

# COUNTY OF HIGHLAND, VIRGINIA



## FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

**COUNTY OF HIGHLAND, VIRGINIA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2025**

**County of Highland, Virginia**

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**Board of Supervisors**

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Harry Sponaugle, Chairman  
Paul Tribble, Vice-Chairman  
Henry Budzinski, Jr., Member

**County School Board**

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Kenny Hodges, Chairman  
Jason Wilfong, Vice-Chair  
Sherry Sullenberger, Member

**Welfare Board Members**

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Matthew Blagg, Chairman  
Martha Leech, Vice-Chair  
Harry Sponaugle, Member

**Other Officials**

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Clerk of the Circuit Court.....	Judy Hupman
Commissioner of the Revenue .....	Yvonne E. Wimer
Commonwealth’s Attorney .....	Megan Yelen
Sheriff .....	Robert W. Kelly
Treasurer.....	Christy J. Harper
County Attorney .....	Julian Harf
Building Official/Inspector .....	Joshua Simmons
Cooperative Extension Agent .....	Kari Sponaugle
Emergency Services Director .....	Harley Gardner
Fire Chief.....	Elmer Waybright
Health Director .....	Dr. Allison L. Baroco
Chairman of Economic Development Authority.....	George Hogshead
Planning Commission Chairman .....	Casey Thaler
Recycling Coordinator.....	Richard Waybright
Registrar.....	Abby C. Wimer
Senior Citizen Coordinator.....	Harmony Leonard
Social Services Director .....	Emily Malcom
Zoning Administrator .....	Joshua Simmons
County Administrator .....	Jerri Botkin
Superintendent of Schools.....	Dr. Drew Maerz

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**INDEPENDENT AUDITORS' REPORT**

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**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS  
COUNTY OF HIGHLAND, VIRGINIA**

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County'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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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 the County of Highland, 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.

***Change in Accounting Principle***

As described in Note 1 to the financial statements, in 2025, the County adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

***Restatement of Beginning Balances***

As described in Note 1 to the financial statements, in 2025, the County restated beginning balances to reflect the requirements of GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

## ***Responsibilities of Management for the Financial Statements (Continued)***

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 the County of Highland, 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 judgement 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 judgement 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 the County of Highland, 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 judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the County of Highland, 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, 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.

### **Required Supplementary Information (Continued)**

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 the County of Highland, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and 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. This 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 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 March 10, 2026, on our consideration of the County of Highland, 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 Highland, 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 Highland, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Assoc.*

Staunton, Virginia  
March 10, 2026

## Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Highland, Virginia for the fiscal year ended June 30, 2025.

### **Financial Highlights**

#### **Government-wide Financial Statements**

The assets and deferred outflows of resources of the County of Highland, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,481,951 (net position). Of this amount, \$7,624,252 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net position was \$1,823,118 of which (\$2,697,917) is unrestricted. (See Exhibit 1.)

The Government's net position increased by \$392,604, while the School Board's net position increased by 277,465. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was 5,482,714, or 81.9 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2025 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2025.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,650,152, an increase of \$118,688 in comparison with the prior year. (See Exhibit 5.)

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. These statements are comprised of 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.

Local government accounting and financial reporting originally focused on funds, which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justifications from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

#### **Government-wide Financial Statements**

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions, which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government, revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently reports the McDowell Water System, Highland County Refuse Disposal and Recreation Commission as business-type activities.

The government-wide financial statements include, in addition to the primary government or County, four component units: 1) the Highland County School Board; 2) the McDowell Water System; 3) the Recreation Commission; and 4) the Highland County Economic Development Authority. Although the component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

### Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### *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 on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

#### *Proprietary funds*

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The McDowell Water System is a blended component unit of the County of Highland. This Fund and the Highland County Refuse Disposal Fund, a major fund of the County, meet proprietary fund classification criteria. The water system and refuse disposal financial statements are shown as enterprise funds in the County's fund financial statements. The water system provides a centralized source for the provision of water services to residents of the Village of McDowell and the refuse disposal provides a centralized source for the provision of refuse disposal for County residents and landowners.

The Highland County Recreation Commission is also a blended component unit of the County of Highland. The Recreation Commission provides for recreation activities of the County.

The Highland County Economic Development Authority is also a component unit of the County of Highland. The Economic Development Authority (EDA) provides economic development incentives and other assistance to private businesses. EDAs are separate political subdivisions of the Commonwealth and may own property, lease property, sell property, make grants, accept gifts, and have other powers but do not have taxing power.

*Internal service funds*

The County of Highland has no internal service funds.

*Fiduciary funds*

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statements because the funds are not available to support the County’s own activities. A separate statement of fiduciary net position and combining statements are provided in the report.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As previously noted, net position may serve as a useful indicator of a government’s financial position. For the County of Highland, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,481,951 at the end of the fiscal year.

The County’s net position is divided into three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted.

**County of Highland’s Net Position**

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 10,786,675	\$ 10,285,159	\$ 303,447	\$ 435,304	\$ 11,090,122	\$ 10,720,463
Capital assets	2,025,369	2,182,116	1,361,386	1,022,578	3,386,755	3,204,694
Total	\$ 12,812,044	\$ 12,467,275	\$ 1,664,833	\$ 1,457,882	\$ 14,476,877	\$ 13,925,157
Deferred Outflows of Resources	\$ 371,937	\$ 312,344	\$ 7,212	\$ 7,475	\$ 379,149	\$ 319,819
Long-term liabilities	\$ 288,137	\$ 499,829	\$ 98,451	\$ 113,492	\$ 386,588	\$ 613,321
Other liabilities	92,306	302,043	57,139	2,479	149,445	304,522
Total	\$ 380,443	\$ 801,872	\$ 155,590	\$ 115,971	\$ 536,033	\$ 917,843
Deferred Inflows of Resources	\$ 2,830,404	\$ 2,353,665	\$ 7,638	\$ 8,783	\$ 2,838,042	\$ 2,362,448
Net investment in capital assets	\$ 2,025,369	\$ 2,182,116	\$ 1,272,007	\$ 925,464	\$ 3,297,376	\$ 3,107,580
Restricted	546,092	484,540	14,231	11,844	560,323	496,384
Unrestricted	7,401,673	6,957,426	222,579	403,295	7,624,252	7,360,721
Total net position	\$ 9,973,134	\$ 9,624,082	\$ 1,508,817	\$ 1,340,603	\$ 11,481,951	\$ 10,964,685

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 28.7 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Additionally, \$560,323, or 4.9 percent of the County’s net position is restricted in its usage by external sources.

The remaining balance of unrestricted net position, which is \$7,624,252 or 66.4 percent of total net position, may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report a positive balance in both categories of net position.

During the current fiscal year, the government’s total net position increased by \$392,604.

