



Middlesex County, Virginia

Annual Financial Report For the fiscal year ended June 30, 2023



County Administrator
Post Office Box 428
Saluda, Virginia 23149



COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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COUNTY OF MIDDLESEX, VIRGINIA

BOARD OF SUPERVISORS

Lud H. Kimbrough, III, Chair
John B. Koontz, Jr., Vice-Chair

Wayne H. Jessie, Sr.
Reginald A. Williams, Sr.

Don R. Harris

COUNTY SCHOOL BOARD

Elliot W. Reed, Chair
Dr. Dana Burnett, Vice-Chair

Garland M. Harrow
Claudia H. Soucek

Jenny McMurtrie

OTHER OFFICIALS

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

Jeffrey W. Shaw
Rachel K. Hartenbach
Stephanie M. Revere
Mara M. Matthews
Michael T. Hurd
E. Mae Burke
Traci Wright
David P. Bushey
Tracy B. Seitz, Ed.D
Rebecca J. Morgan
Matt Walker

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FOR THE YEAR ENDED JUNE 30, 2023

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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 the County of Middlesex, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County of Middlesex, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of and for the year ended June 30, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Specifications for Audits of Counties, Cities, and Towns*, we:

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

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

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

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

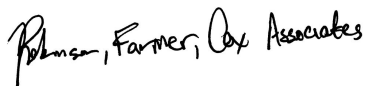
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023, 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.



Richmond, Virginia
November 27, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2023.

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 \$25,306,159 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources over expenditures and other financing uses in the amount of \$1,116,457 (Exhibit 5) after making contributions totaling \$11,285,691 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$18,708,338, an increase of \$1,116,457 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,696,688, or 50% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$1,106,277 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,306,159 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Middlesex, Virginia's Net Position		
	Governmental Activities	
	2023	2022
Current and other assets	\$ 31,842,573	\$ 31,600,946
Capital assets	<u>19,972,285</u>	<u>21,013,382</u>
Total assets	<u>\$ 51,814,858</u>	<u>\$ 52,614,328</u>
Deferred outflows of resources	<u>\$ 410,977</u>	<u>\$ 598,826</u>
Current liabilities	\$ 1,551,360	\$ 2,152,122
Long-term liabilities outstanding	<u>16,928,916</u>	<u>18,035,193</u>
Total liabilities	<u>\$ 18,480,276</u>	<u>\$ 20,187,315</u>
Deferred inflows of resources	<u>\$ 8,439,400</u>	<u>\$ 9,774,446</u>
Net position:		
Net investment in capital assets	\$ 3,614,138	\$ 3,479,702
Restricted - pension benefits	1,981,291	2,869,704
Unrestricted	<u>19,710,730</u>	<u>16,901,987</u>
Total net position	<u>\$ 25,306,159</u>	<u>\$ 23,251,393</u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$2,054,766 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Middlesex, Virginia's Changes in Net Position		
	Governmental Activities	
	2023	2022
Charges for services	\$ 569,573	\$ 593,254
Operating grants and contributions	4,628,975	4,304,184
General property taxes	21,574,333	19,227,348
Other local taxes	3,872,105	3,914,273
Grants and other contributions not restricted	2,759,072	1,101,790
Other general revenues	499,501	397,878
Total revenues	\$ 33,903,559	\$ 29,538,727
General government administration	\$ 1,965,902	\$ 2,545,308
Judicial administration	1,169,222	1,035,773
Public safety	6,018,394	6,797,582
Public works	4,503,598	2,127,437
Health and welfare	2,677,925	2,682,959
Education	12,378,057	10,609,339
Parks, recreation, and cultural	317,354	380,570
Community development	2,400,713	664,104
Interest and other fiscal charges	417,628	532,783
Total expenses	\$ 31,848,793	\$ 27,375,855
Change in net position	\$ 2,054,766	\$ 2,162,872
Net position, beginning of year	23,251,393	21,088,521
Net position, end of year	\$ 25,306,159	\$ 23,251,393

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. Particularly, unassigned 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 \$18,708,338, an increase of \$1,116,457. Approximately 89% 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 \$289,381. Expenditures and other financing uses were less than budgetary estimates by \$2,129,359 resulting in a positive variance of \$2,418,740.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital and leased assets for its governmental operations as of June 30, 2023 amounted to \$19,972,285 (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 Note 6 of this report.

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$14,833,772. Of this amount, \$1,105,000 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 \$1,023,096 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

All these factors were considered in preparing the County's budget for the 2024 fiscal year.

The fiscal year 2024 budget increased by approximately 6 percent. All tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Statement of Net Position
As of June 30, 2023

	Primary Government				
	Governmental		Component Units		
	Activities	School Board	EDA	Broadband Authority	Water Authority
ASSETS					
Cash and cash equivalents	\$ 18,563,211	\$ 3,534,445	\$ 511,958	\$ 66,408	\$ 601,361
Receivables (net of allowance for uncollectibles):					
Taxes receivable	9,419,928	-	-	-	-
Accounts receivable	347,929	-	-	-	111,166
Note receivable	-	-	80,000	-	-
Due from other governmental units	1,292,858	587,101	-	-	-
Prepaid items	237,356	-	-	-	-
Net pension asset	1,981,291	-	-	-	-
Restricted assets:					
Capital assets (net of accumulated depreciation):					
Land and land improvements	3,086,077	248,545	-	-	454,163
Buildings and improvements	13,481,408	9,262,284	-	-	27,825,003
Intangibles	1,849	-	-	-	-
Equipment	2,034,075	1,939,179	-	-	-
Infrastructure	1,126,793	-	-	-	-
Assets under lease	116,008	72,741	-	-	-
Construction in progress	126,075	-	-	-	50,000
Total assets	\$ 51,814,858	\$ 15,644,295	\$ 591,958	\$ 66,408	\$ 29,041,693
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 346,070	\$ 3,087,930	\$ -	\$ -	\$ -
OPEB related items	64,907	505,626	-	-	-
Total deferred outflows of resources	\$ 410,977	\$ 3,593,556	\$ -	\$ -	\$ -
LIABILITIES					
Accounts payable	\$ 372,108	\$ -	\$ -	\$ -	\$ 9,083
Accrued liabilities	1,208	1,718,889	-	-	-
Accrued interest payable	180,937	-	-	-	30,227
Due to other governmental units	-	587,101	-	-	-
Unearned revenue	997,107	-	-	-	60,000
Long-term liabilities:					
Due within one year	2,094,073	102,277	-	-	295,411
Due in more than one year	14,834,843	12,750,041	-	-	22,341,131
Total liabilities	\$ 18,480,276	\$ 15,158,308	\$ -	\$ -	\$ 22,735,852
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 7,750,107	\$ -	\$ -	\$ -	\$ -
Pension related items	647,333	2,383,560	-	-	-
OPEB related items	41,960	315,491	-	-	-
Total deferred inflows of resources	\$ 8,439,400	\$ 2,699,051	\$ -	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 3,614,138	\$ 11,449,341	\$ -	\$ -	\$ 5,692,624
Restricted for construction	-	859,213	-	-	-
Restricted for pension benefits	1,981,291	-	-	-	-
Unrestricted (deficit)	19,710,730	(10,928,062)	591,958	66,408	(62,138)
Total net position	\$ 25,306,159	\$ 1,380,492	\$ 591,958	\$ 66,408	\$ 5,630,486

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, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units			
					Primary Government	School Board	EDA	Broadband Authority Water Authority
					Governmental Activities			
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,965,902	\$ 130,302	\$ 274,002	\$ -	\$ (1,561,598)			
Judicial administration	1,169,222	43,197	546,205	-	(579,820)			
Public safety	6,018,394	216,432	2,573,155	-	(3,228,807)			
Public works	4,503,598	-	11,000	-	(4,492,598)			
Health and welfare	2,677,925	-	1,877,270	-	(800,655)			
Education	12,378,057	-	-	-	(12,378,057)			
Parks, recreation, and cultural	317,354	6,685	4,500	-	(306,169)			
Community development	2,400,713	172,957	1,023,769	-	(1,203,987)			
Interest on long-term debt	417,628	-	-	-	(417,628)			
Total governmental activities	\$ 31,848,793	\$ 569,573	\$ 6,309,901	\$ -	\$ (24,969,319)			
Total primary government	\$ 31,848,793	\$ 569,573	\$ 6,309,901	\$ -				
COMPONENT UNITS:								
School Board	\$ 21,372,330	\$ 64,916	\$ 11,996,835	\$ -	\$ (9,310,579)	\$ -	\$ -	\$ -
Economic Development Authority	159,506	16,677	-	-	-	(142,829)	-	-
Middlesex Water Authority	1,183,744	593,795	-	1,393,236	-	-	-	803,287
Middlesex Broadband Authority	675,355	-	-	-	-	-	(675,355)	(675,355)
Total component unit	\$ 23,390,935	\$ 675,388	\$ 11,996,835	\$ 1,393,236	\$ (9,310,579)	\$ (142,829)	\$ (675,355)	\$ 127,932
General revenues:								
General property taxes					\$ 21,574,333	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					1,643,164	-	-	-
Motor vehicle licenses					281,399	-	-	-
Meals tax					513,405	-	-	-
Business licenses					412,679	-	-	-
Other local taxes					1,021,458	-	152,410	-
Unrestricted revenues from use of money					103,550	19,988	2,084	854
Miscellaneous					395,951	1,075,663	-	1,443
Contributions from Middlesex County					-	11,998,393	47,000	-
Grants and contributions not restricted to specific programs					1,078,146	-	-	257,000
Total general revenues					\$ 27,024,085	\$ 13,094,044	\$ 201,494	\$ 496,604
Change in net position					\$ 2,054,766	\$ 3,783,465	\$ 58,665	\$ (178,751)
Net position (deficit) - beginning					23,251,393	(2,402,973)	533,293	245,159
Net position - ending					\$ 25,306,159	\$ 1,380,492	\$ 591,958	\$ 66,408
								\$ 5,630,486

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

FUND FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Balance Sheet - Governmental Funds
As of June 30, 2023

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 17,009,094	\$ 1,554,117	\$ 18,563,211
Receivables (net of allowance for uncollectibles):			
Taxes receivable	9,419,928	-	9,419,928
Accounts receivable	347,929	-	347,929
Due from other governmental units	1,292,858	-	1,292,858
Prepaid items	237,356	-	237,356
Total assets	<u>\$ 28,307,165</u>	<u>\$ 1,554,117</u>	<u>\$ 29,861,282</u>
LIABILITIES			
Accounts payable	\$ 987	\$ 371,121	\$ 372,108
Accrued liabilities	1,208	-	1,208
Unearned revenue	1,142,712	-	1,142,712
Total liabilities	<u>\$ 1,144,907</u>	<u>\$ 371,121</u>	<u>\$ 1,516,028</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 9,636,916	\$ -	\$ 9,636,916
Total deferred inflows of resources	<u>\$ 9,636,916</u>	<u>\$ -</u>	<u>\$ 9,636,916</u>
FUND BALANCES:			
Committed	\$ 175,258	\$ 531,350	\$ 706,608
Assigned	653,396	651,646	1,305,042
Unassigned	16,696,688	-	16,696,688
Total fund balances	<u>\$ 17,525,342</u>	<u>\$ 1,182,996</u>	<u>\$ 18,708,338</u>

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

County of Middlesex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
As of June 30, 2023

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	18,708,338
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Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds.

Capital assets, cost	\$ 40,864,006	
Accumulated depreciation	<u>(20,891,721)</u>	19,972,285

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

Unavailable revenue - property taxes	\$ 1,886,809	
Unavailable revenue - opioid settlement	145,605	
Net pension asset	<u>1,981,291</u>	4,013,705

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

Pension related items	\$ 346,070	
OPEB related items	<u>64,907</u>	410,977

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

Capital leases	\$ (917,862)	
General obligation bonds	(1,105,000)	
Lease revenue bonds	(12,693,401)	
Bond premium	(1,524,375)	
Lease liabilities	(117,509)	
Compensated absences	(361,136)	
Net OPEB liability	(209,633)	
Accrued interest payable	<u>(180,937)</u>	(17,109,853)

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

Pension related items	\$ (647,333)	
OPEB related items	<u>(41,960)</u>	(689,293)

Net position of governmental activities	\$	<u><u>25,306,159</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Middlesex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 21,205,634	\$ -	\$ 21,205,634
Other local taxes	3,872,105	-	3,872,105
Permits, privilege fees, and regulatory licenses	200,541	-	200,541
Fines and forfeitures	20,701	-	20,701
Revenue from the use of money and property	232,793	1,059	233,852
Charges for services	218,029	-	218,029
Miscellaneous	296,107	-	296,107
Recovered costs	248,027	-	248,027
Intergovernmental:			
Commonwealth	4,777,234	-	4,777,234
Federal	2,565,052	-	2,565,052
Total revenues	\$ 33,636,223	\$ 1,059	\$ 33,637,282
EXPENDITURES			
Current:			
General government administration	\$ 2,676,342	\$ -	\$ 2,676,342
Judicial administration	1,003,215	-	1,003,215
Public safety	5,816,266	-	5,816,266
Public works	3,204,712	-	3,204,712
Health and welfare	2,742,170	-	2,742,170
Education	11,292,657	-	11,292,657
Parks, recreation, and cultural	312,277	-	312,277
Community development	2,375,489	-	2,375,489
Capital projects	-	1,463,916	1,463,916
Debt service:			
Principal retirement	2,019,794	-	2,019,794
Interest and other fiscal charges	610,684	-	610,684
Total expenditures	\$ 32,053,606	\$ 1,463,916	\$ 33,517,522
Excess (deficiency) of revenues over (under) expenditures	\$ 1,582,617	\$ (1,462,857)	\$ 119,760
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 531,350	\$ 531,350
Transfers out	(531,350)	-	(531,350)
Issuance of local lease acquisition agreement	-	917,862	917,862
Issuance of leases	78,835	-	78,835
Total other financing sources (uses)	\$ (452,515)	\$ 1,449,212	\$ 996,697
Net change in fund balances	\$ 1,130,102	\$ (13,645)	\$ 1,116,457
Fund balances - beginning	16,395,240	1,196,641	17,591,881
Fund balances - ending	\$ 17,525,342	\$ 1,182,996	\$ 18,708,338

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, 2023

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

Net change in fund balances - total governmental funds	\$	1,116,457
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded the depreciation expense in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 1,657,243	
Depreciation expense	(1,506,365)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>(712,702)</u>	(561,824)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		(479,274)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Opioid settlement	\$ 145,605	
Property taxes	<u>368,700</u>	514,305

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 obligations 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 general obligation bonds	\$ 190,000	
Principal retired on lease revenue bonds	1,736,082	
Principal retired on lease liabilities	93,711	
Amortization of bond premiums	152,437	
Issuance of leases	(78,835)	
Issuance of capital financing activities	<u>(917,862)</u>	1,175,533

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	\$ (56,850)	
Change in pension related items	306,408	
Change in OPEB related items	15,084	
Decrease (increase) in accrued interest payable	<u>24,927</u>	289,569

Change in net position of governmental activities	\$	<u><u>2,054,766</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Middlesex, Virginia
Statement of Fiduciary Net Position - Fiduciary Funds
As of June 30, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 138,146
NET POSITION	
Restricted for:	
Education/students	\$ 125,573
Social services clients	12,573
Total net position	\$ 138,146

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

County of Middlesex, Virginia
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Donations and contributions	\$ 23,118
Participant fees and grants	1,820,134
Total additions	<u>\$ 1,843,252</u>
DEDUCTIONS	
Recipient payments	\$ 49,621
Operating expenses	1,821,481
Total deductions	<u>\$ 1,871,102</u>
Net increase (decrease) in fiduciary net position	\$ (27,850)
Net position - beginning	165,996
Net position - ending	<u><u>\$ 138,146</u></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, 2023

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 specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2023

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2023.

