1,149,349
Total Primary Government	\$ 22,592,343	\$ 26,853,285	\$ 24,523,712	\$ 2,329,573
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 976,305	\$ 976,305	\$ 975,023	\$ 1,282
Instruction costs	9,965,145	10,227,231	9,948,867	278,364
Districtwide technology	772,735	772,735	769,321	3,414
Pupil transportation	1,203,914	1,184,658	1,162,481	22,177
Operation and maintenance of school plant	1,156,837	1,181,837	1,181,940	(103)
Total operating costs	\$ 14,074,936	\$ 14,342,766	\$ 14,037,632	\$ 305,134
Total education	\$ 14,074,936	\$ 14,342,766	\$ 14,037,632	\$ 305,134
Total School Operating Fund	\$ 14,074,936	\$ 14,342,766	\$ 14,037,632	\$ 305,134

County of Middlesex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

<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	\$ 129,541	\$ 186,446	\$ 29,993	\$ 156,453
School food services	531,874	600,688	523,427	77,261
Commodities	-	37,939	37,939	-
Total School Special Revenue Fund	<u>\$ 661,415</u>	<u>\$ 825,073</u>	<u>\$ 591,359</u>	<u>\$ 233,714</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 14,736,351</u>	<u>\$ 15,167,839</u>	<u>\$ 14,628,991</u>	<u>\$ 538,848</u>

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

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2009	\$ 350,139	2,703,065	\$ -	\$ 10,963,199	\$ 2,240,138	\$ 111,028	\$ 113,186	\$ 778,513	\$ 17,259,268			
2010	360,648	2,735,584	-	12,026,611	1,674,067	95,638	216,040	1,324,139	18,432,727			
2011	320,826	2,544,210	-	12,984,605	1,794,343	55,765	-	1,111,883	18,811,632			
2012	214,077	3,154,006	-	12,825,584	2,023,959	393,052	126,033	1,165,550	19,902,261			
2013	505,433	2,415,946	-	13,677,537	1,859,906	99,176	183,079	1,205,922	19,946,999			
2014	515,975	2,567,072	-	13,732,367	1,890,242	99,787	407,643	1,230,853	20,443,939			
2015	428,516	2,820,609	-	14,107,366	2,343,504	103,938	203,600	1,215,189	21,222,722			
2016	391,148	3,052,274	-	14,303,096	2,382,127	105,421	107,161	1,187,823	21,529,050			
2017	411,078	3,104,050	-	14,644,982	2,472,290	109,596	255,409	1,186,316	22,183,721			
2018	422,690	3,229,377	-	15,794,570	2,589,685	135,321	169,472	1,205,153	23,546,268			

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
2009	\$ 1,310,144	\$ 667,627	\$ 3,220,782	\$ 1,691,089	\$ 2,176,012	\$ 12,744,401	\$ 232,918	\$ 373,876	\$ 2,161,807	\$ 47,635,833
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

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

(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
Property Tax Levies and Collections
Last Ten Fiscal Years

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

(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.

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

Fiscal Year	Real Estate (1)	Personal		Machinery and Tools	Airplane	Watercraft	Public Service (2)	Total
		Real Estate (1)	Property and Mobile Homes					
2009	\$ 2,361,923,641	\$ 104,646,192	\$ 254,063	-	-	\$ 36,703,825	\$ 2,503,527,721	
2010	2,383,366,546	101,564,084	240,158	-	-	33,301,317	2,518,472,105	
2011	2,251,385,965	80,205,876	85,040	-	-	32,479,070	2,364,155,951	
2012	2,122,059,100	102,463,279	267,677	-	-	43,195,070	2,267,985,126	
2013	2,133,216,900	102,463,279	267,677	-	-	43,172,566	2,279,120,422	
2014	2,139,783,400	100,037,169	119,065	324,365	-	42,272,477	2,282,536,476	
2015	2,143,324,547	94,292,585	-	253,529	-	44,518,007	2,282,388,668	
2016	2,149,138,406	96,238,818	-	242,229	-	45,486,553	2,291,106,006	
2017	2,179,327,400	70,867,986	-	264,939	99,355,563	50,115,575	2,399,931,463	
2018	2,185,941,200	134,907,015	-	257,088	94,510,070	52,816,875	2,468,432,248	