### County of Highland’s Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 51,411	\$ 42,801	\$ 596,957	\$ 507,262	\$ 648,368	\$ 550,063
Operating grants and contributions	1,924,917	2,139,722	12,871	14,598	1,937,788	2,154,320
Capital grants and contributions	145,748	306,560	-	-	145,748	306,560
General revenues:						
General property taxes	5,536,881	4,812,492	-	-	5,536,881	4,812,492
Other local taxes	475,341	450,945	-	-	475,341	450,945
Use of money	222,820	270,059	2,333	622	225,153	270,681
Miscellaneous	109,168	95,901	-	-	109,168	95,901
Grants and contributions not restricted to specific programs	404,338	396,003	-	-	404,338	396,003
Gain on disposal of capital assets	57,434	-	-	-	57,434	-
<b>Total Revenues</b>	<b>\$ 8,928,058</b>	<b>\$ 8,514,483</b>	<b>\$ 612,161</b>	<b>\$ 522,482</b>	<b>\$ 9,540,219</b>	<b>\$ 9,036,965</b>
Expenses:						
General government	\$ 1,288,309	\$ 1,740,470	\$ -	\$ -	\$ 1,288,309	\$ 1,740,470
Judicial administration	396,043	406,655	-	-	396,043	406,655
Public safety	2,531,546	1,843,479	-	-	2,531,546	1,843,479
Public works	20,938	23,132	-	-	20,938	23,132
Health and welfare	901,414	838,313	-	-	901,414	838,313
Education	2,918,646	2,772,587	-	-	2,918,646	2,772,587
Parks, recreational, and cultural	102,383	92,726	-	-	102,383	92,726
Community development	254,127	333,653	-	-	254,127	333,653
Refuse Disposal	-	-	571,203	428,305	571,203	428,305
McDowell Water System	-	-	58,708	54,418	58,708	54,418
Recreation Commission	-	-	104,298	71,778	104,298	71,778
<b>Total</b>	<b>\$ 8,413,406</b>	<b>\$ 8,051,015</b>	<b>\$ 734,209</b>	<b>\$ 554,501</b>	<b>\$ 9,147,615</b>	<b>\$ 8,605,516</b>
Increase (decrease) in net position before transfers	\$ 514,652	\$ 463,468	\$ (122,048)	\$ (32,019)	\$ 392,604	\$ 431,449
Transfers	\$ (285,025)	\$ (17,500)	\$ 285,025	\$ 17,500	\$ -	\$ -
Increase (decrease) in net position	\$ 229,627	\$ 445,968	\$ 162,977	\$ (14,519)	\$ 392,604	\$ 431,449
Net position, beginning, previously reported	\$ 9,624,082	\$ 9,178,114	\$ 1,340,603	\$ 1,355,122	\$ 10,964,685	\$ 10,533,236
Restatement for GASB 101	119,425	-	5,237	-	124,662	-
Net position, beginning, restated	\$ 9,743,507	\$ 9,178,114	\$ 1,345,840	\$ 1,355,122	\$ 11,089,347	\$ 10,533,236
Net position, ending	<b>\$ 9,973,134</b>	<b>\$ 9,624,082</b>	<b>\$ 1,508,817</b>	<b>\$ 1,340,603</b>	<b>\$ 11,481,951</b>	<b>\$ 10,964,685</b>

## **Financial Analysis of the Government's Funds**

As earlier mentioned, the County uses 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 financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$7,650,152.

The general fund is the chief operating fund of the County. As of June 30, 2025, the total fund balance of the general fund was \$6,741,094, of which \$5,482,714 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81.9 percent and total fund balance represents 100.0 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$2,802,297.

The fund balance of the County's general fund decreased by \$138,661 during the current fiscal year.

### **Proprietary funds**

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the McDowell Water System, Highland County Refuse Disposal and Highland County Recreation Commission at the end of the year was \$222,579. Other factors concerning the finances of these funds were discussed in the County's business-type activities section of this letter.

## **General Fund Budgetary Highlights**

Differences between the original budgeted appropriations and the final amended budget appropriations were a \$16,917 increase, which is 0.2 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$48,000, which is 0.7 percent of the total original budget.

## **Capital Asset and Debt Administration**

### **Capital assets**

The County's investment in capital assets as of June 30, 2025 is \$3,386,755 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

**County of Highland, Virginia Capital Assets for Governmental Activities  
(net of depreciation)**

Additional information on the County’s capital assets can be found in the notes to the financial statements.

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 247,365	\$ 247,365	\$ 3,816	\$ 3,816	\$ 251,181	\$ 251,181
Construction in progress	-	165,475	-	-	-	165,475
Buildings and improvements	842,371	888,413	-	-	842,371	888,413
Machinery and equipment	935,633	880,863	-	-	935,633	880,863
Utility plant and equipment	-	-	1,357,570	1,018,762	1,357,570	1,018,762
Total	<u>\$ 2,025,369</u>	<u>\$ 2,182,116</u>	<u>\$ 1,361,386</u>	<u>\$ 1,022,578</u>	<u>\$ 3,386,755</u>	<u>\$ 3,204,694</u>

**Long-term liabilities**

At the end of the fiscal year the County had the following outstanding liabilities:

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Landfill closure/ post-closure liability	\$ 69,926	\$ 68,421	\$ -	\$ -	\$ 69,926	\$ 68,421
Revenue bonds	-	-	89,379	97,114	89,379	97,114
Net pension liability*	-	90,971	-	2,310	-	93,281
Net OPEB liabilities	90,775	85,147	2,404	2,163	93,179	87,310
Compensated absences**	127,436	255,290	6,668	11,905	134,104	267,195
Total	<u>\$ 288,137</u>	<u>\$ 499,829</u>	<u>\$ 98,451</u>	<u>\$ 113,492</u>	<u>\$ 386,588</u>	<u>\$ 613,321</u>

\* The primary government of the County reported a net pension asset for fiscal year 2025.

\*\* Balances for compensated absences for 2024 are shown as reported in the fiscal year 2024 financial report. These balances were restated in fiscal year 2025 resulting from the County implementing GASB Statement No. 101, *Compensated Absences*. See Note 1 to the financial statements for more detail.

Additional information on the County’s long-term debt can be found in the notes to the financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

- The unemployment rate for the County is currently 3.0 percent, which is a increase from the rate of 2.3 percent a year ago. This compares favorably to the state’s average unemployment rate of 3.5 percent and the national average rate of 4.1 percent.
- Earnings on investments, in general, continue to remain low.
- It is expected that funding from the Commonwealth of Virginia will be further decreased for constitutional officers, ABC profits, and wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County’s budget for the 2026 fiscal year.

During fiscal year 2025, unassigned fund balance in the general fund decreased \$65,622. Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund.

**Requests for Information**

This financial report is designed to provide readers with a general overview of the County of Highland’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Highland County Board of Supervisors, P. O. Box 130, Monterey, Virginia 24465.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Statement of Net Position  
June 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,844,891	\$ 229,997	\$ 7,074,888	\$ 445,569	\$ 53,271
Investments	273,708	-	273,708	-	10,000
Receivables (net of allowance for uncollectibles):					
Taxes receivable	2,826,233	-	2,826,233	-	-
Accounts receivable	56,941	59,219	116,160	965	295
Interest receivable	67	-	67	-	-
Due from primary government	-	-	-	12,638	-
Notes receivable	175,000	-	175,000	-	-
Due from component unit	177,785	-	177,785	-	-
Due from other governmental units	248,847	-	248,847	158,101	-
Inventories	-	-	-	9,138	-
Prepaid items	51,000	-	51,000	82,358	-
Restricted assets:					
Cash and cash equivalents	-	11,844	11,844	-	-
Net pension asset	132,203	2,387	134,590	-	-
Capital assets (net of accumulated depreciation):					
Land	247,365	3,816	251,181	13,035	-
Buildings and improvements	842,371	-	842,371	3,802,766	-
Machinery and equipment	935,633	-	935,633	542,248	-
Utility plant and equipment	-	1,357,570	1,357,570	-	-
Total assets	\$ 12,812,044	\$ 1,664,833	\$ 14,476,877	\$ 5,066,818	\$ 63,566
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related items	\$ 330,124	\$ 6,199	\$ 336,323	\$ 757,822	\$ -
OPEB related items	41,813	1,013	42,826	64,770	-
Total deferred outflows of resources	\$ 371,937	\$ 7,212	\$ 379,149	\$ 822,592	\$ -
<b>LIABILITIES</b>					
Accounts payable	\$ 36,053	\$ 57,024	\$ 93,077	\$ 13,126	\$ 5,698
Accrued liabilities	-	-	-	267,159	-
Accrued interest payable	-	115	115	-	-
Due to primary government	-	-	-	177,785	-
Due to component unit	12,638	-	12,638	-	-
Unearned revenue	43,615	-	43,615	47,226	17,644
Long-term liabilities:					
Due within one year	106,596	12,814	119,410	93,313	-
Due in more than one year	181,541	85,637	267,178	2,967,496	-
Total liabilities	\$ 380,443	\$ 155,590	\$ 536,033	\$ 3,566,105	\$ 23,342
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property taxes	\$ 2,579,616	\$ -	\$ 2,579,616	\$ -	\$ -
Lease related	194	-	194	-	-
Pension related items	227,453	7,025	234,478	440,295	-
OPEB related items	23,141	613	23,754	59,892	-
Total deferred inflows of resources	\$ 2,830,404	\$ 7,638	\$ 2,838,042	\$ 500,187	\$ -
<b>NET POSITION</b>					
Net investment in capital assets	\$ 2,025,369	\$ 1,272,007	\$ 3,297,376	\$ 4,358,049	\$ -
Restricted:					
Employee pensions	132,203	2,387	134,590	-	-
Debt service and bond covenants	-	11,844	11,844	-	-
Recording equipment	768	-	768	-	-
Law library	8,335	-	8,335	-	-
Courthouse maintenance	6,437	-	6,437	-	-
E911	7,380	-	7,380	-	-
\$4 for life program	33,978	-	33,978	-	-
Forfeited assets	5,153	-	5,153	-	-
Emergency medical services	319,464	-	319,464	-	-
Opioid abatement	32,374	-	32,374	-	-
School activity funds	-	-	-	162,986	-
Unrestricted (deficit)	7,401,673	222,579	7,624,252	(2,697,917)	40,224
Total net position	\$ 9,973,134	\$ 1,508,817	\$ 11,481,951	\$ 1,823,118	\$ 40,224