Discretely Presented Component Units. The School Board members are elected by the citizens of Middlesex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County can approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2023.

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, 2023. The Authority does not issue a separate financial report.

The Middlesex Water Authority was created pursuant to Title 15.2-5107 of the Code of Virginia by resolution of the County of Middlesex, Virginia's Board of Supervisors in 2014 and is charged with providing a public source of water for residents of the County of Middlesex. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the Authority, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2023. The Authority does not issue a separate financial report.

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

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

None

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

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

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

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

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

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

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

1. Governmental Funds

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$269,783 on June 30, 2023 and was comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, lease, subscription and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County and all Component Units as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. For infrastructure asset the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

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

H. Capital Assets (Continued)

As the County and all Component Units construct or acquire capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use lease and subscription assets, the measurement of which is discussed in more detail below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increases its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant equipment, lease assets, subscription assets, and infrastructure of the primary government, as well as the component unit, are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20-40
Buildings and Improvements	10-40
Infrastructure	7
Furniture, Vehicles, Office and Computer Equipment	5-20
Intangibles	5
Buses	12
Lease equipment	3-5

I. Leases

The County has various lease assets requiring recognition. A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset. Lease recognition does not apply to short-term leases, contracts that transfer ownership, leases of assets that are investments, or certain regulated leases.

Lessee

The County recognizes lease liabilities and intangible right-to-use lease assets (lease assets) with an initial value of \$5,000, individually or in the aggregate, in the government-wide financial statements. At the commencement of the lease, the lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease liability is reduced by the principal portion of payments made. The lease asset is measured at the initial amount of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset.

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

I. Leases (Continued)

Key Estimates and Judgments

Lease accounting includes estimates and judgments for determining the (1) rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate stated in lease contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County uses its estimated incremental borrowing rate as the discount rate for lease.
- The lease terms include the noncancellable period of the lease and certain periods covered by options to extend to reflect how long the lease is expected to be in effect, with terms and conditions varying by the type of underlying asset.
- Fixed and certain variable payments as well as lease incentives and certain other payments are included in the measurement of the lease receivable (lessor) or lease liability (lessee).

The County monitors changes in circumstances that would require a remeasurement or modification of its leases. The County will remeasure the lease receivable and deferred inflows of resources (lessor) or the lease asset and liability (lessee) if certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability.

J. Compensated Absences

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

K. 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.

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

L. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” County’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes:

- Nonspendable fund balance - amounts that are either not in spendable form (such as inventory and prepaids) or are legally or contractually required to be maintained intact (corpus of a permanent fund).
- Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation.
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, 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).

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

L. Fund Balance (Continued)

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

	<u>General Fund</u>	<u>County Capital Projects</u>	<u>Total</u>
Fund Balances:			
Committed:			
Capital Projects	\$ -	\$ 531,350	\$ 531,350
School operating			
Playground Equipment	119,347	-	119,347
Proffers	45,327	-	45,327
Forfeited Assets - Commonwealth's Attorney	2,905	-	2,905
Forfeited Assets - Sheriff	7,679	-	7,679
Total Committed	<u>\$ 175,258</u>	<u>\$ 531,350</u>	<u>\$ 706,608</u>
Assigned:			
Dredge funding	\$ -	\$ 651,646	\$ 651,646
Broadband	653,396	-	653,396
Total Assigned Fund Balance	<u>\$ 653,396</u>	<u>\$ 651,646</u>	<u>\$ 1,305,042</u>
Unassigned	<u>\$ 16,696,688</u>	<u>\$ -</u>	<u>\$ 16,696,688</u>
Total Fund Balances	<u><u>\$ 17,525,342</u></u>	<u><u>\$ 1,182,996</u></u>	<u><u>\$ 18,708,338</u></u>

M. Net Position

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

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

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

M. Net Position (Continued)

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 government-wide and proprietary fund 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 fiduciary net position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Other Postemployment Benefits (OPEB)

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

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 includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets 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 pension and OPEB. For more detailed information on these items, reference the related notes.

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

Q. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets 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 pension and OPEB are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the County Capital Projects Funds of the primary government and the School Operating Fund and School Special Revenue Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.
9. Excess expenditures over appropriations:
Expenditures did not exceed appropriations in any fund on June 30, 2023.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2023 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	\$ 4,069,078
Total	\$ 4,069,078

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 4,069,078	\$ 4,069,078
Total	\$ 4,069,078	\$ 4,069,078

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2023, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Middlesex County Public Schools	\$ 587,101	\$ -
Commonwealth of Virginia:		
Local sales tax	315,917	-
Rental tax	1,141	-
State sales tax	-	229,547
Victim/witness grant	5,377	-
Constitutional officer reimbursements	118,972	-
Mobile home titling tax	14,074	-
Communications tax	48,369	-
Children's services act	74,665	-
Wireless funds	9,178	-
Welfare	39,273	-
Rolling stock tax	98	-
Federal Government:		
School fund grants	-	357,554
Victim/witness	12,546	-
Welfare	66,147	-
Total due from other governments	\$ 1,292,858	\$ 587,101

At June 30, 2023, amounts due to other governmental units are as follows:

Other Local Governments:		
County of Middlesex, Virginia	\$ -	\$ 587,101

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

Note 5—Interfund Transfers:

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 531,350
County Capital Projects	<u>531,350</u>	<u>-</u>
Total	<u>\$ 531,350</u>	<u>\$ 531,350</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 authorization.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,655,111	\$ 430,966	\$ -	\$ 3,086,077
Construction in progress	501,894	103,454	479,273	126,075
Total capital assets not subject to depreciation	\$ 3,157,005	\$ 534,420	\$ 479,273	\$ 3,212,152
Capital assets subject to depreciation:				
Buildings and improvements	\$ 14,580,755	\$ -	\$ -	\$ 14,580,755
Equipment	6,472,038	12,500	-	6,484,538
Infrastructure	172,004	1,031,488	-	1,203,492
Intangibles	695,545	-	-	695,545
Lease equipment	220,551	78,835	65,544	233,842
Jointly owned assets	15,904,959	-	1,451,277	14,453,682
Total capital assets subject to depreciation	\$ 38,045,852	\$ 1,122,823	\$ 1,516,821	\$ 37,651,854
Accumulated depreciation:				
Buildings and improvements	\$ 7,480,335	\$ 344,312	\$ -	\$ 7,824,647
Equipment	3,949,692	500,771	-	4,450,463
Infrastructure	20,066	56,633	-	76,699
Intangibles	553,848	139,848	-	693,696
Lease equipment	91,275	92,103	65,544	117,834
Jointly owned assets	8,094,259	372,698	738,575	7,728,382
Total accumulated depreciation	\$ 20,189,475	\$ 1,506,365	\$ 804,119	\$ 20,891,721
Total capital assets subject to depreciation, net	\$ 17,856,377	\$ (383,542)	\$ 712,702	\$ 16,760,133
Governmental activities capital assets, net	\$ 21,013,382	\$ 150,878	\$ 1,191,975	\$ 19,972,285

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6 –Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 248,545	\$ -	\$ -	\$ 248,545
Construction in progress	1,521,555	-	1,521,555	-
Total capital assets not subject to depreciation	\$ 1,770,100	\$ -	\$ 1,521,555	\$ 248,545
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,759,719	\$ 2,067,287	\$ -	\$ 3,827,006
Equipment	4,219,211	1,178,120	-	5,397,331
Lease equipment	213,927	-	-	213,927
Jointly owned assets	12,581,440	1,451,277	-	14,032,717
Total capital assets subject to depreciation	\$ 18,774,297	\$ 4,696,684	\$ -	\$ 23,470,981
Accumulated depreciation:				
Buildings and improvements	\$ 916,860	\$ 177,287	\$ -	\$ 1,094,147
Equipment	3,034,018	424,134	-	3,458,152
Lease equipment	70,593	70,593	-	141,186
Jointly owned assets	6,402,873	361,844	(738,575)	7,503,292
Total accumulated depreciation	\$ 10,424,344	\$ 1,033,858	\$ (738,575)	\$ 12,196,777
Total capital assets subject to depreciation, net	\$ 8,349,953	\$ 3,662,826	\$ 738,575	\$ 11,274,204
Component unit school board capital assets, net	\$ 10,120,053	\$ 3,662,826	\$ 2,260,130	\$ 11,522,749

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2023: (Continued)

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
<i>Component Unit-Middlesex Water Authority:</i>				
Capital assets not subject to depreciation:				
Land	\$ 454,163	\$ -	\$ -	\$ 454,163
Construction in progress	26,890,989	1,551,871	28,392,860	50,000
Total capital assets not subject to depreciation	\$27,345,152	\$ 1,551,871	\$28,392,860	\$ 504,163
Capital assets subject to depreciation:				
Utility plant	\$ -	\$28,392,860	\$ -	\$ 28,392,860
Total capital assets subject to depreciation	\$ -	\$28,392,860	\$ -	\$ 28,392,860
Accumulated depreciation:				
Utility plan	\$ -	\$ 567,857	\$ -	\$ 567,857
Total accumulated depreciation	\$ -	\$ 567,857	\$ -	\$ 567,857
Total capital assets subject to depreciation, net	\$ -	\$27,825,003	\$ -	\$ 27,825,003
Component unit middlesex water authority capital assets, net	\$27,345,152	\$ 29,376,874	\$28,392,860	\$ 28,329,166

The following is a summary of depreciation/amortization for the fiscal year ended June 30, 2023:

Primary Government:	
Governmental activities:	
General government administration	\$ 281,882
Judicial administration	183,656
Public safety	629,593
Public works	30,141
Education	372,698
Parks, recreation and cultural	8,395
Total Governmental activities	\$ 1,506,365
Component Unit School Board	\$ 1,033,858

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 6—Capital Assets: (Continued)

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, 2023, is that school financed assets in the amount of \$6,725,300 are reported in the Primary Government for financial reporting purposes.

Note 7—Long Term Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2023:

Primary Government:

	Balance at July 1, 2022	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences					
(payload by General Fund)	\$ 304,286	\$ 87,279	\$ 30,429	\$ 361,136	\$ 36,114
Net OPEB liabilities	197,227	130,684	118,278	209,633	-
Lease liabilities	132,385	78,835	93,711	117,509	52,542
Direct borrowings and placements:					
Capital financing activities	-	917,862	-	917,862	-
Bond premium	692,859	-	62,987	629,872	-
Lease revenue bonds	6,509,783	-	754,682	5,755,101	774,417
Total incurred by County	\$ 7,836,540	\$ 1,214,660	\$ 1,060,087	\$ 7,991,113	\$ 863,073
Incurred by School Board:					
Direct borrowings and placements:					
General obligation bonds	\$ 1,295,000	\$ -	\$ 190,000	\$ 1,105,000	\$ 200,000
Bond premium	983,953	-	89,450	894,503	-
Lease revenue bonds	7,919,700	-	981,400	6,938,300	1,031,000
Total incurred by School Board	\$10,198,653	\$ -	\$ 1,260,850	\$ 8,937,803	\$ 1,231,000
Total Governmental Activities Obligations	\$18,035,193	\$ 1,214,660	\$ 2,320,937	\$16,928,916	\$ 2,094,073

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations					
	Direct borrowings and placements				Lease Liabilities	
	Lease Revenue Bonds		Capital Financing			
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 774,417	\$ 201,627	\$ -	\$ -	\$ 52,542	\$ 8,029
2025	793,913	176,449	126,979	135,194	31,814	4,500
2026	824,971	150,082	130,753	131,421	29,124	1,623
2027	448,800	122,623	134,638	127,535	4,029	45
2028	406,000	102,668	138,639	123,534	-	-
2029	414,600	83,420	142,759	119,414	-	-
2030	439,400	63,367	147,002	115,172	-	-
2031	460,400	42,197	97,092	110,803	-	-
2032	476,600	24,169	-	-	-	-
2033	490,000	11,627	-	-	-	-
2034	74,000	5,390	-	-	-	-
2035	75,000	3,625	-	-	-	-
2036	77,000	1,836	-	-	-	-
Total	\$ 5,755,101	\$ 989,080	\$ 917,862	\$ 863,073	\$ 117,509	\$ 14,197

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations			
	Direct borrowings and placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 200,000	\$ 43,753	\$ 1,031,000	\$ 282,233
2025	210,000	33,400	1,007,300	233,321
2026	225,000	22,416	1,056,600	183,883
2027	230,000	13,228	1,114,200	131,839
2028	240,000	4,860	347,300	98,102
2029	-	-	364,700	83,738
2030	-	-	386,700	68,515
2031	-	-	408,200	52,327
2032	-	-	430,300	36,490
2033	-	-	451,000	21,673
2034	-	-	111,000	8,133
2035	-	-	114,000	5,486
2036	-	-	116,000	2,767
Total	<u>\$ 1,105,000</u>	<u>\$ 117,657</u>	<u>\$ 6,938,300</u>	<u>\$ 1,208,507</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2023

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Incurring Entity	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurring by the County:						
Compensated absences (payable from the General Fund)					\$ 361,136	\$ 36,114
Net OPEB liabilities (payable from the General Fund)					\$ 209,633	\$ -
Direct borrowings and placements:						
<u>Lease Revenue Bonds:</u>						
Public Facility Lease Revenue Bond	2.125% - 5.125%	4/30/2012	10/1/2026	\$ 630,000	\$ 215,000	\$ 50,000
Public Facility Lease Revenue Refunding Bond, including unamortized premium of \$629,872	2.26%	11/18/2020	10/1/2032	3,997,600	4,110,672	273,600
Public Facility Lease Revenue Bond	2.26%	4/29/2021	5/1/2036	986,000	874,000	58,000
Public Facility Lease Revenue Bond	1.74%	3/29/2016	2/1/2026	5,000,000	1,185,301	392,817
Total Lease Revenue Bonds					\$ 6,384,973	\$ 774,417
<u>Capital Financing Activities:</u>						
VRA Capital Financing obligation, not fully drawn down at June 30, 2023	2.95%	11/30/2022	9/1/2048	917,862	\$ 917,862	\$ -
Other long-term debt:						
<u>Lease Liabilities:</u>						
Equipment lease - copier - Administrator	1.92%	2/1/2022	1/1/2027	16,948	\$ 12,310	\$ 3,282
Equipment lease - copier - Commonwealth's Attorney	2.96%	6/1/2022	6/1/2027	9,463	7,563	1,751
Equipment lease - copier - Planning	0.75%	7/1/2021	12/5/2023	5,263	1,060	1,060
Equipment lease - vehicle - Social Services	8.34%	7/1/2021	6/30/2024	11,580	4,185	4,185
Equipment lease - vehicle - Social Services	8.34%	7/1/2021	6/30/2024	11,580	4,185	4,185
Equipment lease - vehicle - Sheriff	8.39%	7/1/2021	6/30/2024	19,882	7,188	7,188
Equipment lease - vehicle - Sheriff	11.36%	7/1/2022	6/1/2026	39,539	30,732	10,502
Equipment lease - vehicle - Sheriff	11.38%	7/1/2022	6/1/2026	39,296	31,517	10,440
Equipment lease - vehicle - Sheriff	7.05%	7/1/2021	11/1/2023	18,852	1,554	1,554
Equipment lease - vehicle - Sheriff	7.41%	7/1/2021	7/31/2025	21,471	11,761	2,941
Equipment lease - vehicle - Sheriff	6.45%	7/1/2021	9/30/2023	27,518	3,258	3,258
Equipment lease - vehicle - Sheriff	6.72%	7/1/2021	8/31/2023	26,724	2,196	2,196
Total Lease Liabilities					\$ 117,509	\$ 52,542
Total long-term obligations incurred by the County					\$ 7,991,113	\$ 863,073
Incurring by the School Board:						
Direct borrowings and placements:						
<u>General Obligation Bond:</u>						
VPSA Bond Outstanding	2.55% - 5.05%	5/10/2012	7/15/2027	\$ 2,555,000	\$ 1,105,000	\$ 200,000
<u>Revenue Bonds:</u>						
Public Facility Lease Revenue Refunding Bond, including unamortized premium of \$894,503	2.26%	11/18/2020	10/1/2032	5,677,400	4,993,703	841,400
Public Facility Lease Revenue Bond	2.26%	4/29/2021	5/1/2036	1,488,000	1,318,000	88,000
Equipment Lease/Purchase Revenue Bond	4.52%	10/28/2013	10/15/2032	2,092,700	1,521,100	101,600
Total Direct Borrowings and Placements					\$ 8,937,803	\$ 1,231,000
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 8,937,803	\$ 1,231,000
Total outstanding debt - governmental activities					\$ 16,928,916	\$ 2,094,073