(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
2009	0.52/0.35	\$ 3.50	\$ 0.52	\$ 1.75	\$ -	\$ -	\$ 0.52	\$ 3.50
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

(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
2009	9,932	\$ 2,503,527,721	\$ 24,609,209	0.010	\$ 2,478
2010	10,959	2,518,472,105	23,439,136	0.009	2,139
2011	10,959	2,364,155,951	21,936,641	0.009	2,002
2012	10,959	2,267,985,126	24,227,984	0.011	2,211
2013	10,959	2,279,120,422	22,881,952	0.010	2,088
2014	10,959	2,282,536,476	23,795,965	0.010	2,171
2015	10,959	2,282,388,668	22,601,703	0.010	2,062
2016	10,959	2,291,106,006	26,539,479	0.012	2,422
2017	10,959	2,399,931,463	24,982,170	0.010	2,280
2018	10,959	2,468,432,248	23,031,500	0.009	2,102

(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.

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex Virginia, as of and for the year ended June 30, 2018, 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 12, 2018.

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. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
November 12, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Middlesex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Middlesex, Virginia's major federal programs for the year ended June 30, 2018. 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, 2018.

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 extending to the right.

Richmond, Virginia
November 12, 2018

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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	0950117/0950118	\$ 13,905
Temporary Assistance for Needy Families	93.558	0400117/0400118	128,669
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	166
Low-Income Home Energy Assistance	93.568	0600417/0600418	15,345
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760118	17,966
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	373
Foster Care - Title IV-E	93.658	1100117/1100118	61,200
Adoption Assistance	93.659	1130117/1130118	137,702
Social Services Block Grant	93.667	1000117/1000118	132,506
Chafee Foster Care Independence Program	93.674	9150117/9150118	942
Children's Health Insurance Program	93.767	0540117/0540118	5,032
Medical Assistance Program	93.778	1200117/1200118	<u>131,372</u>
Total Department of Health and Human Services			\$ 645,178
Department of Homeland Security:			
Direct Payments:			
Staffing for Adequate Fire and Emergency Reponse	97.083	N/A	\$ 98,190
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52743	<u>7,500</u>
Total Department of Homeland Security			\$ 105,690
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	Unknown	\$ 49,041
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	<u>1,701</u>
Total Department of Justice			\$ 50,742
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Food Distribution (Child Nutrition Cluster)	10.555	Unknown	\$ 37,939
<i>Department of Education:</i>			
National School Lunch Program (Child Nutrition Cluster)	10.555	17901- 40623	261,293
			<u>\$ 299,232</u>
School Breakfast Program (Child Nutrition Cluster)	10.553	17901- 40591	<u>101,937</u> \$ 401,169
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010118	<u>129,433</u>
Total Department of Agriculture			\$ 530,602

County of Middlesex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2018

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.xxx	Unknown	\$ 5,218
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901- 42901	\$ 336,163
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	17901- 43071	\$ 288,991
Special Education - Preschool Grants	84.173	17901- 62521	10,192
			<u>299,183</u>
Career and Technical Education - Basic Grants to States	84.048	17901- 61095	23,383
Rural Education	84.358	17901- 43481	27,066
Supporting Effective Instruction State Grant	84.367	17901- 61480	43,562
Student Support and Academic Enrichment Program	84.424	17901-60024	1,382
English Language Acquisition State Grant	84.365	Unknown	604
			<u>604</u>
Total Department of Education			<u>\$ 731,343</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,068,773</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of Middlesex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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, 2018. 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	\$ 936,261
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Component Unit School Board:

School Operating Fund	\$ 731,343
School Special Revenue Fund	401,169
Total component unit school board	<u>\$ 1,132,512</u>

Total expenditures of federal awards per basic financial statements	<u>\$ 2,068,773</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,068,773</u></u>
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County of Middlesex, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	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, 2018

There were no prior year findings.