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

County of Highland, Virginia

Statement of Activities  
Year Ended June 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government administration	\$ 1,288,309	\$ 11,330	\$ 259,757	\$ -
Judicial administration	396,043	13,061	286,835	-
Public safety	2,531,546	27,020	766,312	145,748
Public works	20,938	-	-	-
Health and welfare	901,414	-	612,013	-
Education	2,918,646	-	-	-
Parks, recreation, and cultural	102,383	-	-	-
Community development	254,127	-	-	-
Total governmental activities	<u>\$ 8,413,406</u>	<u>\$ 51,411</u>	<u>\$ 1,924,917</u>	<u>\$ 145,748</u>
Business-type Activities:				
Refuse Disposal	\$ 571,203	\$ 461,102	\$ 12,871	\$ -
McDowell Water System	58,708	35,943	-	-
Recreation Commission	104,298	99,912	-	-
Total business-type activities	<u>\$ 734,209</u>	<u>\$ 596,957</u>	<u>\$ 12,871</u>	<u>\$ -</u>
Total primary government	<u>\$ 9,147,615</u>	<u>\$ 648,368</u>	<u>\$ 1,937,788</u>	<u>\$ 145,748</u>
<b>COMPONENT UNITS:</b>				
School Board	\$ 5,797,361	\$ 101,026	\$ 2,793,044	\$ -
Economic Development Authority	58,363	-	4,072	-
Total component units	<u>\$ 5,855,724</u>	<u>\$ 101,026</u>	<u>\$ 2,797,116</u>	<u>\$ -</u>

General revenues:  
 General property taxes  
 Other local taxes:  
     Local sales and use taxes  
     Consumers' utility taxes  
     Motor vehicle licenses  
     Taxes on recordation and wills  
     Hotel and motel room taxes  
     Bank stock taxes  
     Other local taxes  
 Unrestricted revenues from use of money  
 Miscellaneous  
 Grants and contributions not restricted to specific programs  
 Contribution from County  
 Gain on disposal of capital assets  
 Transfers  
 Total general revenues and transfers  
 Change in net position  
 Net position - beginning, as previously reported  
 Restatement  
 Net position - beginning, as restated  
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
\$ (1,017,222)	\$ -	\$ (1,017,222)	\$ -	\$ -
(96,147)	-	(96,147)	-	-
(1,592,466)	-	(1,592,466)	-	-
(20,938)	-	(20,938)	-	-
(289,401)	-	(289,401)	-	-
(2,918,646)	-	(2,918,646)	-	-
(102,383)	-	(102,383)	-	-
(254,127)	-	(254,127)	-	-
<u>\$ (6,291,330)</u>	<u>\$ -</u>	<u>\$ (6,291,330)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (97,230)	\$ (97,230)	\$ -	\$ -
-	(22,765)	(22,765)	-	-
-	(4,386)	(4,386)	-	-
<u>\$ -</u>	<u>\$ (124,381)</u>	<u>\$ (124,381)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (6,291,330)</u>	<u>\$ (124,381)</u>	<u>\$ (6,415,711)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(2,903,291)	\$ -
-	-	-	-	(54,291)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,903,291)</u>	<u>\$ (54,291)</u>
\$ 5,536,881	\$ -	\$ 5,536,881	\$ -	\$ -
236,070	-	236,070	-	-
115,783	-	115,783	-	-
59,121	-	59,121	-	-
16,785	-	16,785	-	-
27,688	-	27,688	-	-
12,766	-	12,766	-	-
7,128	-	7,128	-	-
222,820	2,333	225,153	-	133
109,168	-	109,168	280,391	-
404,338	-	404,338	-	-
-	-	-	2,900,365	49,865
57,434	-	57,434	-	-
(285,025)	285,025	-	-	-
<u>\$ 6,520,957</u>	<u>\$ 287,358</u>	<u>\$ 6,808,315</u>	<u>\$ 3,180,756</u>	<u>\$ 49,998</u>
<u>\$ 229,627</u>	<u>\$ 162,977</u>	<u>\$ 392,604</u>	<u>\$ 277,465</u>	<u>\$ (4,293)</u>
<u>\$ 9,624,082</u>	<u>\$ 1,340,603</u>	<u>\$ 10,964,685</u>	<u>\$ 1,788,776</u>	<u>\$ 44,517</u>
119,425	5,237	124,662	(243,123)	-
<u>\$ 9,743,507</u>	<u>\$ 1,345,840</u>	<u>\$ 11,089,347</u>	<u>\$ 1,545,653</u>	<u>\$ 44,517</u>
<u>\$ 9,973,134</u>	<u>\$ 1,508,817</u>	<u>\$ 11,481,951</u>	<u>\$ 1,823,118</u>	<u>\$ 40,224</u>