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 7—Long-Term Obligations: (Continued)

Component Unit - Water Authority:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Component Unit-Water Authority:					
Direct borrowings and direct placements:					
Notes payable	\$ 80,000	\$ -	\$ -	\$ 80,000	\$ -
Revenue bonds	22,749,000	-	192,458	22,556,542	295,411
Total Component Unit-Water Authority	<u>\$ 22,829,000</u>	<u>\$ -</u>	<u>\$ 192,458</u>	<u>\$22,636,542</u>	<u>\$ 295,411</u>

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

Year Ending June 30,	Component Unit - Water Authority			
	Direct borrowings and placements			
	Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ -	\$ 800	\$ 295,411	\$ 272,862
2025	80,000	800	488,147	247,937
2026	-	-	493,667	242,417
2027	-	-	499,249	236,834
2028	-	-	504,263	231,821
2029-2033	-	-	2,610,807	1,069,610
2034-2038	-	-	2,761,862	918,554
2039-2043	-	-	2,921,659	758,757
2044-2048	-	-	3,090,421	589,723
2049-2053	-	-	3,269,606	410,811
2054-2058	-	-	3,458,784	221,633
2059-2062	-	-	2,162,666	40,228
Total	<u>\$ 80,000</u>	<u>\$ 1,600</u>	<u>\$ 22,556,542</u>	<u>\$ 5,241,187</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 7—Long-Term Obligations: (Continued)

Component Unit - Water Authority: (Continued)

Details of long-term indebtedness are as follows:

Component Unit - Water Authority:	Interest	Date	Final	Amount of	Balance	Amount
Direct borrowings and placements:			Maturity	Original	Business-type	Due Within
<u>Notes Payable:</u>	<u>Rates</u>	<u>Issued</u>	<u>Date</u>	<u>Issue</u>	<u>Activities</u>	<u>One Year</u>
Note payable - Middlesex EDA - no payment until maturity	1.00%	5/18/2017	12/31/2024	\$ 40,000	\$ 40,000	\$ -
Note payable - Middlesex EDA - no payment until maturity	1.00%	6/20/2019	12/31/2024	20,000	20,000	-
Note payable - Middlesex EDA - no payment until maturity	1.00%	7/16/2020	12/31/2024	20,000	20,000	-
<u>Revenue Bonds:</u>						
Revenue bond - Series 2020A	1.13%	9/22/2020	9/22/2060	9,000,000	8,856,494	193,411
Revenue bond - Series 2020B	1.13%	9/22/2020	9/22/2060	3,070,000	3,021,048	64,470
Revenue bond - Series 2022A	1.13%	4/19/2022	4/19/2062	5,000,000	5,000,000	17,572
Revenue bond - Series 2022B	1.13%	4/19/2022	4/19/2062	5,679,000	5,679,000	19,958
Total Direct Borrowings and Placements					\$ 22,636,542	\$ 295,411
Total outstanding debt - business-type activities					\$ 22,636,542	\$ 295,411

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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, 2023:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 115,856	\$ 206,217	\$ 11,586	\$ 310,487	\$ 31,049
Net pension liabilities	8,200,935	8,431,403	6,443,349	10,188,989	-
Net OPEB liabilities	2,334,019	708,087	762,672	2,279,434	-
Lease liabilities	143,921	-	70,513	73,408	71,228
Total Component Unit-School Board	<u>\$10,794,731</u>	<u>\$ 9,345,707</u>	<u>\$ 7,288,120</u>	<u>\$12,852,318</u>	<u>\$ 102,277</u>

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

Year Ending June 30,	School Obligations	
	Lease Liabilities	
	Principal	Interest
2024	\$ 71,228	\$ 356
2025	2,180	8
Total	<u>\$ 73,408</u>	<u>\$ 364</u>

Details of long-term indebtedness are as follows:

Component Unit - School Board:	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance School Board Activities	Amount Due Within One Year
Compensated absences					\$ 310,487	\$ 31,049
Net pension liability					\$10,188,989	\$ -
Net OPEB liabilities					\$ 2,279,434	\$ -
<u>Lease Liabilities:</u>						
Equipment lease - mailing machine	1.17%	7/1/2021	3/31/2025	\$ 10,739	\$ 5,056	\$ 2,876
Equipment lease - copiers	1.00%	7/1/2021	6/30/2024	203,187	68,352	68,352
Total lease liabilities					\$ 73,408	\$ 71,228
Total long-term obligations - Component Unit - School Board					<u>\$12,852,318</u>	<u>\$ 102,277</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 8—Unearned and Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$9,636,916 (including 2nd half tax billings of \$7,379,075 not due until December 5) on June 30, 2023.

Prepaid Property Taxes - Property taxes due after June 30, 2023 but paid in advance by the taxpayers totaled \$368,700 on June 30, 2023.

Deferred Revenue - Deferred revenue representing prepaid taxes due after June 30, 2023 totaling \$371,032 and \$7,379,075 of 2nd half tax billing levied in current year but due in FY2023 totaled \$7,750,107.

Unearned Revenue - Other unearned revenue items totaled \$997,107 on June 30, 2023, which consisted of unused American Rescue Plan Act funds to be obligated by December 31, 2024.

Note 9—Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component unit participate were audited in accordance with the provisions of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance 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 10—Litigation:

On June 30, 2023, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

The County, the Component Unit School Board, Component Unit - EDA, and the Component Unit - Water Authority 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 (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 bear to the total premiums of all members in the year in which such deficit occurs.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

Note 11—Risk Management: (Continued)

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

Note 12—Pension Plans:

Plan Description

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

Benefit Structures

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

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

Note 12—Pension Plans: (Continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	57	41
Inactive members:		
Vested inactive members	21	7
Non-vested inactive members	26	10
Inactive members active elsewhere in VRS	48	12
Total inactive members	95	29
Active members	72	21
Total covered employees	224	91

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2023 was 6.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$232,567 and \$204,915 for the years ended June 30, 2023 and June 30, 2022, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2023 was 16.64% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$99,228 and \$59,116 for the years ended June 30, 2023 and June 30, 2022, respectively.

Note 12—Pension Plans: (Continued)

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that employer’s total pension liability/asset determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2022. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

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, 2021, 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, 2022.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2021, 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, 2022.

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Discount Rate (Continued)

employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 13,035,633	\$ 15,905,337	\$ (2,869,704)
Changes for the year:			
Service cost	\$ 481,991	\$ -	\$ 481,991
Interest	893,099	-	893,099
Assumption changes	-	-	-
Differences between expected and actual experience	(129,294)	-	(129,294)
Contributions - employer	-	204,915	(204,915)
Contributions - employee	-	179,317	(179,317)
Net investment income	-	(17,334)	17,334
Benefit payments, including refunds	(573,054)	(573,054)	-
Administrative expenses	-	(9,884)	9,884
Other changes	-	369	(369)
Net changes	\$ 672,742	\$ (215,671)	\$ 888,413
Balances at June 30, 2022	\$ 13,708,375	\$ 15,689,666	\$ (1,981,291)

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Changes in Net Pension Liability

	Component School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2021	\$ 3,321,975	\$ 3,101,504	\$ 220,471
Changes for the year:			
Service cost	\$ 50,692	\$ -	\$ 50,692
Interest	218,271	-	218,271
Assumption changes	-	-	-
Differences between expected and actual experience	109,500	-	109,500
Contributions - employer	-	59,116	(59,116)
Contributions - employee	-	22,514	(22,514)
Net investment income	-	310	(310)
Benefit payments, including refunds	(278,050)	(278,050)	-
Administrative expenses	-	(1,991)	1,991
Other changes	-	68	(68)
Net changes	\$ 100,413	\$ (198,033)	\$ 298,446
Balances at June 30, 2022	\$ 3,422,388	\$ 2,903,471	\$ 518,917

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's			
Net Pension Liability (Asset)	\$ (235,918)	\$ (1,981,291)	\$ (3,409,456)
Component Unit School Board's (Nonprofessional)			
Net Pension Liability (Asset)	\$ 869,330	\$ 518,917	\$ 223,446

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

For the year ended June 30, 2023, the County and Component Unit School Board (Nonprofessional) recognized pension expense of (\$73,841) and \$116,882, respectively. On June 30, 2023, 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	\$ -	\$ 195,419	\$ 35,010	\$ -
Changes of assumptions	113,503	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	451,914	-	94,922
Employer contributions subsequent to the measurement date	232,567	-	99,228	-
Total	\$ 346,070	\$ 647,333	\$ 134,238	\$ 94,922

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

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

\$232,567 and \$99,228 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, 2024. 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>
2024	\$ (230,030)	\$ (601)
2025	(215,232)	(37,324)
2026	(305,418)	(62,455)
2027	216,850	40,468
2028	-	-
Thereafter	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually required employer contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$1,650,636 and \$1,508,888 for the years ended June 30, 2023 and June 30, 2022, respectively.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Contributions (Continued)

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Retirement Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

On June 30, 2023, the school division reported a liability of \$9,670,072 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2022, the school division's proportion was 0.10157% as compared to 0.10280% on June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$679,839. 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. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

On June 30, 2023, 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 \$	-	\$ 666,790
Change of assumptions	911,693	-
Net difference between projected and actual earnings on pension plan investments	-	1,260,775
Changes in proportion and differences between employer contributions and proportionate share of contributions	391,363	361,073
Employer contributions subsequent to the measurement date	1,650,636	-
Total	<u>\$ 2,953,692</u>	<u>\$ 2,288,638</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

\$1,650,636 reported as deferred outflows of resources related to pensions resulting from the school division's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2024. 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>	
2024	\$ (158,489)
2025	(453,044)
2026	(917,258)
2027	543,209
2028	-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Mortality rates:

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	45,211,731
Employers' Net Pension Liability (Asset)	<u>\$ 9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	17,271,489 \$	9,670,072 \$	3,480,847

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Aggregate Pension Information

	Primary Government				Component Unit School Board			
			Net Pension				Net Pension	
	Deferred Outflows	Deferred Inflows	Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 346,070	\$ 647,333	\$ (1,981,291)	\$ (73,841)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	134,238	94,922	518,917	116,882
School Board Professional	-	-	-	-	2,953,692	2,288,638	9,670,072	679,839
Totals	\$ 346,070	\$ 647,333	\$ (1,981,291)	\$ (73,841)	\$ 3,087,930	\$ 2,383,560	\$ 10,188,989	\$ 796,721

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2023

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, seatbelt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% 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, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Contributions (Continued)

valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the County were \$22,287 and \$20,447 for the years ended June 30, 2023 and June 30, 2022, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$56,468 and \$51,121 for the years ended June 30, 2023 and June 30, 2022, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$3,354 and \$2,658 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance Plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

On June 30, 2023, the County reported a liability of \$209,633 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$524,023 and \$27,213, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2022, the County's proportion was 0.01740% as compared to 0.01690% on June 30, 2021. On June 30, 2022, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.04350% and 0.00230%, respectively as compared to 0.04400% and 0.00230% respectively at June 30, 2021.

For the year ended June 30, 2023, the County recognized GLI OPEB expense of \$12,502. For the year ended June 30, 2023, the Component Unit School Board Professional group recognized GLI OPEB expense of \$26,647. For the year ended June 30, 2023, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of \$528. 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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

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

On June 30, 2023, 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	\$ 16,600	\$ 8,410	\$ 41,496	\$ 21,023	\$ 2,155	\$ 1,092
Net difference between projected and actual earnings on GLI OPEB plan investments	-	13,099	-	32,744	-	1,700
Change in assumptions	7,819	20,419	19,545	51,042	1,015	2,651
Changes in proportionate share	18,201	32	31,829	20,944	526	2,110
Employer contributions subsequent to the measurement date	22,287	-	56,468	-	3,354	-
Total	<u>\$ 64,907</u>	<u>\$ 41,960</u>	<u>\$ 149,338</u>	<u>\$ 125,753</u>	<u>\$ 7,050</u>	<u>\$ 7,553</u>

\$22,287, \$56,468 and \$3,354, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
Year Ended June 30			
2024	\$ 2,133	\$ 728	\$ (818)
2025	1,885	(982)	(805)
2026	(7,007)	(27,961)	(1,883)
2027	4,126	477	(147)
2028	(477)	(5,145)	(204)
Thereafter	-	-	-

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

Mortality Rates - Teachers

Pre-Retirement:

Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males

Post-Retirement:

Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement:

Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
GLI Net OPEB Liability (Asset)	\$	<u>1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 305,041	\$ 209,633	\$ 132,531
Component School Board (professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 762,514	\$ 524,023	\$ 331,289
Component School Board (nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 39,597	\$ 27,213	\$ 17,204

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries	
currently receiving benefits	<u>22</u>
Total inactive members	<u>22</u>
Active members	<u>21</u>
Total covered employees	<u><u>43</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board’s contractually required employer contribution rate for the year ended June 30, 2023 was 2.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the HIC Plan were \$16,520 and \$10,040 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net HIC OPEB Liability

The School Board’s net HIC OPEB liability was measured as of June 30, 2022. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

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

Actuarial Assumptions (Continued)

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 113,364	\$ 10,707	\$ 102,657
Changes for the year:			
Service cost	\$ 6,927	\$ -	\$ 6,927
Interest	8,029	-	8,029
Differences between expected and actual experience	4,690	-	4,690
Assumption changes	(29,568)	-	(29,568)
Contributions - employer	-	10,040	(10,040)
Net investment income	-	(188)	188
Benefit payments	(2,686)	(2,686)	-
Administrative expenses	-	(33)	33
Other changes	-	113	(113)
Net changes	\$ (12,608)	\$ 7,246	\$ (19,854)
Balances at June 30, 2022	\$ 100,756	\$ 17,953	\$ 82,803

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

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

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board's Net HIC OPEB Liability	\$ 90,106	\$ 82,803	\$ 76,419

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

For the year ended June 30, 2023, the School Board recognized HIC Plan OPEB expense of \$6,081. At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to the School Board's HIC Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,073	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	-
Change in assumptions	564	19,372
Changes in proportionate share and differences between actual and expected contributions	393	-
Employer contributions subsequent to the measurement date	16,520	-
Total	\$ 20,550	\$ 19,372

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

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

\$16,520 reported as deferred outflows of resources related to the HIC OPEB resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2024	\$ (7,962)
2025	(7,667)
2026	53
2027	234
2028	-
Thereafter	-

HIC Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

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

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

Eligible Employees

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2023

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$126,418 and \$114,549 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher HIC Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

On June 30, 2023, the school division reported a liability of \$1,268,657 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2022, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.10157% as compared to 0.10283% on June 30, 2021.