## **FUND FINANCIAL STATEMENTS**

Balance Sheet  
 Governmental Funds  
 June 30, 2025

	<i>Capital Projects</i>						<i>Other Governmental Funds</i>	<i>Total</i>
	<i>Fund</i>		<i>Special Revenue Funds</i>					
	<i>County</i>	<i>Virginia</i>	<i>Public</i>					
<i>General</i>	<i>Capital Improvements</i>	<i>EMS</i>	<i>Assistance</i>	<i>E-911</i>				
<b>ASSETS</b>								
Cash and cash equivalents	\$ 5,951,525	\$ 30,714	\$ 327,051	\$ 1,331	\$ 1,621	\$ 532,649	\$ 6,844,891	
Investments	273,708	-	-	-	-	-	273,708	
Receivables (net of allowance for uncollectibles):								
Taxes receivable	2,372,842	-	453,391	-	-	-	2,826,233	
Accounts receivable	56,941	-	-	-	-	-	56,941	
Interest receivable	67	-	-	-	-	-	67	
Notes receivable	175,000	-	-	-	-	-	175,000	
Due from other funds	54,817	-	-	-	-	-	54,817	
Due from component unit	177,785	-	-	-	-	-	177,785	
Due from other governmental units	185,340	-	-	54,203	9,304	-	248,847	
Prepaid items	32,149	18,851	-	-	-	-	51,000	
Total assets	<u>\$ 9,280,174</u>	<u>\$ 49,565</u>	<u>\$ 780,442</u>	<u>\$ 55,534</u>	<u>\$ 10,925</u>	<u>\$ 532,649</u>	<u>\$ 10,709,289</u>	
<b>LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 31,272	\$ -	\$ 519	\$ 717	\$ 3,545	\$ -	\$ 36,053	
Due to other funds	-	-	-	54,817	-	-	54,817	
Due to component unit	12,638	-	-	-	-	-	12,638	
Unearned revenue	43,615	-	-	-	-	-	43,615	
Total liabilities	<u>\$ 87,525</u>	<u>\$ -</u>	<u>\$ 519</u>	<u>\$ 55,534</u>	<u>\$ 3,545</u>	<u>\$ -</u>	<u>\$ 147,123</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - property taxes	\$ 2,418,987	\$ -	\$ 460,459	\$ -	\$ -	\$ -	\$ 2,879,446	
Unavailable revenue - opioid settlement	32,374	-	-	-	-	-	32,374	
Lease related	194	-	-	-	-	-	194	
Total deferred inflows of resources	<u>\$ 2,451,555</u>	<u>\$ -</u>	<u>\$ 460,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,912,014</u>	
<b>FUND BALANCES:</b>								
Nonspendable:								
Prepaid items	\$ 32,149	\$ 18,851	\$ -	\$ -	\$ -	\$ -	\$ 51,000	
Notes receivable	175,000	-	-	-	-	-	175,000	
Restricted:								
Recording equipment	768	-	-	-	-	-	768	
Law library	8,335	-	-	-	-	-	8,335	
Courthouse maintenance	6,437	-	-	-	-	-	6,437	
E911	-	-	-	-	7,380	-	7,380	
\$4 for life program	33,978	-	-	-	-	-	33,978	
Forfeited assets	-	-	-	-	-	5,153	5,153	
Emergency medical services	-	-	319,464	-	-	-	319,464	
Opioid abatement	16,790	-	-	-	-	-	16,790	
Committed:								
Assessor	84,920	-	-	-	-	-	84,920	
Equipment replacement	83,005	-	-	-	-	-	83,005	
Recreation commission	10,000	-	-	-	-	-	10,000	
Auditor	4,333	-	-	-	-	-	4,333	
Emergency food & shelter	4,529	-	-	-	-	-	4,529	
Communications equipment	47,529	-	-	-	-	-	47,529	
Regional jail	68,500	-	-	-	-	-	68,500	
Comprehensive plan	15,000	-	-	-	-	-	15,000	
Bus reserve	15,000	-	-	-	-	-	15,000	
Transportation enhancement project	373,413	-	-	-	-	-	373,413	
Veteran's memorial	8,391	-	-	-	-	-	8,391	
Cupola timepiece project	853	-	-	-	-	-	853	
School expenditures	119,812	-	-	-	-	-	119,812	
Dangerous dog registry	915	-	-	-	-	-	915	
EMS Stipends	22,232	-	-	-	-	-	22,232	
Body armor	4,200	-	-	-	-	-	4,200	
Assigned:								
Fire prevention programs	122,291	-	-	-	-	-	122,291	
Special revenue funds	-	-	-	-	-	20,698	20,698	
Capital projects funds	-	30,714	-	-	-	506,798	537,512	
Unassigned (deficit)	5,482,714	-	-	-	-	-	5,482,714	
Total fund balances	<u>\$ 6,741,094</u>	<u>\$ 49,565</u>	<u>\$ 319,464</u>	<u>\$ -</u>	<u>\$ 7,380</u>	<u>\$ 532,649</u>	<u>\$ 7,650,152</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,280,174</u>	<u>\$ 49,565</u>	<u>\$ 780,442</u>	<u>\$ 55,534</u>	<u>\$ 10,925</u>	<u>\$ 532,649</u>	<u>\$ 10,709,289</u>	

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

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2025

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	7,650,152	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Land	\$	247,365	
Buildings and improvements		842,371	
Machinery and equipment		<u>935,633</u>	2,025,369
The net pension asset is not an available resource and, therefore, is not reported in the funds			
			132,203
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable revenue in the funds.			
Unavailable revenue - property taxes	\$	299,830	
Unavailable revenue - opioid settlement		<u>32,374</u>	332,204
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Pension related items	\$	330,124	
OPEB related items		<u>41,813</u>	371,937
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Compensated absences	\$	(127,436)	
Landfill closure/post-closure costs		(69,926)	
Net OPEB liability		<u>(90,775)</u>	(288,137)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(227,453)	
OPEB related items		<u>(23,141)</u>	<u>(250,594)</u>
Net position of governmental activities	\$		<u><u>9,973,134</u></u>

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

**County of Highland, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2025

	<b>Capital Projects Fund</b>	
	<b>General</b>	<b>County Capital Improvements</b>
<b>REVENUES</b>		
General property taxes	\$ 4,750,961	\$ -
Other local taxes	475,341	-
Permits, privilege fees, and regulatory licenses	11,409	-
Fines and forfeitures	11,507	-
Revenue from the use of money and property	234,065	-
Charges for services	17,165	-
Miscellaneous	98,883	13,291
Intergovernmental:		
Commonwealth	1,496,887	-
Federal	217,063	39,000
Total revenues	<u>\$ 7,313,281</u>	<u>\$ 52,291</u>
<b>EXPENDITURES</b>		
Current:		
General government administration	\$ 1,219,211	\$ -
Judicial administration	428,956	-
Public safety	1,651,752	-
Public works	6,988	-
Health and welfare	209,899	-
Education	2,802,297	-
Parks, recreation, and cultural	96,906	-
Community development	255,623	-
Nondepartmental	19,687	-
Capital projects	101	97,343
Total expenditures	<u>\$ 6,691,420</u>	<u>\$ 97,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 621,861</u>	<u>\$ (45,052)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	\$ -	\$ -
Transfers out	(660,522)	-
Sale of capital assets	-	100,000
Total other financing sources (uses)	<u>\$ (660,522)</u>	<u>\$ 100,000</u>
Net change in fund balances	\$ (38,661)	\$ 54,948
Fund balances - beginning	6,779,755	(5,383)
Fund balances - ending	<u>\$ 6,741,094</u>	<u>\$ 49,565</u>

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

<b>Special Revenue Funds</b>				
<b>EMS</b>	<b>Virginia Public Assistance</b>	<b>E-911</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 699,162	\$ -	\$ -	\$ -	5,450,123
-	-	-	-	475,341
-	-	-	-	11,409
-	-	-	-	11,507
-	85	-	-	234,150
-	-	-	-	17,165
-	3	-	-	112,177
-	211,812	106,748	3,292	1,818,739
-	400,201	-	-	656,264
<u>\$ 699,162</u>	<u>\$ 612,101</u>	<u>\$ 106,748</u>	<u>\$ 3,292</u>	<u>\$ 8,786,875</u>
\$ -	\$ -	\$ -	\$ -	1,219,211
-	-	-	-	428,956
734,579	-	136,568	4,592	2,527,491
-	-	-	-	6,988
-	702,311	-	-	912,210
-	-	-	-	2,802,297
-	-	-	-	96,906
-	-	-	-	255,623
-	-	-	-	19,687
-	-	-	116,349	213,793
<u>\$ 734,579</u>	<u>\$ 702,311</u>	<u>\$ 136,568</u>	<u>\$ 120,941</u>	<u>\$ 8,483,162</u>
<u>\$ (35,417)</u>	<u>\$ (90,210)</u>	<u>\$ (29,820)</u>	<u>\$ (117,649)</u>	<u>\$ 303,713</u>
\$ -	\$ 90,210	\$ -	\$ 285,287	\$ 375,497
-	-	-	-	(660,522)
-	-	-	-	100,000
<u>\$ -</u>	<u>\$ 90,210</u>	<u>\$ -</u>	<u>\$ 285,287</u>	<u>\$ (185,025)</u>
\$ (35,417)	\$ -	\$ (29,820)	\$ 167,638	\$ 118,688
354,881	-	37,200	365,011	7,531,464
<u>\$ 319,464</u>	<u>\$ -</u>	<u>\$ 7,380</u>	<u>\$ 532,649</u>	<u>\$ 7,650,152</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds \$ 118,688

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

Capital outlays	\$ 134,614	
Depreciation expense	<u>(248,795)</u>	(114,181)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (42,566)

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

Property taxes	\$ 86,758	
Opioid settlement	<u>(3,009)</u>	83,749

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Increase in accrued landfill closure and post-closure monitoring costs	\$ <u>(1,505)</u>	(1,505)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences	\$ 8,429	
Change in pension related items	170,360	
Change in OPEB related items	<u>6,653</u>	
		<u>185,442</u>

Change in net position of governmental activities \$ 229,627

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

Statement of Net Position  
Proprietary Funds  
June 30, 2025

	Enterprise Funds			Total
	McDowell Water System	Refuse Disposal	Recreation Commission	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 70,920	\$ -	\$ 159,077	\$ 229,997
Accounts receivable	8,162	51,057	-	59,219
Total current assets	<u>\$ 79,082</u>	<u>\$ 51,057</u>	<u>\$ 159,077</u>	<u>\$ 289,216</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	\$ 11,844	\$ -	\$ -	\$ 11,844
Net pension asset	-	2,387	-	2,387
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,227,952	1,087,506	20,801	2,336,259
Accumulated depreciation	(721,478)	(238,735)	(18,476)	(978,689)
Net capital assets	<u>\$ 510,290</u>	<u>\$ 848,771</u>	<u>\$ 2,325</u>	<u>\$ 1,361,386</u>
Total noncurrent assets	<u>\$ 522,134</u>	<u>\$ 851,158</u>	<u>\$ 2,325</u>	<u>\$ 1,375,617</u>
Total assets	<u>\$ 601,216</u>	<u>\$ 902,215</u>	<u>\$ 161,402</u>	<u>\$ 1,664,833</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ -	\$ 6,199	\$ -	\$ 6,199
OPEB related items	-	1,013	-	1,013
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 7,212</u>	<u>\$ -</u>	<u>\$ 7,212</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 927	\$ 56,097	\$ -	\$ 57,024
Accrued interest payable	115	-	-	115
Revenue bonds - current portion	8,120	-	-	8,120
Compensated absences - current portion	-	4,694	-	4,694
Total current liabilities	<u>\$ 9,162</u>	<u>\$ 60,791</u>	<u>\$ -</u>	<u>\$ 69,953</u>
Noncurrent liabilities:				
Revenue bonds - net of current portion	\$ 81,259	\$ -	\$ -	\$ 81,259
Compensated absences - net of current portion	-	1,974	-	1,974
Net OPEB liability	-	2,404	-	2,404
Total noncurrent liabilities	<u>\$ 81,259</u>	<u>\$ 4,378</u>	<u>\$ -</u>	<u>\$ 85,637</u>
Total liabilities	<u>\$ 90,421</u>	<u>\$ 65,169</u>	<u>\$ -</u>	<u>\$ 155,590</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related items	\$ -	\$ 7,025	\$ -	\$ 7,025
OPEB related items	-	613	-	613
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 7,638</u>	<u>\$ -</u>	<u>\$ 7,638</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 420,911	\$ 848,771	\$ 2,325	\$ 1,272,007
Restricted:				
Employee pensions	-	2,387	-	2,387
Debt service and bond covenants	11,844	-	-	11,844
Unrestricted	78,040	(14,538)	159,077	222,579
Total net position	<u>\$ 510,795</u>	<u>\$ 836,620</u>	<u>\$ 161,402</u>	<u>\$ 1,508,817</u>

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

Statement of Revenues, Expenses, and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2025

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Water revenues	\$ 35,943	\$ -	\$ -	\$ 35,943
Refuse disposal	-	420,858	-	420,858
Recycling revenues	-	17,697	-	17,697
Tire disposal	-	3,822	-	3,822
Program income	-	-	91,006	91,006
Other revenues	-	18,725	8,906	27,631
Total operating revenues	<u>\$ 35,943</u>	<u>\$ 461,102</u>	<u>\$ 99,912</u>	<u>\$ 596,957</u>
<b>OPERATING EXPENSES</b>				
Personnel services	\$ 15,549	\$ 160,400	\$ -	\$ 175,949
Contractual services	1,028	296,438	33,446	330,912
Depreciation	24,142	60,062	930	85,134
Supplies	-	-	61,839	61,839
Utilities	-	-	7,176	7,176
Other charges	13,898	54,303	907	69,108
Total operating expenses	<u>\$ 54,617</u>	<u>\$ 571,203</u>	<u>\$ 104,298</u>	<u>\$ 730,118</u>
Operating income (loss)	<u>\$ (18,674)</u>	<u>\$ (110,101)</u>	<u>\$ (4,386)</u>	<u>\$ (133,161)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue (expense)	\$ -	\$ 12,871	\$ -	\$ 12,871
Investment income	66	-	2,267	2,333
Interest expense	(4,091)	-	-	(4,091)
Total nonoperating revenues (expenses)	<u>\$ (4,025)</u>	<u>\$ 12,871</u>	<u>\$ 2,267</u>	<u>\$ 11,113</u>
Income before transfers	<u>\$ (22,699)</u>	<u>\$ (97,230)</u>	<u>\$ (2,119)</u>	<u>\$ (122,048)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 262,881	\$ 22,144	\$ 285,025
Change in net position	<u>\$ (22,699)</u>	<u>\$ 165,651</u>	<u>\$ 20,025</u>	<u>\$ 162,977</u>
Net position - beginning, as previously reported	\$ 533,494	\$ 665,732	\$ 141,377	\$ 1,340,603
Restatement	-	5,237	-	5,237
Net position - beginning, as restated	<u>\$ 533,494</u>	<u>\$ 670,969</u>	<u>\$ 141,377</u>	<u>\$ 1,345,840</u>
Net position - ending	<u>\$ 510,795</u>	<u>\$ 836,620</u>	<u>\$ 161,402</u>	<u>\$ 1,508,817</u>

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

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2025

	Enterprise Funds			Total
	McDowell Water System	Refuse Disposal	Recreation Commission	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 33,718	\$ 443,995	\$ 91,006	\$ 568,719
Payments to suppliers	(14,041)	(294,792)	(97,441)	(406,274)
Payments to employees	(15,549)	(165,738)	-	(181,287)
Other receipts (payments)	-	18,725	823	19,548
Net cash provided by (used for) operating activities	\$ 4,128	\$ 2,190	\$ (5,612)	\$ 706
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	\$ -	\$ 262,881	\$ 22,144	\$ 285,025
Intergovernmental revenues	-	12,871	-	12,871
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 275,752	\$ 22,144	\$ 297,896
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Additions to utility plant	\$ -	\$ (423,942)	\$ -	\$ (423,942)
Principal payments on bonds	(7,735)	-	-	(7,735)
Interest expense	(4,109)	-	-	(4,109)
Net cash provided by (used for) capital and related financing activities	\$ (11,844)	\$ (423,942)	\$ -	\$ (435,786)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	\$ 66	\$ -	\$ 2,267	\$ 2,333
Net cash provided by (used for) investing activities	\$ 66	\$ -	\$ 2,267	\$ 2,333
Net increase (decrease) in cash and cash equivalents	\$ (7,650)	\$ (146,000)	\$ 18,799	\$ (134,851)
Cash and cash equivalents - beginning	90,414	146,000	140,278	376,692
Cash and cash equivalents - ending	\$ 82,764	\$ -	\$ 159,077	\$ 241,841
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>				
Operating income (loss)	\$ (18,674)	\$ (110,101)	\$ (4,386)	\$ (133,161)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	\$ 24,142	\$ 60,062	\$ 930	\$ 85,134
(Increase) decrease in accounts receivable	(2,225)	1,618	-	(607)
(Increase) decrease in net pension asset	-	(2,387)	-	(2,387)
(Increase) decrease in deferred outflows of resources	-	263	-	263
Increase (decrease) in net pension liability	-	(2,310)	-	(2,310)
Increase (decrease) in net OPEB liability	-	241	-	241
Increase (decrease) in deferred inflows of resources	-	(1,145)	-	(1,145)
Increase (decrease) in accounts payable	885	55,949	(2,156)	54,678
Total adjustments	\$ 22,802	\$ 112,291	\$ (1,226)	\$ 133,867
Net cash provided by (used for) operating activities	\$ 4,128	\$ 2,190	\$ (5,612)	\$ 706