For the year ended June 30, 2023, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$113,286. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

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

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

On June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 51,712
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,273
Change in assumptions	37,064	3,240
Change in proportionate share differences between actual and expected contributions	77,227	51,621
Employer contributions subsequent to the measurement date	126,418	-
Total	\$ 240,709	\$ 107,846

\$126,418 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, 2024. 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	
2024	\$ 8,026
2025	9,226
2026	8,018
2027	(65)
2028	(11,038)
Thereafter	(7,722)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

Actuarial Assumptions (Continued)

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

Mortality Rates - Teachers

- Pre-Retirement:
Pub-2010 Amount Weighted Teacher Employee Rates projected generationally; 110% of rates for males
- Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions because of the experience study and VRS Board action are as follows:

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,249,046</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		15.08%

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return**	7.83%

*The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

**On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,429,791	\$ 1,268,657	\$ 1,132,067

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

School Board

Plan Description

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

Benefits Provided

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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

School Board: (Continued)

Plan Membership

On June 30, 2023 (measurement date), the following employees were covered by the benefit terms:

Total active employees with coverage	160
Total retirees with coverage	<u>5</u>
Total	<u>165</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, 2023 was \$27,656.

Total OPEB Liability

The School Board’s total OPEB liability was measured as of June 30, 2023. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions

The measurement date is the Schools’ fiscal year end, June 30, 2023. 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, 2022, with adjustments made for the six months difference.

Inflation	2.50% per year
Salary Increases	3.00% per year
Discount Rate	3.87%
Mortality rates	PUB2010DT (headcount weighted) employee tables with generational projections with scale MP-2021 for pre-retirement, PUB2010T (headcount weighted) retiree tables with generational projections with scale MP-2021 for pre-retirement for post-retirement and PUB201DT (headcount weighted) disabled retiree tables with generational projections with scale MP-2021 for post-disablement.

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2023

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

School Board: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a 20-year municipal bond Aaa index as of June 30, 2023.

Changes in Total OPEB Liability

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2022	\$	372,293
Changes for the year:		
Service cost		11,773
Interest		13,867
Changes in assumptions		(4,537)
Benefit payments		(16,658)
Net changes	\$	4,445
Balances at June 30, 2023	\$	376,738

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	Rate	
1% Decrease (2.87%)	Current (3.87%)	1% Increase (4.87%)
\$ 402,976	\$ 376,738	\$ 352,497

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

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 (5.00% decreasing to an ultimate rate of 3.50%/3.25%) or one percentage point higher (7.00% decreasing to an ultimate rate of 5.50%/5.25%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (5.00% decreasing to 3.50%/3.25%)	Trend (6.00% decreasing to 4.50%/4.25%)	1% Increase (7.00% decreasing to 5.50%/5.25%)
\$ 345,658	\$ 376,738	\$ 413,033

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

For the year ended June 30, 2023, the School Board recognized OPEB expense in the amount of \$29,450. On June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,469	\$ -
Changes in actuarial assumptions	32,510	54,967
Total	<u>\$ 87,979</u>	<u>\$ 54,967</u>

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

Year Ended June 30

2024	\$ 3,810
2025	3,810
2026	3,810
2027	3,810
2028	3,810
Thereafter	13,962

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 17—Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 13):								
County	\$ 64,907	\$ 41,960	\$ 209,633	\$ 12,502	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	7,050	7,553	27,213	528
School Board Professional	-	-	-	-	149,338	125,753	524,023	26,647
Nonprofessional Teacher Health Insurance Credit Program (Note 14)	-	-	-	-	20,550	19,372	82,803	6,081
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	240,709	107,846	1,268,657	113,286
School Stand-Alone Plan (Note 16)	-	-	-	-	87,979	54,967	376,738	29,450
Totals	\$ 64,907	\$ 41,960	\$ 209,633	\$ 12,502	\$ 505,626	\$ 315,491	\$ 2,279,434	\$ 175,992

Note 18—Surety Bonds:

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

Note 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, 2023 was \$36,325.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2023

Note 20—Upcoming Pronouncements:

Statement No. 99, *Omnibus 2022*, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The effective dates differ based on the requirements of the Statement, ranging from April 2022 to reporting periods beginning after June 15, 2023.

Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023.

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, with dates ranging from reporting periods beginning after June 15, 2022 to reporting periods beginning after June 15, 2023.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, effective for fiscal years beginning after June 15, 2023.

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

REQUIRED SUPPLEMENTARY INFORMATION

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County of Middlesex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive
			Amounts	(Negative)
REVENUES				
General property taxes	\$ 20,568,023	\$ 20,568,023	\$ 21,205,634	\$ 637,611
Other local taxes	3,626,139	3,626,139	3,872,105	245,966
Permits, privilege fees, and regulatory licenses	141,500	141,500	200,541	59,041
Fines and forfeitures	30,000	30,000	20,701	(9,299)
Revenue from the use of money and property	158,990	158,990	232,793	73,803
Charges for services	228,250	228,250	218,029	(10,221)
Miscellaneous	176,200	176,199	296,107	119,908
Recovered costs	268,000	268,000	248,027	(19,973)
Intergovernmental:				
Commonwealth	4,980,940	6,127,964	4,777,234	(1,350,730)
Federal	126,350	1,101,027	2,565,052	1,464,025
Total revenues	\$ 30,304,392	\$ 32,426,092	\$ 33,636,223	\$ 1,210,131
EXPENDITURES				
Current:				
General government administration	\$ 2,620,820	\$ 2,791,420	\$ 2,676,342	\$ 115,078
Judicial administration	982,989	1,221,849	1,003,215	218,634
Public safety	5,811,026	5,878,729	5,816,266	62,463
Public works	3,218,700	4,335,808	3,204,712	1,131,096
Health and welfare	3,028,348	3,028,348	2,742,170	286,178
Education	11,623,335	11,603,360	11,292,657	310,703
Parks, recreation, and cultural	320,774	322,600	312,277	10,323
Community development	796,007	2,464,747	2,375,489	89,258
Debt service:				
Principal retirement	2,370,628	1,925,420	2,019,794	(94,374)
Interest and other fiscal charges	-	610,684	610,684	-
Total expenditures	\$ 30,772,627	\$ 34,182,965	\$ 32,053,606	\$ 2,129,359
Excess (deficiency) of revenues over (under) expenditures	\$ (468,235)	\$ (1,756,873)	\$ 1,582,617	\$ 3,339,490
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 999,585	\$ 999,585	\$ -	\$ (999,585)
Transfers out	(531,350)	(531,350)	(531,350)	-
Issuance of leases	-	-	78,835	78,835
Total other financing sources (uses)	\$ 468,235	\$ 468,235	\$ (452,515)	\$ (920,750)
Net change in fund balances	\$ -	\$ (1,288,638)	\$ 1,130,102	\$ 2,418,740
Fund balances - beginning	-	1,288,638	16,395,240	15,106,602
Fund balances - ending	\$ -	\$ -	\$ 17,525,342	\$ 17,525,342

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020
Total pension liability			
Service cost	\$ 481,991	\$ 392,970	\$ 389,468
Interest	893,099	816,704	763,210
Changes of assumptions	-	473,831	-
Differences between expected and actual experience	(129,294)	(482,849)	156,291
Benefit payments	(573,054)	(528,693)	(504,233)
Net change in total pension liability	\$ 672,742	\$ 671,963	\$ 804,736
Total pension liability - beginning	13,035,633	12,363,670	11,558,934
Total pension liability - ending (a)	\$ 13,708,375	\$ 13,035,633	\$ 12,363,670
Plan fiduciary net position			
Contributions - employer	\$ 204,915	\$ 190,183	\$ 121,178
Contributions - employee	179,317	165,459	159,162
Net investment income	(17,334)	3,457,678	241,977
Benefit payments	(573,054)	(528,693)	(504,233)
Administrator charges	(9,884)	(8,541)	(8,243)
Other	369	326	(1,338)
Net change in plan fiduciary net position	\$ (215,671)	\$ 3,276,412	\$ 8,503
Plan fiduciary net position - beginning	15,905,337	12,628,925	12,620,422
Plan fiduciary net position - ending (b)	\$ 15,689,666	\$ 15,905,337	\$ 12,628,925
County's net pension liability (asset) - ending (a) - (b)	\$ (1,981,291)	\$ (2,869,704)	\$ (265,255)
Plan fiduciary net position as a percentage of the total pension liability	114.45%	122.01%	102.15%
Covered payroll	\$ 3,786,442	\$ 3,497,044	\$ 3,346,229
County's net pension liability (asset) as a percentage of covered payroll	-52.33%	-82.06%	-7.93%

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

Exhibit 10

2019	2018	2017	2016	2015	2014
\$ 346,768	\$ 319,227	\$ 323,719	\$ 313,001	\$ 308,501	\$ 313,075
715,335	693,866	663,628	641,382	622,514	586,951
316,710	-	(10,415)	-	-	-
177,466	(263,707)	(92,300)	(206,116)	(263,473)	-
(432,834)	(452,539)	(452,774)	(408,167)	(387,841)	(396,113)
\$ 1,123,445	\$ 296,847	\$ 431,858	\$ 340,100	\$ 279,701	\$ 503,913
10,435,489	10,138,642	9,706,784	9,366,684	9,086,983	8,583,070
\$ 11,558,934	\$ 10,435,489	\$ 10,138,642	\$ 9,706,784	\$ 9,366,684	\$ 9,086,983
\$ 118,251	\$ 125,630	\$ 121,680	\$ 212,076	\$ 207,393	\$ 212,738
152,646	184,677	134,500	131,401	133,042	132,588
799,985	836,732	1,244,950	176,194	448,360	1,337,763
(432,834)	(452,539)	(452,774)	(408,167)	(387,841)	(396,113)
(7,889)	(7,212)	(7,244)	(6,298)	(6,102)	(7,194)
(504)	(744)	(1,105)	(75)	(96)	71
\$ 629,655	\$ 686,544	\$ 1,040,007	\$ 105,131	\$ 394,756	\$ 1,279,853
11,990,767	11,304,223	10,264,216	10,159,085	9,764,329	8,484,476
\$ 12,620,422	\$ 11,990,767	\$ 11,304,223	\$ 10,264,216	\$ 10,159,085	\$ 9,764,329
\$ (1,061,488)	\$ (1,555,278)	\$ (1,165,581)	\$ (557,432)	\$ (792,401)	\$ (677,346)
109.18%	114.90%	111.50%	105.74%	108.46%	107.45%
\$ 3,185,785	\$ 2,917,276	\$ 2,776,413	\$ 2,690,989	\$ 2,594,531	\$ 2,548,301
-33.32%	-53.31%	-41.98%	-20.71%	-30.54%	-26.58%

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2022

	2022	2021	2020
Total pension liability			
Service cost	\$ 50,692	\$ 41,157	\$ 47,945
Interest	218,271	208,245	209,439
Changes of assumptions	-	129,043	-
Differences between expected and actual experience	109,500	(10,294)	(52,031)
Benefit payments	(278,050)	(262,560)	(183,549)
Net change in total pension liability	\$ 100,413	\$ 105,591	\$ 21,804
Total pension liability - beginning	3,321,975	3,216,384	3,194,580
Total pension liability - ending (a)	\$ 3,422,388	\$ 3,321,975	\$ 3,216,384
 Plan fiduciary net position			
Contributions - employer	\$ 59,116	\$ 56,779	\$ 57,819
Contributions - employee	22,514	21,999	22,942
Net investment income	310	684,072	50,189
Benefit payments	(278,050)	(262,560)	(183,549)
Administrator charges	(1,991)	(1,829)	(1,763)
Other	68	64	(122)
Net change in plan fiduciary net position	\$ (198,033)	\$ 498,525	\$ (54,484)
Plan fiduciary net position - beginning	3,101,504	2,602,979	2,657,463
Plan fiduciary net position - ending (b)	\$ 2,903,471	\$ 3,101,504	\$ 2,602,979
 School Division's net pension liability - ending (a) - (b)	\$ 518,917	\$ 220,471	\$ 613,405
 Plan fiduciary net position as a percentage of the total pension liability	84.84%	93.36%	80.93%
 Covered payroll	\$ 492,153	\$ 467,334	\$ 486,831
 School Division's net pension liability as a percentage of covered payroll	105.44%	47.18%	126.00%

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.

2019	2018	2017	2016	2015	2014
\$ 44,102	\$ 45,026	\$ 42,574	\$ 43,323	\$ 49,097	\$ 43,610
205,068	203,159	205,984	197,952	189,776	184,049
72,237	-	(20,804)	-	-	-
37,061	(26,426)	(82,281)	45,772	40,934	-
(186,860)	(202,104)	(169,576)	(175,034)	(150,966)	(140,720)
\$ 171,608	\$ 19,655	\$ (24,103)	\$ 112,013	\$ 128,841	\$ 86,939
3,022,972	3,003,317	3,027,420	2,915,407	2,786,566	2,699,627
<u>\$ 3,194,580</u>	<u>\$ 3,022,972</u>	<u>\$ 3,003,317</u>	<u>\$ 3,027,420</u>	<u>\$ 2,915,407</u>	<u>\$ 2,786,566</u>
\$ 58,835	\$ 59,997	\$ 58,868	\$ 65,602	\$ 63,953	\$ 41,513
23,422	21,595	21,208	33,066	20,699	22,563
169,313	184,219	280,512	40,128	106,195	324,512
(186,860)	(202,104)	(169,576)	(175,034)	(150,966)	(140,720)
(1,744)	(1,656)	(1,673)	(1,503)	(1,498)	(1,798)
(106)	(161)	(248)	(17)	(20)	17
\$ 62,860	\$ 61,890	\$ 189,091	\$ (37,758)	\$ 38,363	\$ 246,087
2,594,603	2,532,713	2,343,622	2,381,380	2,343,017	2,096,930
<u>\$ 2,657,463</u>	<u>\$ 2,594,603</u>	<u>\$ 2,532,713</u>	<u>\$ 2,343,622</u>	<u>\$ 2,381,380</u>	<u>\$ 2,343,017</u>
\$ 537,117	\$ 428,369	\$ 470,604	\$ 683,798	\$ 534,027	\$ 443,549
83.19%	85.83%	84.33%	77.41%	81.68%	84.08%
\$ 489,637	\$ 457,583	\$ 447,922	\$ 455,317	\$ 466,832	\$ 448,656
109.70%	93.62%	105.06%	150.18%	114.39%	98.86%

County of Middlesex, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2022

Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (3)/(4)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
(1)	(2)	(3)	(4)	(5)	(6)
2022	0.10570%	\$ 9,670,072	\$ 9,466,830	102.15%	82.61%
2021	0.10280%	7,980,464	9,094,465	87.75%	85.46%
2020	0.10440%	15,187,121	9,187,353	165.30%	71.47%
2019	1.06520%	14,018,637	8,970,888	156.27%	73.51%
2018	0.09640%	11,337,000	7,805,956	145.24%	74.81%
2017	0.09286%	11,420,000	7,356,335	155.24%	72.92%
2016	9.42500%	13,208,000	7,186,194	183.80%	68.28%
2015	0.09504%	11,962,000	7,066,046	169.29%	70.68%
2014	0.09589%	11,588,000	7,012,136	165.26%	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
Pension Plans

For the Years Ended June 30, 2014 through June 30, 2023

Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	
Primary Government					
2023	\$ 232,567	\$ 232,567	\$ -	\$ 4,127,243	5.63%
2022	204,915	204,915	-	3,786,442	5.41%
2021	191,029	191,029	-	3,497,044	5.46%
2020	122,258	122,258	-	3,346,229	3.65%
2019	118,251	118,251	-	3,185,785	3.71%
2018	125,920	125,920	-	2,917,276	4.32%
2017	121,680	121,680	-	2,776,413	4.38%
2016	217,163	217,163	-	2,690,989	8.07%
2015	207,393	207,393	-	2,594,531	7.99%
2014	213,548	213,548	-	2,548,301	8.38%
Component Unit School Board (nonprofessional)					
2023	\$ 99,228	\$ 99,228	\$ -	\$ 621,049	15.98%
2022	59,116	59,116	-	492,153	12.01%
2021	56,778	56,778	-	467,334	12.15%
2020	57,819	57,819	-	486,831	11.88%
2019	58,835	58,835	-	489,637	12.02%
2018	59,997	59,997	-	457,583	13.11%
2017	58,868	58,868	-	447,922	13.14%
2016	66,658	66,658	-	455,317	14.64%
2015	63,953	63,953	-	466,832	13.70%
2014	58,280	41,276	17,004	448,656	9.20%
Component Unit School Board (professional)					
2023	\$ 1,650,636	\$ 1,650,636	\$ -	\$ 10,447,792	15.80%
2022	1,508,888	1,508,888	-	9,466,830	15.94%
2021	1,454,393	1,454,393	-	9,094,465	15.99%
2020	1,386,732	1,386,732	-	9,187,353	15.09%
2019	1,408,868	1,408,868	-	8,970,888	15.70%
2018	1,246,070	1,246,070	-	7,805,956	15.96%
2017	1,056,000	1,056,000	-	7,356,335	14.35%
2016	1,125,585	1,125,585	-	7,186,194	15.66%
2015	1,024,577	1,024,577	-	7,066,046	14.50%
2014	817,357	817,357	-	7,012,136	11.66%

*Excludes contributions (mandatory and match on voluntary) to the defined contribution portion of the Hybrid plan.

County of Middlesex, Virginia
Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Component Unit School Board - Professional Employees:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Middlesex, Virginia
Schedule of County's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2022

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability
				(3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government:					
2022	0.01740% \$	209,633 \$	3,786,442	5.54%	67.21%
2021	0.01690%	197,227	3,497,044	5.64%	67.45%
2020	0.01630%	272,855	3,365,971	8.11%	52.64%
2019	0.01625%	264,431	3,185,785	8.30%	52.00%
2018	0.01534%	233,000	2,917,276	7.99%	51.22%
2017	0.01505%	227,000	2,776,413	8.18%	48.86%
Component Unit School Board (nonprofessional):					
2022	0.00230% \$	27,213 \$	492,153	5.53%	67.21%
2021	0.00230%	26,313	467,334	5.63%	67.45%
2020	0.00240%	39,551	486,831	8.12%	52.64%
2019	0.00250%	40,682	489,637	8.31%	52.00%
2018	0.00241%	37,000	457,583	8.09%	51.22%
2017	0.00243%	37,000	447,922	8.26%	48.86%
Component Unit School Board (professional):					
2022	0.04350% \$	524,023 \$	9,466,830	5.54%	67.21%
2021	0.04400%	512,862	9,094,465	5.64%	67.45%
2020	0.04460%	744,968	9,187,353	8.11%	52.64%
2019	0.04576%	744,637	8,970,888	8.30%	52.00%
2018	0.04105%	623,000	7,805,956	7.98%	51.22%
2017	0.03988%	600,000	7,356,335	8.16%	48.86%

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

County of Middlesex, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2014 through June 30, 2023

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:					
2023	\$ 22,287	\$ 22,287	\$ -	\$ 4,127,243	0.54%
2022	20,447	20,447	-	3,786,442	0.54%
2021	18,884	18,884	-	3,497,044	0.54%
2020	17,503	17,503	-	3,365,971	0.52%
2019	16,566	16,566	-	3,185,785	0.52%
2018	15,170	15,170	-	2,917,276	0.52%
2017	14,437	14,437	-	2,776,413	0.52%
2016	12,953	12,953	-	2,690,989	0.48%
2015	12,476	12,476	-	2,594,531	0.48%
2014	12,232	12,232	-	2,548,301	0.48%
Component Unit School Board (nonprofessional):					
2023	\$ 3,354	\$ 3,354	\$ -	\$ 621,049	0.54%
2022	2,658	2,658	-	492,153	0.54%
2021	2,524	2,524	-	467,334	0.54%
2020	2,532	2,532	-	486,831	0.52%
2019	2,546	2,546	-	489,637	0.52%
2018	2,379	2,379	-	457,583	0.52%
2017	2,329	2,329	-	447,922	0.52%
2016	2,186	2,186	-	455,317	0.48%
2015	2,241	2,241	-	466,832	0.48%
2014	2,154	2,154	-	448,656	0.48%
Component Unit School Board (professional):					
2023	\$ 56,468	\$ 56,468	\$ -	\$ 10,457,046	0.54%
2022	51,121	51,121	-	9,466,830	0.54%
2021	49,110	49,110	-	9,094,465	0.54%
2020	47,774	47,774	-	9,187,353	0.52%
2019	46,649	46,649	-	8,970,888	0.52%
2018	40,590	40,590	-	7,805,956	0.52%
2017	38,253	38,253	-	7,356,335	0.52%
2016	34,494	34,494	-	7,186,194	0.48%
2015	33,917	33,917	-	7,066,046	0.48%
2014	33,658	33,658	-	7,012,136	0.48%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Middlesex, Virginia
Schedule of Changes in the Component Unit School Board's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2020 through June 30, 2022

	2022	2021	2020
Total HIC OPEB Liability			
Service cost	\$ 6,927	\$ 2,954	\$ -
Interest	8,029	6,856	-
Changes in benefit terms	-	-	101,580
Differences between expected and actual experience	4,690	-	-
Changes of assumptions	(29,568)	1,974	-
Benefit payments	(2,686)	-	-
Net change in total HIC OPEB liability	\$ (12,608)	\$ 11,784	\$ 101,580
Total HIC OPEB Liability - beginning	113,364	101,580	-
Total HIC OPEB Liability - ending (a)	\$ 100,756	\$ 113,364	\$ 101,580
Plan fiduciary net position			
Contributions - employer	\$ 10,040	\$ 9,534	\$ -
Net investment income	(188)	1,215	-
Benefit payments	(2,686)	-	-
Administrator charges	(33)	(42)	-
Other	113	-	-
Net change in plan fiduciary net position	\$ 7,246	\$ 10,707	\$ -
Plan fiduciary net position - beginning	10,707	-	-
Plan fiduciary net position - ending (b)	\$ 17,953	\$ 10,707	\$ -
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 82,803	\$ 102,657	\$ 101,580
Plan fiduciary net position as a percentage of the total HIC OPEB liability	-	-	-
Covered payroll	\$ 492,153	\$ 467,334	\$ -
School Board's net HIC OPEB liability as a percentage of covered payroll	16.82%	21.97%	0.00%

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

County of Middlesex, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2021 through June 30, 2023

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2023	\$ 16,520	\$ 16,520	\$ -	\$ 621,049	2.66%
2022	10,040	10,040	-	492,153	2.04%
2021	9,534	9,534	-	467,334	2.04%

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

County of Middlesex, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Middlesex, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2022

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)
2022	0.10157% \$	1,268,657 \$	9,466,830	13.40%	15.08%
2021	0.10480%	1,319,894	9,094,465	14.51%	13.15%
2020	0.10280%	1,367,133	9,187,353	14.88%	9.95%
2019	0.10695%	1,400,079	8,970,888	15.61%	8.97%
2018	0.09652%	1,225,000	7,805,956	15.69%	8.08%
2017	0.09321%	1,182,000	7,356,335	16.07%	7.04%

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

County of Middlesex, Virginia
Schedule of Employer Contributions
Teacher Employee Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2014 through June 30, 2023

Date	Contributions in Relation to				Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	
2023	\$ 126,418	\$ 126,418	\$ -	\$ 10,447,792	1.21%
2022	114,549	114,549	-	9,466,830	1.21%
2021	110,043	110,043	-	9,094,465	1.21%
2020	110,248	110,248	-	9,187,353	1.20%
2019	107,651	107,651	-	8,970,888	1.20%
2018	96,014	96,014	-	7,805,956	1.23%
2017	81,655	81,655	-	7,356,335	1.11%
2016	76,174	76,174	-	7,186,194	1.06%
2015	74,900	74,900	-	7,066,046	1.06%
2014	77,835	77,835	-	7,012,136	1.11%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2023

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

County of Middlesex, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Healthcare Plan
Component Unit School Board
For the Measurement Dates of June 30, 2018 through June 30, 2022

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 11,773	\$ 11,430	\$ 11,097	\$ 10,774	\$ 10,460	\$ 10,155
Interest	13,867	7,286	8,760	9,772	10,444	10,215
Changes in assumptions	(4,537)	(62,140)	15,463	19,494	12,210	-
Differences between expected and actual experience	-	55,713	-	14,282	-	-
Benefit payments	(16,658)	(16,004)	(11,474)	(7,147)	(12,250)	(16,442)
Net change in total OPEB liability	\$ 4,445	\$ (3,715)	\$ 23,846	\$ 47,175	\$ 20,864	\$ 3,928
Total OPEB liability - beginning	372,293	376,008	352,162	304,987	284,123	280,195
Total OPEB liability - ending	\$ 376,738	\$ 372,293	\$ 376,008	\$ 352,162	\$ 304,987	\$ 284,123
Covered-employee payroll	\$ 10,443,428	\$ 10,442,153	\$ 9,586,739	\$ 9,662,613	\$ 9,464,520	\$ 8,224,832
School's total OPEB liability (asset) as a percentage of covered employee payroll	3.61%	3.57%	3.92%	3.64%	3.22%	3.45%

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

County of Middlesex, Virginia
Notes to Required Supplementary Information - School OPEB - Healthcare Plan
For the Year Ended June 30, 2023

Valuation Date: 1/1/2022

Measurement Date: 6/30/2023

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.87%
Payroll increases	3.00%
Inflation	2.50% per year
Medical Trend Rate	The medical trend rate assumption starts at 6.00% in 2022 and gradually declines to 4.25%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Middlesex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,059	\$ 1,059
Total revenues	\$ -	\$ -	\$ 1,059	\$ 1,059
EXPENDITURES				
Capital projects	\$ 531,350	\$ 1,520,693	\$ 1,463,916	\$ 56,777
Total expenditures	\$ 531,350	\$ 1,520,693	\$ 1,463,916	\$ 56,777
Excess (deficiency) of revenues over (under) expenditures	\$ (531,350)	\$ (1,520,693)	\$ (1,462,857)	\$ 57,836
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 531,350	\$ 531,350	\$ 531,350	\$ -
Issuance of local lease acquisition agreement	-	989,343	917,862	(71,481)
Total other financing sources (uses)	\$ 531,350	\$ 1,520,693	\$ 1,449,212	\$ (71,481)
Net change in fund balances	\$ -	\$ -	\$ (13,645)	\$ (13,645)
Fund balance - beginning	-	-	1,196,641	1,196,641
Fund balance - ending	\$ -	\$ -	\$ 1,182,996	\$ 1,182,996

County of Middlesex, Virginia
Combining Statement of Fiduciary Net Position - Custodial Funds
As of June 30, 2022

	<u>Custodial Funds</u>		
	<u>Chesapeake</u>		
	<u>Bay</u>		
	<u>Special</u>	<u>Governor's</u>	
	<u>Welfare</u>	<u>School</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 12,573	\$ 125,573	\$ 138,146
NET POSITION			
Restricted for:			
Education/students	\$ -	\$ 125,573	\$ 125,573
Social services clients	12,573	-	12,573
Total net position	\$ 12,573	\$ 125,573	\$ 138,146

County of Middlesex, Virginia
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
For the Year Ended June 30, 2023

	Custodial Funds		
	Chesapeake Bay		<u>Total</u>
	<u>Special Welfare Fund</u>	<u>Governor's School Fund</u>	
ADDITIONS			
Contributions:			
Donations and contributions	\$ 23,118	\$ -	\$ 23,118
Participant fees and grants	-	1,820,134	1,820,134
Total additions	<u>\$ 23,118</u>	<u>\$ 1,820,134</u>	<u>\$ 1,843,252</u>
DEDUCTIONS			
Recipient payments	\$ 49,621	\$ -	\$ 49,621
Operating expenses	-	1,821,481	1,821,481
Total deductions	<u>\$ 49,621</u>	<u>\$ 1,821,481</u>	<u>\$ 1,871,102</u>
Net increase (decrease) in fiduciary net position	<u>\$ (26,503)</u>	<u>\$ (1,347)</u>	<u>\$ (27,850)</u>
Net position - beginning	39,076	126,920	165,996
Net position - ending	<u>\$ 12,573</u>	<u>\$ 125,573</u>	<u>\$ 138,146</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2023

	School Operating Fund	School Special Revenue Fund	School Activity Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,079,022	270,637	\$ 184,786	\$ 3,534,445
Due from other governmental units	587,101	-	-	587,101
Total assets	<u>\$ 3,666,123</u>	<u>\$ 270,637</u>	<u>\$ 184,786</u>	<u>\$ 4,121,546</u>
LIABILITIES				
Accrued liabilities	\$ 1,718,889	\$ -	\$ -	\$ 1,718,889
Due to other governmental units	587,101	-	-	587,101
Total liabilities	<u>\$ 2,305,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,305,990</u>
FUND BALANCES				
Restricted	\$ 859,213	\$ -	\$ -	\$ 859,213
Committed:				
School operating	500,920	-	-	500,920
Student activities	-	-	184,786	184,786
School food	-	270,637	-	270,637
Total fund balances	<u>\$ 1,360,133</u>	<u>\$ 270,637</u>	<u>\$ 184,786</u>	<u>\$ 1,815,556</u>

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

Total fund balances per above		\$ 1,815,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets cost	\$ 23,719,526	
Accumulated depreciation	<u>(12,196,777)</u>	11,522,749
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 3,087,930	
OPEB related items	<u>505,626</u>	3,593,556
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	\$ (310,487)	
Lease liabilities	(73,408)	
Net pension liability	(10,188,989)	
Net OPEB liabilities	<u>(2,279,434)</u>	(12,852,318)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (2,383,560)	
OPEB related items	<u>(315,491)</u>	(2,699,051)
Net position of governmental activities		<u>\$ 1,380,492</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, 2023

	School Operating Fund	School Special Revenue Fund	School Activity Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 19,988	\$ -	\$ -	\$ 19,988
Charges for services	29,200	35,716	-	64,916
Miscellaneous	845,806	-	229,857	1,075,663
Intergovernmental:				
Local government	11,193,602	92,089	-	11,285,691
Commonwealth	7,999,719	70,359	-	8,070,078
Federal	2,808,759	963,802	-	3,772,561
Total revenues	<u>\$ 22,897,074</u>	<u>\$ 1,161,966</u>	<u>\$ 229,857</u>	<u>\$ 24,288,897</u>
EXPENDITURES				
Current:				
Education	\$ 20,496,551	\$ 1,315,400	\$ 206,877	\$ 22,018,828
Capital projects	1,165,621	-	-	1,165,621
Debt service:				
Principal retirement	70,513	-	-	70,513
Interest and other fiscal charges	1,069	-	-	1,069
Total expenditures	<u>\$ 21,733,754</u>	<u>\$ 1,315,400</u>	<u>\$ 206,877</u>	<u>\$ 23,256,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,163,320</u>	<u>\$ (153,434)</u>	<u>\$ 22,980</u>	<u>\$ 1,032,866</u>
Net change in fund balances	\$ 1,163,320	\$ (153,434)	\$ 22,980	\$ 1,032,866
Fund balances - beginning	196,813	424,071	161,806	782,690
Fund balances - ending	<u>\$ 1,360,133</u>	<u>\$ 270,637</u>	<u>\$ 184,786</u>	<u>\$ 1,815,556</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				\$ 1,032,866
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 exceeded the depreciation in the current period. The following is a summary of items supporting this adjustment:				
Capital outlay		\$ 1,723,852		
Depreciation expense		(1,033,858)		
Activity related to joint tenancy assets of Component Unit and Primary Government		<u>712,702</u>		1,402,696
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 lease liabilities				70,513
Special contributions received from the Commonwealth for the teacher cost sharing pool are not reported in the governmental funds.				
				154,196
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:				
Change in pension related items		\$ 1,402,459		
Change in OPEB related items		(84,635)		
Changes in compensated absences		<u>(194,630)</u>		1,123,194
Change in net position of governmental activities				<u>\$ 3,783,465</u>