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

Statement of Fiduciary Net Position  
 Fiduciary Fund  
 June 30, 2025

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	Custodial Funds
	Special Welfare Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 15
Total assets	\$ 15
 <b>NET POSITION</b>	
Restricted for:	
Restricted for social service clients	\$ 15
Total net position	\$ 15

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

Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
Year Ended June 30, 2025

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	<b>Custodial Funds</b>
	<b>Special Welfare Fund</b>
	<hr/>
Net increase (decrease) in fiduciary net position	\$ -
Net position - beginning	<hr/> 15
Net position - ending	\$ <u><u>15</u></u>

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

# COUNTY OF HIGHLAND, VIRGINIA

## Notes to Financial Statements June 30, 2025

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

#### A. Financial Reporting Entity

The County of Highland, Virginia (government) is a municipal corporation governed by an elected three-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Blended component units** - The McDowell Water System has been determined to be a component unit of Highland County. The System is a legally separate organization whose Board members are appointed by the Highland County Board of Supervisors. During the year ended June 30, 2025, all members of the Board of Supervisors were also members of the three-member System Board. Since the Board of Supervisors is able to impose its will on the System, the System is a component unit of Highland County. The System does not issue separate financial statements.

The Highland County Recreation Commission is included as a component unit because the Commission's primary use of funds is to provide for recreation activities of the County, thereby benefiting the County even though it does not provide services directly to the County. The Recreation Commission does not issue separate financial statements. The Board of Supervisors appoints the board members of the Highland County Recreation Commission.

**Discretely Presented Component Units** - The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in separate columns to emphasize that these component units are legally separate from the County.

The Highland County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board does not issue separate financial statements. The County Board of Supervisors appoints the governing body of the School Board.

The Economic Development Authority of Highland County, Virginia serves to promote industry and develop trade in Highland County, Virginia. The County does not exercise direct control over the board or its annual budget. The Economic Development Authority of Highland County, Virginia does not issue separate financial statements. The Board of Supervisors appoints the board members of the Highland County Economic Development Authority.

**Related Organizations** - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2025 (Continued)

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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##### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (governmental and business-type 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).

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

##### **C. Measurement focus, basis of accounting, and financial statement presentation**

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

The 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.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2025 (Continued)

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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##### C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The government-wide, proprietary, 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.

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, and postemployment benefits 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. Issuances of long-term debt and financing through leases are reported as other financing sources.

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes the activities of the gypsy moth, damage stamp, various grants, county reserve, CATS, fire prevention, law library, courthouse maintenance, and recordation equipment funds.

The *capital projects funds* account for and report 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. The County Capital Improvements Fund is a major fund of the County.

The *special revenue funds* account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Major special revenue funds consist of the EMS, Virginia Public Assistance, and E-911 funds.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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**C. Measurement focus, basis of accounting, and financial statements presentation (continued)**

The government reports the following nonmajor governmental funds:

The *special revenue funds* account for and report the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Sheriff's Grants Fund is a nonmajor fund of the County.

The *capital projects funds* account for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The School Capital Improvements Fund is a nonmajor fund of the County.

The government reports the following major proprietary funds:

The *McDowell Water System Fund* accounts for the activities of the McDowell Water System. The System operates the water distribution system for the village of McDowell.

The *Refuse Disposal Fund* accounts for the activities of the County's refuse transfer station.

The *Recreation Commission Fund* accounts for the activities of the County's Recreation Commission.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water System and Refuse Disposal enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund statements provide information on the Special Welfare Fund, which is classified as a custodial fund held by the County and are not held in a trust. Fiduciary funds are not reflected in the government-wide financial statement because the resources of the fiduciary fund are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance**

**1. Cash and cash equivalents**

The government's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

**2. 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.

**3. Receivables and payables**

Activity between funds that are 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 portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**4. Property taxes**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The County bills and collects its own property taxes.

**5. 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 approximately \$5,009 at June 30, 2025, which represents 0.025% of the total levies for the previous six years.

**6. Inventories and prepaid items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures when consumed rather than when purchased. Quantities on hand at year-end are considered immaterial and have not been recorded, except in the School Cafeteria Fund.

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance (continued)**

**7. 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.

**8. Capital assets**

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental, business-type activities, or component unit columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

As the County and Component Unit School Board 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 assets (lease 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, and infrastructure of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Buildings improvements	15-50
Machinery, equipment, and vehicles	5-10
Utility plant	50

**9. Compensated absences**

The County recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or utilized for early retirement) during or upon separation from employment. Based on the criteria listed, leave qualifying for liability recognition for compensated absences includes annual, sick, and comp leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance (continued)**

**10. Long-term obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**11. 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”. The 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 not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts that can be spent only for 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 specified purposes 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 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 general 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance (continued)

**11. Fund balance (continued)**

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.

The County establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. 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 the 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).

In the General Fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

**12. Net Position**

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

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

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Assets, liabilities, deferred inflows/outflows of resources and net position/fund balance (continued)**

**13. Restricted Assets**

The McDowell Water System Fund maintains restricted cash for debt service that is limited by applicable bond covenants. At June 30, 2025, restricted cash for debt service amounted to \$11,844.

**14. 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.

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 pension, OPEB, leases, and the opioid settlement are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**E. Pensions**

For purposes of measuring the net pension asset and liabilities, 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.

**F. 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 OPEB 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Leases

The County leases various 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.

*Lessor*

The County recognizes leases receivable and deferred inflows of resources in the government-wide and governmental fund financial statements. At commencement of the lease, the lease receivable is measured at present value of lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured at the initial amount of the lease receivable, less lease payments received from the lessee at or before the commencement of the lease term (less any lease incentives). Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

*Key Estimates and Judgements*

Lease accounting includes estimates and judgements 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 leases.
- The lease term includes 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).

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) if certain changes occur that are expected to significantly affect the amount of the lease receivable.

H. Adoption of Accounting Principles

During 2025, the County implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the County now recognizes an estimated amount of leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. As a result of the County adopting GASB Statement No. 101, beginning net position was restated as follows:

	Government-wide Financial Statements			Fund Financial Statements
	Governmental Activities	Business-type Activities	Component Unit School Board	Refuse Disposal Fund
Net position at June 30, 2024, as previously reported	\$ 9,624,082	\$ 1,340,603	\$ 1,788,776	\$ 665,732
Restatement for GASB 101 implementation	119,425	5,237	(243,123)	5,237
Net position at June 30, 2024, as restated	\$ 9,743,507	\$ 1,345,840	\$ 1,545,653	\$ 670,969

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**A. Budgetary Information**

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

1. Prior to March 30, the County Treasurer and County Administrator submit to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The 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 for the General Fund, Special Revenue Funds (except the School Fund), and the County Capital Improvements Fund. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
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. The County's practice is to appropriate Capital Projects by project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

**B. Excess of expenditures over appropriations at June 30, 2025:**

Fund	Function	Excess of Expenditures over Appropriations
General	Judicial administration	\$ 1,920
General	Public Safety	62,824
General	Health and welfare	11,250
General	Nondepartmental	8,087
Total General Fund		\$ 84,081
E-911 Fund	Public Safety	136,568
School capital projects fund	Capital projects	116,349
Total Primary Government		\$ 336,998
School Cafeteria Fund	Education	\$ 1,241
Total Component Unit School Board		\$ 1,241
Total All Funds		\$ 338,239

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2025 (Continued)

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#### NOTE 3—DEPOSITS AND INVESTMENTS:

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##### Deposits

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

##### Investments

Statutes authorize 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investing activities are managed under the custody of the Treasurer. The County has not adopted a policy regarding credit risk of debt securities.

The County's rated debt investments as of June 30, 2025 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard & Poor's rating scale.

<b>County's Rated Debt Investments' Values</b>	
<b>Rated Debt Investments</b>	<b>Fair Quality Rating</b>
	<b>AAAm</b>
Local Government Investment Pool	\$ 4,656
Total	\$ 4,656

##### Interest Rate Risk

The County invests funds in low-risk investments backed by U.S. government agencies.

	<u>Fair Value</u>	<u>Less than 1 yr</u>
Local Government Investment Pool	\$ 4,656	\$ 4,656

##### External Investment Pool

The fair value of the positions in the Local Government Investment Pool (LGIP) 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.

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 4—DUE FROM OTHER GOVERNMENTAL UNITS:**

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 51,981
Local sales taxes	36,921	-
Communication taxes	7,814	-
DMV select	3,722	-
Public assistance and welfare administration	20,065	-
Commonwealth attorney	7,025	-
Clerk of Circuit Court	16,051	-
Treasurer	8,149	-
Commissioner of Revenue	8,292	-
Sheriff	55,464	-
State VDEM shelter grant	14,817	-
Emergency services grants	9,304	-
Other state funding	1,612	-
School grants	-	102,034
Federal Government:		
School food service grants	-	4,086
FEMA grants	23,946	-
Edward Byrne Memorial Justice Assistance Grant Program	1,527	-
Public assistance and welfare administration	34,138	-
<b>Total</b>	<b>\$ 248,847</b>	<b>\$ 158,101</b>

**NOTE 5—INTERFUND OBLIGATIONS:**

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 54,817	\$ -	\$ 12,638	\$ 177,785
VPA Fund	-	54,817	-	-
<b>Total</b>	<b>\$ 54,817</b>	<b>\$ 54,817</b>	<b>\$ 12,638</b>	<b>\$ 177,785</b>
Component Unit-School Board:				
School Operating Fund	\$ -	\$ -	\$ 177,785	\$ -
School Cafeteria Fund	-	-	-	12,638
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 177,785</b>	<b>\$ 12,638</b>

The purpose of the interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 6—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 660,522
Virginia Public Assistance Fund	90,210	-
Refuse Disposal Fund	262,881	-
Recreation Commission	22,144	-
School Capital Projects Fund	285,287	-
<b>Total</b>	<b>\$ 660,522</b>	<b>\$ 660,522</b>

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.

**NOTE 7—CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2025 was as follows:

**Governmental Activities:**

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 247,365	\$ -	\$ -	\$ 247,365
Construction in progress	165,475	88,651	(254,126)	-
Total capital assets not being depreciated	\$ 412,840	\$ 88,651	\$ (254,126)	\$ 247,365
Capital assets being depreciated:				
Buildings and improvements	\$ 2,019,289	\$ -	\$ -	\$ 2,019,289
Machinery and equipment	2,483,444	300,089	(247,832)	2,535,701
Total capital assets being depreciated	\$ 4,502,733	\$ 300,089	\$ (247,832)	\$ 4,554,990
Accumulated depreciation:				
Buildings and improvements	\$ (1,130,876)	\$ (46,042)	\$ -	\$ (1,176,918)
Machinery and equipment	(1,602,581)	(202,753)	205,266	(1,600,068)
Total accumulated depreciation	\$ (2,733,457)	\$ (248,795)	\$ 205,266	\$ (2,776,986)
Total capital assets being depreciated, net	\$ 1,769,276	\$ 51,294	\$ (42,566)	\$ 1,778,004
Governmental activities capital assets, net	\$ 2,182,116	\$ 139,945	\$ (296,692)	\$ 2,025,369

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 7—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

*McDowell Water System Fund*

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Total capital assets not being depreciated	<u>\$ 3,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,816</u>
Capital assets being depreciated:				
Utility plant and equipment	\$ 1,227,952	\$ -	\$ -	\$ 1,227,952
Accumulated depreciation	(697,336)	(24,142)	-	(721,478)
Capital assets being depreciated, net	<u>\$ 530,616</u>	<u>\$ (24,142)</u>	<u>\$ -</u>	<u>\$ 506,474</u>
McDowell water system capital assets, net	<u><u>\$ 534,432</u></u>	<u><u>\$ (24,142)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 510,290</u></u>

*Refuse Disposal Fund*

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets being depreciated:				
Utility plant and equipment	\$ 663,564	\$ 423,942	\$ -	\$ 1,087,506
Accumulated depreciation	(178,673)	(60,062)	-	(238,735)
Capital assets being depreciated, net	<u>\$ 484,891</u>	<u>\$ 363,880</u>	<u>\$ -</u>	<u>\$ 848,771</u>
Refuse disposal fund capital assets, net	<u><u>\$ 484,891</u></u>	<u><u>\$ 363,880</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 848,771</u></u>

*Recreation Commission Fund*

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets being depreciated:				
Furniture and equipment	\$ 20,801	\$ -	\$ -	\$ 20,801
Accumulated depreciation	(17,546)	(930)	-	(18,476)
Capital assets being depreciated, net	<u>\$ 3,255</u>	<u>\$ (930)</u>	<u>\$ -</u>	<u>\$ 2,325</u>
Recreation commission fund capital assets, net	<u><u>\$ 3,255</u></u>	<u><u>\$ (930)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,325</u></u>

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 7—CAPITAL ASSETS: (CONTINUED)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government administration	\$ 39,530
Judicial administration	8,738
Public safety	180,928
Public works	13,969
Health and welfare	489
Parks, Recreation, and Cultural	3,142
Community development	1,999
Total depreciation expense - governmental activities	<u>\$ 248,795</u>
Business-type Activities:	
McDowell Water System	\$ 24,142
Refuse disposal	60,062
Recreation Commission	930
Total depreciation expense - business-type activities	<u>\$ 85,134</u>

**Component Unit: School Board**

Capital asset activity for the School Board for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Total capital assets not being depreciated	<u>\$ 13,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,035</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,667,538	\$ 255,953	\$ -	\$ 6,923,491
Furniture, equipment and vehicles	1,765,202	135,567	-	1,900,769
Total capital assets being depreciated	<u>\$ 8,432,740</u>	<u>\$ 391,520</u>	<u>\$ -</u>	<u>\$ 8,824,260</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,898,814)	\$ (221,911)	\$ -	\$ (3,120,725)
Furniture, equipment and vehicles	(1,198,568)	(159,953)	-	(1,358,521)
Total accumulated depreciation	<u>\$ (4,097,382)</u>	<u>\$ (381,864)</u>	<u>\$ -</u>	<u>\$ (4,479,246)</u>
Total capital assets being depreciated, net	<u>\$ 4,335,358</u>	<u>\$ 9,656</u>	<u>\$ -</u>	<u>\$ 4,345,014</u>
School Board capital assets, net	<u>\$ 4,348,393</u>	<u>\$ 9,656</u>	<u>\$ -</u>	<u>\$ 4,358,049</u>

Depreciation expense was charged to education in the amount of \$381,864.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS:**

**Primary Government-Governmental Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2025:

	Balance July 1, 2024, restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Landfill closure/post-closure costs	\$ 68,421	\$ 1,505	\$ -	\$ 69,926
Compensated absences*	135,865	129,783	138,212	127,436
Net OPEB liability	85,147	58,348	52,720	90,775
Total Long-Term Obligations	<u>\$ 289,433</u>	<u>\$ 189,636</u>	<u>\$ 190,932</u>	<u>\$ 288,137</u>

\*During 2025, the County restated balances for compensated absences as of June 30, 2024 resulting from implementation of GASB Statement No. 101, *Compensated Absences*.