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, 2023

	School Operating Fund				School Special Revenue Fund			
	Budgeted Amounts		Variance with Final Budget		Budgeted Amounts		Variance with Final Budget	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 19,988	\$ 19,988	\$ -	\$ -	\$ -	\$ -
Charges for services	22,000	28,825	29,200	375	-	24,127	35,716	11,589
Miscellaneous	692,612	808,644	845,806	37,162	-	-	-	-
Intergovernmental:								
Local government	11,524,280	11,504,305	11,193,602	(310,703)	92,089	92,089	92,089	-
Commonwealth	6,467,139	8,039,165	7,999,719	(39,446)	58,444	64,785	70,359	5,574
Federal	855,351	4,138,161	2,808,759	(1,329,402)	525,364	815,275	963,802	148,527
Total revenues	\$ 19,561,382	\$ 24,519,100	\$ 22,897,074	\$ (1,622,026)	\$ 675,897	\$ 996,276	\$ 1,161,966	\$ 165,690
EXPENDITURES								
Current:								
Education	\$ 18,607,102	\$ 22,350,966	\$ 20,496,551	\$ 1,854,415	\$ 675,897	\$ 1,377,337	\$ 1,315,400	\$ 61,937
Capital projects	954,280	2,168,134	1,165,621	1,002,513	-	-	-	-
Debt service:								
Principal retirement	-	-	70,513	(70,513)	-	-	-	-
Interest and other fiscal charges	-	-	1,069	(1,069)	-	-	-	-
Total expenditures	\$ 19,561,382	\$ 24,519,100	\$ 21,733,754	\$ 2,785,346	\$ 675,897	\$ 1,377,337	\$ 1,315,400	\$ 61,937
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,163,320	\$ 1,163,320	\$ -	\$ (381,061)	\$ (153,434)	\$ 227,627
Net change in fund balances	\$ -	\$ -	\$ 1,163,320	\$ 1,163,320	\$ -	\$ (381,061)	\$ (153,434)	\$ 227,627
Fund balances - beginning	-	-	196,813	196,813	-	381,061	424,071	43,010
Fund balances - ending	\$ -	\$ -	\$ 1,360,133	\$ 1,360,133	\$ -	\$ -	\$ 270,637	\$ 270,637

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
As of June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$	511,958
---------------------------	----	---------

Noncurrent assets:

Note receivable		80,000
-----------------	--	--------

Total assets	\$	591,958
--------------	----	---------

NET POSITION

Unrestricted	\$	591,958
--------------	----	---------

Total net position	\$	591,958
--------------------	----	---------

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, 2023

OPERATING REVENUES

Charges for services:

Bond fees	\$	16,677
-----------	----	--------

Total operating revenues	\$	16,677
--------------------------	----	--------

OPERATING EXPENSES

Personal services and benefits	\$	60,530
--------------------------------	----	--------

Contractual services		2,500
----------------------	--	-------

Grants		57,300
--------	--	--------

Other charges		39,176
---------------	--	--------

Total operating expenses	\$	159,506
--------------------------	----	---------

Operating income (loss)	\$	(142,829)
-------------------------	----	-----------

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	2,084
-----------------	----	-------

Taxes		152,410
-------	--	---------

Contribution from County of Middlesex		47,000
---------------------------------------	--	--------

Total nonoperating revenues (expenses)	\$	201,494
--	----	---------

Change in net position	\$	58,665
------------------------	----	--------

Total net position - beginning		533,293
--------------------------------	--	---------

Total net position - ending	\$	591,958
-----------------------------	----	---------

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 16,677
Payments for operating activities	(159,506)
Net cash provided by (used for) operating activities	<u>\$ (142,829)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING
ACTIVITIES**

Tax revenue funds from County of Middlesex	\$ 152,410
Net cash provided by (used for) noncapital financing activities	<u>\$ 152,410</u>

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

Contribution from County of Middlesex	\$ 47,000
Net cash provided by (used for) capital and related financing activities	<u>\$ 47,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 2,084
Net cash provided by (used for) investing activities	<u>\$ 2,084</u>

Net increase (decrease) in cash and cash equivalents \$ 58,665

Cash and cash equivalents - beginning 453,293
Cash and cash equivalents - ending \$ 511,958

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

Operating income (loss)	\$ (142,829)
Net cash provided (used) by operating activities	<u>\$ (142,829)</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
MIDDLESEX BROADBAND AUTHORITY*

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County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Middlesex Broadband Authority
As of June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$	<u>66,408</u>
Total assets	\$	<u>66,408</u>

NET POSITION

Unrestricted	\$	<u>66,408</u>
Total net position	\$	<u><u>66,408</u></u>

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Middlesex Broadband Authority
For the Year Ended June 30, 2023

OPERATING EXPENSES

Administrative	\$ 18,000
Legal	280
Insurance	1,817
VATi project	655,258
Total operating expenses	<u>\$ 675,355</u>
Operating income (loss)	\$ (675,355)

NONOPERATING REVENUES (EXPENSES)

Contribution from County of Middlesex	\$ <u>496,604</u>
Total nonoperating revenues (expenses)	<u>\$ 496,604</u>
Change in net position	\$ (178,751)
Total net position - beginning	<u>245,159</u>
Total net position - ending	<u><u>\$ 66,408</u></u>

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Middlesex Broadband Authority
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	
Payments for operating activities	\$ (675,355)
Net cash provided by (used for) operating activities	\$ (675,355)

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

Contribution from County of Middlesex	\$ 496,604
Net cash provided by (used for) capital and related financing activities	\$ 496,604

Net increase (decrease) in cash and cash equivalents \$ (178,751)

Cash and cash equivalents - beginning	245,159
Cash and cash equivalents - ending	\$ 66,408

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

Operating income (loss)	\$ (675,355)
Net cash provided (used) by operating activities	\$ (675,355)

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*DISCRETELY PRESENTED COMPONENT UNIT
MIDDLESEX WATER AUTHORITY*

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County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Middlesex Water Authority
As of June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 601,361
Accounts receivable, net of allowance for uncollectibles	59,395
Connection fees receivable	51,771
Total current assets	<u>\$ 712,527</u>

Noncurrent assets:

Capital assets:

Land and land rights	\$ 454,163
Construction in progress	50,000
Utility plant	28,392,860
Less accumulated depreciation	<u>(567,857)</u>
Total capital assets	<u>\$ 28,329,166</u>
Total noncurrent assets	<u>\$ 28,329,166</u>
Total assets	<u>\$ 29,041,693</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 9,083
Interest payable	30,227
Unearned connection assistance	60,000
Bonds payable - current portion	295,411
Total current liabilities	<u>\$ 394,721</u>

Noncurrent liabilities:

Notes payable	\$ 80,000
Bonds payable - net of current portion	22,261,131
Total noncurrent liabilities	<u>\$ 22,341,131</u>
Total liabilities	<u>\$ 22,735,852</u>

NET POSITION

Net investment in capital assets	\$ 5,692,624
Unrestricted (deficit)	613,217
Total net position	<u>\$ 6,305,841</u>

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Middlesex Water Authority
For the Year Ended June 30, 2023

OPERATING REVENUES

Charges for services:

Charges and fees	\$ 593,795
Miscellaneous	1,443
Total operating revenues	\$ <u>595,238</u>

OPERATING EXPENSES

Administrative	\$ 105,558
Legal	15,000
Maintenance	107,666
Connections	53,189
Water supplies	32,158
Electricity	19,012
Other charges	4,468
Office	1,228
Insurance	21,648
Depreciation	567,857
Total operating expenses	\$ <u>927,784</u>

Operating income (loss) \$ (332,546)

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 854
Availability fees	257,000
Interest expense	(255,960)
Total nonoperating revenues (expenses)	\$ <u>1,894</u>

Income before contributions and transfers (330,652)

Capital contributions and construction grants	1,393,236
Change in net position	\$ <u>1,062,584</u>

Total net position - beginning	5,243,257
Total net position - ending	\$ <u><u>6,305,841</u></u>

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Middlesex Water Authority
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,376,781
Payments for operating activities	(1,690,556)
Net cash provided by (used for) operating activities	<u>\$ (313,775)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Additions to utility plant	\$ (1,551,871)
Proceeds from capital grants	1,393,236
Principal payments on debt	(192,458)
Interest payments	(255,960)
Availability fees	257,000
Net cash provided by (used for) capital and related financing activities	<u>\$ (350,053)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 854
Net cash provided by (used for) investing activities	<u>\$ 854</u>

Net increase (decrease) in cash and cash equivalents \$ (662,974)

Cash and cash equivalents - beginning 1,264,335

Cash and cash equivalents - ending \$ 601,361

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

Operating income (loss) \$ (332,546)

Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:

Depreciation expense	567,857
(Increase) decrease in accounts receivable	(20,013)
(Increase) decrease in connection fees receivables	348,316
(Increase) decrease in due from other governments	411,390
Increase (decrease) in accounts payable	(363,842)
Increase (decrease) in retainage payable	(865,978)
Increase (decrease) in accrued interest payable	(100,809)
Increase (decrease) in unearned connection fees	(18,150)
Increase (decrease) in unearned connection assistance	60,000
Total adjustments	<u>\$ 18,771</u>

Net cash provided (used) by operating activities \$ (313,775)

Noncash investing, capital, and financing activities:

Capital asset related accounts and retainage payable (decrease) \$ (2,532,598)

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SUPPORTING SCHEDULES

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County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Schedule 1
Page 1 of 6

<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	\$ 15,252,784	\$ 15,252,784	\$ 15,090,226	\$ (162,558)
Real and personal public service corporation taxes	351,288	351,288	763,242	411,954
Personal property taxes	4,637,618	4,637,618	5,005,068	367,450
Airplane taxes	21,333	21,333	23,381	2,048
Penalties	175,000	175,000	165,433	(9,567)
Interest	130,000	130,000	158,284	28,284
Total general property taxes	\$ 20,568,023	\$ 20,568,023	\$ 21,205,634	\$ 637,611
Other local taxes:				
Local sales and use taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,643,164	\$ 243,164
Consumers' utility taxes	231,000	231,000	239,582	8,582
Consumption taxes	45,000	45,000	44,004	(996)
Business license taxes	343,966	343,966	412,679	68,713
Motor vehicle licenses	298,000	298,000	281,399	(16,601)
Bank stock taxes	143,693	143,693	58,277	(85,416)
Taxes on recordation and wills	300,000	300,000	215,581	(84,419)
Transient occupancy taxes	234,480	234,480	269,826	35,346
Tobacco taxes	200,000	200,000	194,188	(5,812)
Meals tax	430,000	430,000	513,405	83,405
Total other local taxes	\$ 3,626,139	\$ 3,626,139	\$ 3,872,105	\$ 245,966
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 3,978	\$ (1,022)
Building permits	88,600	88,600	141,647	53,047
Permits and other licenses	47,900	47,900	54,916	7,016
Total permits, privilege fees, and regulatory licenses	\$ 141,500	\$ 141,500	\$ 200,541	\$ 59,041
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 20,701	\$ (9,299)
Revenue from use of money and property:				
Revenue from use of money	\$ 12,000	\$ 12,000	\$ 102,491	\$ 90,491
Revenue from use of property	146,990	146,990	130,302	(16,688)
Total revenue from use of money and property	\$ 158,990	\$ 158,990	\$ 232,793	\$ 73,803
Charges for services:				
Charges for court services	\$ 19,500	\$ 19,500	\$ 21,699	\$ 2,199
Charges for Commonwealth's Attorney	1,000	1,000	797	(203)
Charges for Treasurer	2,950	2,950	-	(2,950)
Charges for other protection	12,800	12,800	15,891	3,091
Charges for planning and community development	20,000	20,000	25,508	5,508
Charges for parks and recreation	13,000	13,000	6,685	(6,315)
Charges for airport	159,000	159,000	147,449	(11,551)
Total charges for services	\$ 228,250	\$ 228,250	\$ 218,029	\$ (10,221)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<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	\$ 176,200	\$ 176,199	\$ 296,107	\$ 119,908
Recovered costs:				
Sheriff	\$ -	\$ -	\$ 16,365	\$ 16,365
Health department	-	-	15,692	15,692
EMS fee for service	189,000	189,000	215,970	26,970
Middlesex Water Authority	79,000	79,000	-	(79,000)
Total recovered costs	\$ 268,000	\$ 268,000	\$ 248,027	\$ (19,973)
Total revenue from local sources	\$ 25,197,102	\$ 25,197,101	\$ 26,293,937	\$ 1,096,836
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 2,000	\$ 2,000	\$ 5,719	\$ 3,719
Rolling stock tax	500	500	99	(401)
Mobile home titling tax	28,000	28,000	58,066	30,066
Communications tax	430,000	430,000	304,626	(125,374)
Games of skill tax	13,000	13,000	-	(13,000)
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	\$ 1,183,135	\$ 1,183,135	\$ 1,078,146	\$ (104,989)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 174,332	\$ 174,332	\$ 179,130	\$ 4,798
Sheriff	774,821	774,821	811,539	36,718
Commissioner of revenue	105,713	105,713	111,190	5,477
Treasurer	90,366	90,366	96,628	6,262
Registrar/electoral board	82,104	82,104	66,184	(15,920)
Clerk of the circuit court	215,461	215,461	273,861	58,400
Total shared expenses	\$ 1,442,797	\$ 1,442,797	\$ 1,538,532	\$ 95,735
Other categorical aid:				
Public assistance and welfare administration	\$ 1,658,544	\$ 1,658,544	\$ 507,243	\$ (1,151,301)
Fire programs fund	42,430	83,085	43,455	(39,630)
Children's services act	450,000	450,000	398,333	(51,667)
Wireless funds	45,000	45,000	50,150	5,150
Emergency medical services	13,860	28,408	14,548	(13,860)
Victim-witness grant	74,144	74,144	20,445	(53,699)
Opioid settlement	-	3,085	26,589	23,504
Clerk grant	60,330	95,104	-	(95,104)
PSAP grant	-	-	25,063	25,063
Arts commission grant	4,500	4,500	4,500	-
Airport grant	-	1,052,136	1,023,769	(28,367)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Schedule 1
Page 3 of 6

<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	\$ 11,000	\$ 4,800
Other grants	-	1,826	35,461	33,635
Total other categorical aid	<u>\$ 2,355,008</u>	<u>\$ 3,502,032</u>	<u>\$ 2,160,556</u>	<u>\$ (1,341,476)</u>
Total categorical aid	<u>\$ 3,797,805</u>	<u>\$ 4,944,829</u>	<u>\$ 3,699,088</u>	<u>\$ (1,245,741)</u>
Total revenue from the Commonwealth	<u>\$ 4,980,940</u>	<u>\$ 6,127,964</u>	<u>\$ 4,777,234</u>	<u>\$ (1,350,730)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 899,344	\$ 899,344
COVID-19 American Rescue Plan Act	126,350	1,101,027	1,608,576	507,549
Justice assistance grant	-	-	1,926	1,926
Victim-witness grant	-	-	47,706	47,706
Emergency services grants	-	-	7,500	7,500
Total categorical aid	<u>\$ 126,350</u>	<u>\$ 1,101,027</u>	<u>\$ 2,565,052</u>	<u>\$ 1,464,025</u>
Total revenue from the federal government	<u>\$ 126,350</u>	<u>\$ 1,101,027</u>	<u>\$ 2,565,052</u>	<u>\$ 1,464,025</u>
Total General Fund	<u>\$ 30,304,392</u>	<u>\$ 32,426,092</u>	<u>\$ 33,636,223</u>	<u>\$ 1,210,131</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,059	\$ 1,059
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059</u>	<u>\$ 1,059</u>
Total Primary Government	<u>30,304,392</u>	<u>32,426,092</u>	<u>33,637,282</u>	<u>1,211,190</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	\$ -	\$ -	\$ 19,988	\$ 19,988

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 22,000	\$ 28,825	\$ 29,200	\$ 375
Miscellaneous:				
Miscellaneous	\$ 692,612	\$ 808,644	\$ 845,806	\$ 37,162
Total miscellaneous	\$ 692,612	\$ 808,644	\$ 845,806	\$ 37,162
Total revenue from local sources	\$ 714,612	\$ 837,469	\$ 894,994	\$ 57,525
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 11,524,280	\$ 11,504,305	\$ 11,193,602	\$ (310,703)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,608,677	\$ 1,711,751	\$ 1,673,550	\$ (38,201)
Basic school aid	2,252,918	2,364,875	2,364,875	-
GED funding	8,233	8,203	8,203	-
English as a second language	15,944	11,748	11,748	-
Gifted and talented	22,240	23,354	23,354	-
Special education	395,868	415,959	355,305	(60,654)
Remedial education	98,664	103,606	103,606	-
Vocational education	109,654	135,888	137,754	1,866
Early reading intervention	53,572	24,726	24,726	-
School fringes	494,128	527,796	527,796	-
School construction	-	1,159,747	1,159,747	-
At risk payments	341,456	269,151	269,151	-
Primary class size	138,145	154,351	154,351	-
Project graduation	3,268	3,268	3,268	-
SOL algebra readiness	11,151	12,578	12,578	-
School technology grant	128,000	128,000	128,000	-
Supplemental lottery	-	-	200,000	200,000
Compensation supplement	159,193	157,575	157,575	-
Regional program	-	-	51,689	51,689
Virginia preschool	163,001	163,001	-	(163,001)
Special education - jails	1,496	-	-	-
Other state funds	461,531	663,588	632,443	(31,145)
Total categorical aid	\$ 6,467,139	\$ 8,039,165	\$ 7,999,719	\$ (39,446)
Total revenue from the Commonwealth	\$ 6,467,139	\$ 8,039,165	\$ 7,999,719	\$ (39,446)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<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	\$ 394,996	\$ 447,100	\$ 431,731	\$ (15,369)
Title VI-B, special education flow-through	304,042	440,914	363,530	(77,384)
Vocational education	29,822	27,317	27,583	266
USDA equipment	-	29,471	29,471	-
Title VI-B, special education pre-school	10,649	11,000	10,750	(250)
Title III - part A	2,947	4,936	2,066	(2,870)
Title V-rural	27,747	59,422	27,747	(31,675)
ARPA Act	-	121,548	121,548	-
Crisis response	-	80,000	80,000	-
Infectious diseases	-	45,556	44,187	(1,369)
COVID-19 Education Stabilization Fund	-	2,788,012	1,628,766	(1,159,246)
Title IV	27,423	31,474	28,797	(2,677)
Title II, part A	57,725	51,411	12,583	(38,828)
Total categorical aid	\$ 855,351	\$ 4,138,161	\$ 2,808,759	\$ (1,329,402)
Total revenue from the federal government	\$ 855,351	\$ 4,138,161	\$ 2,808,759	\$ (1,329,402)
Total School Operating Fund	\$ 19,561,382	\$ 24,519,100	\$ 22,897,074	\$ (1,622,026)
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ 24,127	\$ 35,716	\$ 11,589
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 92,089	\$ 92,089	\$ 92,089	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 4,915	\$ 8,574	\$ 14,148	\$ 5,574
Textbook payments	53,529	56,211	56,211	-
Total categorical aid	\$ 58,444	\$ 64,785	\$ 70,359	\$ 5,574
Total revenue from the Commonwealth	\$ 58,444	\$ 64,785	\$ 70,359	\$ 5,574
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 525,364	\$ 756,843	\$ 905,370	\$ 148,527
Commodities	-	58,432	58,432	-
Total categorical aid	\$ 525,364	\$ 815,275	\$ 963,802	\$ 148,527
Total revenue from the federal government	\$ 525,364	\$ 815,275	\$ 963,802	\$ 148,527
Total School Special Revenue Fund	\$ 675,897	\$ 996,276	\$ 1,161,966	\$ 165,690

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
School Activity Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 229,857	\$ 229,857
 Total Discretely Presented Component Unit - School Board	 \$ 20,237,279	 \$ 25,515,376	 \$ 24,288,897	 \$ (1,226,479)

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

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	\$ 128,690	\$ 128,690	\$ 109,959	\$ 18,731
General and financial administration:				
County administrator	\$ 580,213	\$ 750,813	\$ 899,692	\$ (148,879)
Legal services	244,131	244,131	215,253	28,878
Commissioner of revenue	294,447	294,447	276,958	17,489
Treasurer	344,107	344,107	281,798	62,309
Assessor	79,242	79,242	-	79,242
Data processing	464,342	464,342	453,835	10,507
Other general and financial administration	192,500	192,500	206,762	(14,262)
Total general and financial administration	\$ 2,198,982	\$ 2,369,582	\$ 2,334,298	\$ 35,284
Board of elections:				
Registrar, electoral board and officials	\$ 293,148	\$ 293,148	\$ 232,085	\$ 61,063
Total general government administration	\$ 2,620,820	\$ 2,791,420	\$ 2,676,342	\$ 115,078
Judicial administration:				
Courts:				
General district court	\$ 12,150	\$ 12,150	\$ 6,479	\$ 5,671
Juvenile court	4,869	4,869	1,748	3,121
Sheriff	217,255	421,340	252,263	169,077
Court services unit	45,000	45,000	28,672	16,328
Special Magistrates	950	950	1,156	(206)
Victim Witness	74,144	74,144	76,136	(1,992)
Clerk of the circuit court	367,646	402,421	388,490	13,931
Total courts	\$ 722,014	\$ 960,874	\$ 754,944	\$ 205,930
Commonwealth's attorney:				
Commonwealth's attorney	\$ 260,975	\$ 260,975	\$ 248,271	\$ 12,704
Total judicial administration	\$ 982,989	\$ 1,221,849	\$ 1,003,215	\$ 218,634
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,374,562	\$ 2,387,062	\$ 2,216,454	\$ 170,608
School resource officers	199,633	199,633	174,891	24,742
Total law enforcement and traffic control	\$ 2,574,195	\$ 2,586,695	\$ 2,391,345	\$ 195,350
Fire and rescue services:				
Volunteer fire departments	\$ 462,000	\$ 502,655	\$ 504,652	\$ (1,997)
Volunteer rescue squads	256,500	271,048	271,895	(847)
Total fire and rescue services	\$ 718,500	\$ 773,703	\$ 776,547	\$ (2,844)

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail	\$ 984,019	\$ 984,019	\$ 1,141,442	\$ (157,423)
Juvenile probation and detention	104,506	104,506	103,006	1,500
Total correction and detention	<u>\$ 1,088,525</u>	<u>\$ 1,088,525</u>	<u>\$ 1,244,448</u>	<u>\$ (155,923)</u>
Inspections:				
Building	\$ 169,663	\$ 169,663	\$ 166,951	\$ 2,712
Other protection:				
Animal control	\$ 135,314	\$ 135,314	\$ 138,342	\$ (3,028)
Gloucester-Mathews Humane Society	5,000	5,000	5,000	-
Emergency services	994,188	994,188	1,004,378	(10,190)
Medical examiner	1,200	1,200	1,140	60
E-911 communications	124,441	124,441	88,115	36,326
Total other protection	<u>\$ 1,260,143</u>	<u>\$ 1,260,143</u>	<u>\$ 1,236,975</u>	<u>\$ 23,168</u>
Total public safety	<u>\$ 5,811,026</u>	<u>\$ 5,878,729</u>	<u>\$ 5,816,266</u>	<u>\$ 62,463</u>
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 153,269	\$ 153,269	\$ 147,552	\$ 5,717
Litter	11,500	11,500	6,175	5,325
Landfill maintenance	33,700	60,165	2,175	57,990
VPPSA	852,123	852,123	879,846	(27,723)
Total sanitation and waste removal	<u>\$ 1,050,592</u>	<u>\$ 1,077,057</u>	<u>\$ 1,035,748</u>	<u>\$ 41,309</u>
Maintenance of general buildings and grounds:				
General properties	\$ 882,886	\$ 822,886	\$ 748,210	\$ 74,676
Purchase of water	257,000	257,000	257,000	-
Custodial services	-	60,000	51,452	8,548
Capital outlay reserve	1,028,222	2,118,865	1,112,302	1,006,563
Total maintenance of general buildings and grounds	<u>\$ 2,168,108</u>	<u>\$ 3,258,751</u>	<u>\$ 2,168,964</u>	<u>\$ 1,089,787</u>
Total public works	<u>\$ 3,218,700</u>	<u>\$ 4,335,808</u>	<u>\$ 3,204,712</u>	<u>\$ 1,131,096</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 211,489	\$ 211,489	\$ 211,489	\$ -
Other health contributions	15,000	15,000	15,000	-
Total health	<u>\$ 226,489</u>	<u>\$ 226,489</u>	<u>\$ 226,489</u>	<u>\$ -</u>
Mental health:				
Community services board	\$ 41,544	\$ 41,544	\$ 38,082	\$ 3,462
Welfare:				
Public assistance and welfare administration	\$ 1,909,359	\$ 1,909,359	\$ 1,618,472	\$ 290,887
Area agency on aging	92,018	92,018	92,018	-
Workforce development	2,646	2,646	2,646	-
Children's services act	744,000	744,000	731,065	12,935
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, 2023

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	28,398	(23,398)
Total welfare	<u>\$ 2,760,315</u>	<u>\$ 2,760,315</u>	<u>\$ 2,477,599</u>	<u>\$ 282,716</u>
Total health and welfare	<u>\$ 3,028,348</u>	<u>\$ 3,028,348</u>	<u>\$ 2,742,170</u>	<u>\$ 286,178</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 6,966	\$ 6,966	\$ 6,966	\$ -
Contribution to County School Board	11,616,369	11,596,394	11,285,691	310,703
Total education	<u>\$ 11,623,335</u>	<u>\$ 11,603,360</u>	<u>\$ 11,292,657</u>	<u>\$ 310,703</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 72,294	\$ 74,120	\$ 69,894	\$ 4,226
Sports complex	30,980	30,980	24,883	6,097
YMCA	47,500	47,500	47,500	-
Total parks and recreation	<u>\$ 150,774</u>	<u>\$ 152,600</u>	<u>\$ 142,277</u>	<u>\$ 10,323</u>
Cultural enrichment:				
Museum	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Total cultural enrichment	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>
Library:				
Contribution to library	\$ 145,000	\$ 145,000	\$ 145,000	\$ -
Total parks, recreation, and cultural	<u>\$ 320,774</u>	<u>\$ 322,600</u>	<u>\$ 312,277</u>	<u>\$ 10,323</u>
Community development:				
Planning and community development:				
Planning	\$ 199,702	\$ 199,702	\$ 189,158	\$ 10,544
Zoning administration	66,764	66,764	61,916	4,848
Board of zoning appeals	4,352	4,352	1,591	2,761
Economic development	259,115	259,115	245,982	13,133
Airport	210,411	1,262,547	1,353,770	(91,223)
Broadband	-	496,604	496,604	-
Tourism	-	120,000	-	120,000
Total planning and community development	<u>\$ 740,344</u>	<u>\$ 2,409,084</u>	<u>\$ 2,349,021</u>	<u>\$ 60,063</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 4,750	\$ 4,750	\$ 4,750	\$ -
Wetlands	13,630	13,630	10,044	3,586
Forestry	3,693	3,693	3,693	-
Total environmental management	<u>\$ 22,073</u>	<u>\$ 22,073</u>	<u>\$ 18,487</u>	<u>\$ 3,586</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 33,590	\$ 33,590	\$ 7,981	\$ 25,609
Total community development	\$ 796,007	\$ 2,464,747	\$ 2,375,489	\$ 89,258
Debt service:				
Principal retirement	\$ 2,370,628	\$ 1,925,420	\$ 2,019,794	\$ (94,374)
Interest and other fiscal charges	-	610,684	610,684	-
Total debt service	\$ 2,370,628	\$ 2,536,104	\$ 2,630,478	\$ (94,374)
Total General Fund	\$ 30,772,627	\$ 34,182,965	\$ 32,053,606	\$ 2,129,359
County Capital Projects Fund:				
Public works:				
Capital projects:				
Children's park	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Enterprise software	95,000	95,000	-	95,000
Bi-Directional repeater	126,350	126,350	-	126,350
HRSD sewer project	-	989,343	1,304,497	(315,154)
Voice over ip system	80,000	80,000	-	80,000
Puller center renovations	180,000	180,000	159,419	20,581
Total capital projects	\$ 531,350	\$ 1,520,693	\$ 1,463,916	\$ 56,777
Total County Capital Projects Fund	\$ 531,350	\$ 1,520,693	\$ 1,463,916	\$ 56,777
Total Primary Government	\$ 31,303,977	\$ 35,703,658	\$ 33,517,522	\$ 2,186,136
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 1,345,926	\$ 1,475,516	\$ 1,419,615	\$ 55,901
Instruction costs	13,266,106	15,674,484	14,113,091	1,561,393
Districtwide technology	1,030,909	1,569,204	1,540,822	28,382
Pupil transportation	1,368,982	1,650,079	1,516,251	133,828
Operation and maintenance of school plant	1,595,179	1,981,683	1,906,772	74,911
Total operating costs	\$ 18,607,102	\$ 22,350,966	\$ 20,496,551	\$ 1,854,415
Total education	\$ 18,607,102	\$ 22,350,966	\$ 20,496,551	\$ 1,854,415
Capital projects:				
Other school capital projects	\$ 954,280	\$ 2,168,134	\$ 1,165,621	\$ 1,002,513
Debt service:				
Principal retirement	\$ -	\$ -	\$ 70,513	\$ (70,513)
Interest and other fiscal charges	-	-	1,069	(1,069)
Total debt service	\$ -	\$ -	\$ 71,582	\$ (71,582)
Total School Operating Fund	\$ 19,561,382	\$ 24,519,100	\$ 21,733,754	\$ 2,785,346

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2023

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund:				
Education:				
Operating Costs:				
Instruction costs	\$ 145,618	\$ 164,266	\$ 158,532	\$ 5,734
School food services	530,279	1,154,639	1,098,436	56,203
Commodities	-	58,432	58,432	-
Total School Special Revenue Fund	<u>\$ 675,897</u>	<u>\$ 1,377,337</u>	<u>\$ 1,315,400</u>	<u>\$ 61,937</u>
School Activity Fund:				
Education:				
Instructional services:				
School activity funds	\$ -	\$ -	\$ 206,877	\$ (206,877)
Total School Activity Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 206,877</u>	<u>\$ (206,877)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 20,237,279</u>	<u>\$ 25,896,437</u>	<u>\$ 23,256,031</u>	<u>\$ 2,640,406</u>

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OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General				Public Works	Health and Welfare	Parks, Recreation, and Cultural			Community Development	Interest on Long-Term Debt	Total
	Government Administration	Judicial Administration	Public Safety	Public			Education	Recreation, and Cultural	Community Development			
2014	\$ 1,366,993	\$ 926,453	\$ 3,538,517	\$ 1,197,655	\$ 1,781,157	\$ 8,067,078	\$ 248,044	\$ 649,809	\$ 941,072	\$ 18,716,778		
2015	1,457,228	831,479	3,288,198	1,474,267	1,973,669	9,926,613	257,713	344,347	987,607	20,541,121		
2016	1,464,481	860,162	3,618,446	1,366,155	1,857,896	9,040,534	243,763	528,592	1,038,037	20,018,066		
2017	1,797,748	946,838	3,577,456	1,406,880	2,064,446	8,870,247	240,168	501,940	881,384	20,287,107		
2018	1,733,324	975,887	4,143,619	1,423,763	2,278,175	9,423,629	207,669	576,281	622,266	21,384,613		
2019	1,905,557	1,018,531	3,838,704	3,114,624	2,419,854	11,038,834	250,640	613,121	683,153	24,883,018		
2020	2,088,093	1,088,721	4,487,862	1,838,319	2,679,413	11,252,505	257,793	669,348	546,893	24,908,947		
2021	2,869,886	1,027,263	5,113,969	2,180,131	2,628,650	11,416,021	272,220	793,015	1,063,702	27,364,857		
2022	2,545,308	1,035,773	6,797,582	2,127,437	2,682,959	10,609,339	380,570	664,104	532,783	27,375,855		
2023	1,965,902	1,169,222	6,018,394	4,503,598	2,677,925	12,378,057	317,354	2,400,713	417,628	31,848,793		

Table 2

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

Fiscal Year	PROGRAM REVENUES		GENERAL REVENUES							
	Charges for Services	Operating Grants and Contributions	General Property Taxes				Unrestricted Investment Earnings		Grants and Contributions	
			General Property Taxes	Other Local Taxes			Unrestricted Investment Earnings	Miscellaneous	Not Restricted to Specific Programs	Total
2014	\$ 515,975	\$ 2,567,072	\$ 13,732,367	\$ 1,890,242	\$ 99,787	\$ 407,643	\$ 1,230,853	\$ 20,443,939		
2015	428,516	2,820,609	14,107,366	2,343,504	103,938	203,600	1,215,189	21,222,722		
2016	391,148	3,052,274	14,303,096	2,382,127	105,421	107,161	1,187,823	21,529,050		
2017	411,078	3,104,050	14,644,982	2,472,290	109,596	255,409	1,186,316	22,183,721		
2018	422,690	3,229,377	15,794,570	2,589,685	135,321	169,472	1,205,153	23,546,268		
2019	482,958	3,385,147	16,739,818	2,823,035	194,317	118,444	1,141,057	24,884,776		
2020	356,709	3,319,757	17,621,392	2,993,537	211,528	230,724	1,147,089	25,880,736		
2021	343,764	5,063,124	17,415,593	3,582,284	189,826	279,653	1,079,161	27,953,405		
2022	593,254	4,304,184	19,227,348	3,476,378	15,724	382,154	1,101,790	29,100,832		
2023	569,573	4,628,975	21,574,333	3,872,105	103,550	395,951	2,759,072	33,903,559		

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2014	\$ 1,318,092	\$ 715,522	\$ 3,532,583	\$ 1,168,461	\$ 1,782,561	\$ 12,793,640	\$ 237,207	\$ 686,809	\$ 2,266,421	\$ 24,501,296
2015	1,351,926	644,723	3,498,446	1,452,943	2,005,405	13,308,328	257,691	607,904	2,252,437	25,379,803
2016	1,704,376	696,202	3,672,460	1,350,772	1,922,103	13,361,378	239,761	570,747	10,842,992	34,360,791
2017	1,642,283	763,391	3,633,593	1,370,717	2,114,163	14,008,388	235,035	554,697	10,425,475	34,747,742
2018	1,563,121	809,357	3,975,770	1,997,054	2,311,942	14,637,866	203,470	600,602	2,628,475	28,727,657
2019	1,629,217	867,493	4,039,782	2,053,212	2,479,942	16,560,907	247,699	667,918	2,738,873	31,285,043
2020	1,672,592	889,991	4,126,582	1,456,000	2,663,999	16,502,971	280,075	601,135	2,719,398	30,912,743
2021	2,593,780	792,438	4,601,870	2,024,283	2,574,670	18,448,854	244,972	765,365	14,267,173	46,313,405
2022	2,487,275	913,735	5,049,051	2,186,557	2,720,419	19,899,821	276,684	687,551	2,809,590	37,030,683
2023	2,676,342	1,003,215	5,816,266	3,204,712	2,742,170	22,025,794	312,277	2,375,489	2,630,478	42,786,743

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

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

(3) Excludes Capital Projects funds.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2014	\$ 13,593,810	\$ 1,890,242	\$ 98,445	\$ 33,149	\$ 124,046	\$ 573,957	\$ 169,002	\$ 127,847	\$ 8,721,423	\$ 25,331,921
2015	14,062,184	2,343,504	120,618	29,228	130,841	465,909	252,232	102,112	8,747,929	26,254,557
2016	14,226,581	2,382,127	131,186	13,042	130,957	440,126	189,990	147,682	8,928,986	26,590,677
2017	14,657,260	2,472,290	110,733	23,339	136,876	479,223	466,307	130,076	10,011,574	28,487,678
2018	15,742,745	2,589,685	140,759	20,121	141,859	437,277	353,376	192,427	10,349,299	29,967,548
2019	16,644,483	2,823,035	150,331	12,504	177,281	490,580	731,408	193,114	10,949,449	32,172,185
2020	17,418,932	2,993,537	157,283	7,479	224,156	326,419	414,891	297,944	10,922,747	32,763,388
2021	17,462,807	3,582,284	116,312	27,341	200,443	263,617	624,487	1,854,994	13,935,359	38,067,644
2022	19,250,708	3,914,273	186,065	35,895	182,114	265,121	990,598	187,009	15,133,369	40,145,152
2023	21,205,634	3,872,105	200,541	20,701	252,781	282,945	1,371,770	248,027	19,184,925	46,639,429

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2,3)	Percent of Delinquent Taxes to Tax Levy
2014	\$ 14,276,904	\$ 13,137,860	92.02%	\$ 517,094	\$ 13,654,954	95.64%	\$ 885,410	6.20%
2015	14,628,063	13,646,589	93.29%	918,876	14,565,465	99.57%	1,023,362	7.00%
2016	14,684,785	13,771,342	93.78%	947,863	14,719,205	100.23%	1,279,733	8.71%
2017	15,456,814	14,137,344	91.46%	979,136	15,116,480	97.80%	1,011,338	6.54%
2018	16,765,947	15,268,276	91.07%	937,647	16,205,923	96.66%	1,032,380	6.16%
2019	17,394,537	16,092,676	92.52%	1,002,403	17,095,079	98.28%	1,399,618	8.05%
2020	18,016,795	16,841,174	93.47%	978,102	17,819,276	98.90%	1,399,618	7.77%
2021	18,453,571	17,119,848	92.77%	724,482	17,844,330	96.70%	1,422,233	7.71%
2022	20,961,828	18,622,191	88.84%	1,046,349	19,668,540	93.83%	1,621,960	7.74%
2023	22,171,066	21,169,925	95.48%	421,628	21,591,553	97.39%	1,775,431	8.01%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal					Public Service (2)	Total
		Property and Mobile Homes	Machinery and Tools	Airplane	Watercraft			
2014	\$ 2,139,783,400	\$ 100,037,169	\$ 119,065	\$ 324,365	\$ -	\$ 42,272,477	\$ 2,282,536,476	
2015	2,143,324,547	94,292,585	-	253,529	-	44,518,007	2,282,388,668	
2016	2,149,138,406	96,238,818	-	242,229	-	45,486,553	2,291,106,006	
2017	2,179,327,400	70,867,986	-	264,939	99,355,563	50,115,575	2,399,931,463	
2018	2,185,941,200	134,907,015	-	257,088	94,510,070	52,816,875	2,468,432,248	
2019	2,192,832,479	174,541,523	-	-	50,769,687	54,506,634	2,472,650,323	
2020	2,215,209,879	187,557,578	-	602,892	52,044,898	54,234,590	2,509,649,837	
2021	2,212,507,435	191,834,205	-	563,351	52,828,181	55,098,470	2,512,831,642	
2022	2,509,525,121	211,911,043	-	1,015,879	58,319,962	56,426,013	2,837,198,018	
2023	2,515,560,748	277,179,827	-	1,220,894	66,081,585	124,861,943	2,984,904,997	

(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		
2014	\$	0.48	\$	3.50	\$	0.46	\$	1.75	\$	-	\$	-	\$	0.46	\$	3.50
2015		0.53		3.50		0.48		1.75		3.50		-		0.48		3.50
2016		0.53		3.50		0.48		-		3.50		-		0.53		3.50
2017		0.53		3.50		0.53		-		3.50		-		0.53		3.50
2018		0.56		3.50		0.56		-		3.50		0.98		0.56		3.50
2019		0.62		3.50		0.61		-		-		0.98		0.61		3.50
2020		0.62		3.50		0.62		-		2.10		0.98		0.62		2.10
2021		0.62		3.50		0.62		-		2.10		0.98		0.62		2.10
2022		0.61		2.60		0.62		-		2.10		0.98		0.62		2.60
2023		0.61		2.60		0.62		-		2.10		0.98		0.62		2.60

(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
2014	10,959	\$ 2,282,536,476	\$ 23,795,965	0.010	\$ 2,171
2015	10,959	2,282,388,668	22,601,703	0.010	2,062
2016	10,959	2,291,106,006	26,539,479	0.012	2,422
2017	10,959	2,399,931,463	24,982,170	0.010	2,280
2018	10,959	2,468,432,248	23,031,500	0.009	2,102
2019	10,959	2,472,650,323	21,121,800	0.009	1,927
2020	10,625	2,509,649,837	19,159,100	0.008	1,803
2021	10,617	2,512,831,642	18,226,900	0.007	1,717
2022	10,586	2,837,198,018	15,724,483	0.006	1,485
2023	10,779	2,984,904,997	14,716,263	0.005	1,365

(1) US Census for 2014 through 2020 & Weldon Cooper Center thereafter

(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, leases, capital financing, and compensated absences.

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise County of Middlesex, Virginia's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control over Financial Reporting

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

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

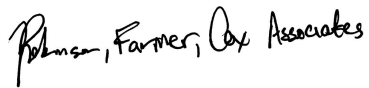
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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



Richmond, Virginia
November 27, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited County of Middlesex, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Middlesex, Virginia's major federal programs for the year ended June 30, 2023. 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.

In our opinion, County of Middlesex, Virginia complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control over Compliance (Continued)

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 27, 2023

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
<i>Virginia Department of Education:</i>				
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922153	\$ 80,000	\$ -
<i>Virginia Department of Health:</i>				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	MIDSST610-GY23	44,187	-
<i>Virginia Department of Social Services:</i>				
Temporary Assistance for Needy Families	93.558	0400122/0400123	124,846	-
MaryLee Allen Promoting Safe and Stable Families	93.556	0950121/0950122/0950221	17,664	-
Refugee and Entrant Assistance - State Administered Programs	93.566	0500122/0500123	517	-
Low-Income Home Energy Assistance	93.568	0600422/0600423	24,010	-
Guardianship Assistance	93.090	1140122/1140123	49	-
Title IV-E Prevention Services	93.472	1140122/1140123	1,854	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760122/0760122	27,535	-
Chafee Education and Training Voucher Program (ETV)	93.599	9160121	70	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900121/0900122	199	-
Foster Care - Title IV-E	93.658	1100122/1100123	64,791	-
Adoption Assistance	93.659	1120122/1120123	159,235	-
Social Services Block Grant	93.667	1000122/1000123	135,984	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150121/9150122	1,240	-
Elder Adult Protective Interventions Program	93.747	8000221	1,229	-
Children's Health Insurance Program (CHIP)	93.767	0540122/0540123	960	-
Medical Assistance Program (Medicaid Cluster)	93.778	1200122/1200123	115,279	-
Total Department of Health and Human Services			\$ 799,649	\$ -
Department of Homeland Security:				
Pass Through Payments:				
<i>Virginia Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	775001-122463	\$ 7,500	\$ -
Total Department of Homeland Security			\$ 7,500	\$ -
Department of Justice:				
Pass Through Payments:				
<i>Virginia Department of Criminal Justice Services:</i>				
Crime Victim Assistance	16.575	390002-118457	\$ 47,705	\$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	390002-120571	1,926	-
Total Department of Justice			\$ 49,631	\$ -
Department of Agriculture:				
Direct Payment:				
Water and Waste Disposal Systems For Rural Communities	10.760	N/A	\$ 1,393,236	\$ -
Pass Through Payments:				
<i>Virginia Department of Agriculture and Consumer Services:</i>				
Food Distribution (Child Nutrition Cluster)	10.555	Not available	\$ 58,432	\$ -
<i>Virginia Department of Education:</i>				
National School Lunch Program (Child Nutrition Cluster)	10.555	202221N11994/202222N11994/ 202222N89034/202323N11994/ 202322N89034	615,592	-
Total ALN 10.555			\$ 674,024	\$ -
School Breakfast Program (Child Nutrition Cluster)	10.553	202222N1194/202323N1194	\$ 260,050	\$ -
Summer Food Service Program for Children (Child Nutrition Cluster)	10.559	202221N119941	9,781	-
Total Child Nutrition Cluster			\$ 943,855	\$ -
<i>Virginia Department of Education:</i>				
COVID-19 Pandemic EBT Administrative Costs	10.649	202121N810341	3,135	-
Child and Adult Care Food Program	10.558	202322N119941/ 202323N119941	2,833	-
Child Nutrition Discretionary Grants Limited Availability	10.579	202121N810341	29,471	-
<i>Virginia Department of Social Services:</i>				
State Administrative Matching Grants for the Supplemental				
Nutrition Assistance Program (SNAP Cluster)	10.561	0010122/0010123/0040122/ 0040123	223,882	-
Total Department of Agriculture			\$ 2,596,412	\$ -

County of Middlesex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Treasury:				
Pass Through Payments:				
Direct Payment:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 894,900	\$ -
Pass Through Payments:				
<i>Virginia Tourism Corporation:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	60,000	\$ -
<i>Virginia Department of Housing and Community Development</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	653,676	
<i>Virginia Department of Education:</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP1026	121,548	-
Total ALN 21.027			\$ 1,730,124	\$ -
Total Department of Treasury			\$ 1,730,124	\$ -
Department of Education:				
Pass Through Payments:				
<i>Virginia Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	S010A210046/S010A220046 H027A210107/H027A220107/	\$ 431,731	\$ -
Special Education - Grants to States (IDEA, Part B) (Special Education Cluster)	84.027	H027X210107	358,927	-
Special Education - Preschool Grants (IDEA Preschool) (Special Education Cluster)	84.173	H173A220112/H173X210112	15,354	-
Total Special Education Cluster			\$ 374,281	\$ -
Career and Technical Education - Basic Grants to States	84.048	H173A220112/H173X210112	27,583	-
Rural Education	84.358	S358B210046	27,747	-
Supporting Effective Instruction State Grants	84.367	S367A210044/S367A220044	12,583	-
Student Support and Academic Enrichment Program	84.424	S424A220048	28,797	-
English Language Acquisition State Grants	84.365	Not available	2,066	-
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	S425D210008	283,952	-
American Rescue Plan - Elementary and Secondary School Relief (ARP ESSER)	84.425U	S425U210008	1,347,451	-
<i>Rappahannock Community College:</i>				
Institutional Resilience and Expanded Postsecondary Opportunity (HEERF IREPO)	84.425P	Not available	11,342	-
Total ALN 84.425			\$ 1,642,745	\$ -
Total Department of Education			\$ 2,547,533	\$ -
Total Expenditures of Federal Awards			\$ 7,730,849	\$ -

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, 2023

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the County of Middlesex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Middlesex, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

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

Note C - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,565,052
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Component Unit School Board:

School Operating Fund	\$ 2,808,759
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School Special Revenue Fund	963,802
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Total component unit school board	<u>\$ 3,772,561</u>
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Component Unit Middlesex Water Authority	<u>\$ 1,393,236</u>
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Total expenditures of federal awards per basic financial statements	<u>\$ 7,730,849</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 7,730,849</u></u>
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Note E - Loan Balances

The Component Unit Middlesex Water Authority has 4 loans outstanding of \$9,000,000, \$3,070,000, \$5,000,000, and \$5,679,000, respectively, totaling \$22,749,000.

County of Middlesex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ no

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
84.425	Education Stabilization Fund (ESF)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

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, 2023

There were no prior year findings