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
Landfill closure/post-closure costs	\$ 69,926	\$ -
Compensated absences	\$ 127,436	\$ 106,596
Net OPEB liability	\$ 90,775	\$ -
Total long-term obligations	<u>\$ 288,137</u>	<u>\$ 106,596</u>

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

**Primary Government-Business-type Activities Obligations:**

The following is a summary of long-term obligation transactions of the enterprise funds for the year ended June 30, 2025:

	Balance July 1, 2024, restated	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2025
Direct Borrowings and Placements:				
Revenue Bonds	\$ 97,114	\$ -	\$ 7,735	\$ 89,379
Other Long-Term Obligations:				
Compensated absences*	\$ 6,668	\$ 2,381	\$ 2,381	\$ 6,668
Net OPEB liability	2,163	1,635	1,394	2,404
Total Other Long-Term Obligations	\$ 8,831	\$ 4,016	\$ 3,775	\$ 9,072
Total Long-Term Obligations	\$ 105,945	\$ 4,016	\$ 11,510	\$ 98,451

\*During 2025, the County restated balances for compensated absences as of June 30, 2024 resulting from implementation of GASB Statement No. 101, *Compensated Absences*.

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

Year Ending June 30,	Direct Borrowings and Placements	
	Revenue Bonds	
	Principal	Interest
2026	\$ 8,120	\$ 3,724
2027	8,513	3,331
2028	8,925	2,919
2029	4,382	2,575
2030	3,693	2,415
2031-2035	21,052	9,489
2036-2040	14,014	5,610
2041-2045	15,753	2,667
2046-2047	4,927	133
Total	\$ 89,379	\$ 32,863

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

**Primary Government-Business-type Activities Obligations: (Continued)**

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Direct Borrowings and Placements:		
Revenue Bonds:		
\$58,000 revenue bond issued through Farmers Home Administration of the USDA, dated December 6, 1988, payable in monthly installments of \$283 through December 6, 2028 at a stated rate of 5.0%	\$ 9,711	\$ 2,973
\$40,000 revenue bond issued through Farmers Home Administration of the USDA, dated December 6, 1988, payable in monthly installments of \$195 through December 6, 2028 at a stated rate of 5.0%	6,899	2,038
\$44,300 revenue bond issued through USDA Rural Development, dated August 27, 1996, payable in monthly installments of \$202 through August 27, 2036 at a stated rate of 4.5%	20,328	1,547
\$77,000 revenue bond issued through USDA Rural Development, dated June 21, 2007, payable in monthly installments of \$307 through June 21, 2047 at a stated rate of 4.125%	<u>52,441</u>	<u>1,562</u>
Total revenue bonds	\$ <u>89,379</u>	\$ <u>8,120</u>
Other Long-Term Obligations:		
Compensated Absences	\$ 6,668	\$ 4,694
Net OPEB Liability	<u>2,404</u>	<u>-</u>
Total long-term obligations	<u>\$ 98,451</u>	<u>\$ 12,814</u>

The County's outstanding revenue bonds from direct borrowings and direct placements related to business-type activities of \$89,379 contain a provision that in the event of default the entire unpaid principal and interest become immediately due and payable. The County has pledged to secure the payment and performance of the County's obligations under the bonds with the County's right, title, and interest to the revenues and receipts received by the County from the water system.

**Component Unit-School Board Long-Term Obligations:**

The following is a summary of long-term obligation transactions, including amounts due within one year, of the Component Unit School Board for the year ended June 30, 2025:

	Restated balance			Balance	Due Within
	July 1, 2024	Increases	Decreases	June 30, 2025	One Year
Compensated absences*	\$ 305,652	\$ 408,149	\$ 327,762	\$ 386,039	\$ 93,313
Net OPEB liabilities	383,541	99,426	123,450	359,517	-
Net pension liability	<u>2,561,958</u>	<u>940,727</u>	<u>1,187,432</u>	<u>2,315,253</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 3,251,151</u>	<u>\$ 1,448,302</u>	<u>\$ 1,638,644</u>	<u>\$ 3,060,809</u>	<u>\$ 93,313</u>

\*During 2025, the School Board restated balances for compensated absences as of June 30, 2024 resulting from implementation of GASB Statement No. 101, *Compensated Absences*.

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2025 (Continued)

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#### NOTE 9—PENSION PLANS:

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##### *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.
- 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 equal 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 9—PENSION PLANS: (CONTINUED)**

***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.

***Employees Covered by Benefit Terms***

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Primary Government</b>	<b>Component Unit School Board (Nonprofessional)</b>
Inactive members or their beneficiaries currently receiving benefits	29	14
Inactive members:		
Vested inactive members	5	1
Non-vested inactive members	20	2
Inactive members active elsewhere in VRS	16	2
Total inactive members	41	5
Active members	35	9
Total covered employees	105	28

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2025 (Continued)

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#### NOTE 9—PENSION PLANS: (CONTINUED)

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##### **Contributions**

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

The County's contractually required employer contribution rate for the year ended June 30, 2025 was 9.71% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$233,749 and \$207,618 for the years ended June 30, 2025 and June 30, 2024, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2025 was 25.69% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$66,803 and \$63,092 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$10,825 and \$802 for the County and School Board, respectively, for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$10,825 and \$1,231 for the County and School Board, respectively, for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,080,384 and \$80,196 for the County and School Board, respectively, for the year ended June 30, 2025.

##### **Net Pension Liability (Asset)**

The net pension liability (NPL) and net pension asset (NPA) are calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's net pension asset and Component Unit School Board's (nonprofessional) net pension liability were measured as of June 30, 2024. The total pension liabilities used to calculate the net pension liability and asset were determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024.

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 9—PENSION PLANS: (CONTINUED)**

**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, 2023, 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, 2024.

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 9—PENSION PLANS: (CONTINUED)**

***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, 2023, 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, 2024.

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

**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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result 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 HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 9—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:

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
	Expected arithmetic nominal return**		<u>7.07%</u>

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

\*\* On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 9—PENSION PLANS: (CONTINUED)

**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. For the year ended June 30, 2024, the employer contribution rate was 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. Through the fiscal year ended June 30, 2024, 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 112% of the actuarially determined contribution rate. From July 1, 2024 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, 2023	\$ 8,717,707	\$ 8,624,426	\$ 93,281
Changes for the year:			
Service cost	\$ 202,376	\$ -	\$ 202,376
Interest	575,386	-	575,386
Differences between expected and actual experience	112,804	-	112,804
Contributions - employer	-	207,619	(207,619)
Contributions - employee	-	99,407	(99,407)
Net investment income	-	816,896	(816,896)
Benefit payments, including refunds	(791,703)	(791,703)	-
Administrative expenses	-	(5,610)	5,610
Other changes	-	125	(125)
Net changes	\$ 98,863	\$ 326,734	\$ (227,871)
Balances at June 30, 2024	\$ 8,816,570	\$ 8,951,160	\$ (134,590)

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 9—PENSION PLANS: (CONTINUED)

*Changes in Net Pension Liability (Continued)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 1,541,279	\$ 1,018,955	\$ 522,324
Changes for the year:			
Service cost	\$ 21,735	\$ -	\$ 21,735
Interest	102,413	-	102,413
Differences between expected and actual experience	(33,131)	-	(33,131)
Contributions - employer	-	69,280	(69,280)
Contributions - employee	-	11,572	(11,572)
Net investment income	-	99,010	(99,010)
Benefit payments, including refunds	(91,562)	(91,562)	-
Administrative expenses	-	(652)	652
Other changes	-	20	(20)
Net changes	\$ (545)	\$ 87,668	\$ (88,213)
Balances at June 30, 2024	\$ 1,540,734	\$ 1,106,623	\$ 434,111

***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			
Net Pension Liability (Asset)	\$ 871,587	\$ (134,590)	\$ (967,584)
Component Unit School Board (nonprofessional)			
Net Pension Liability	\$ 591,824	\$ 434,111	\$ 298,519

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 9—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2025, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$58,038 and \$2,044, respectively. At June 30, 2025, 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	\$ 102,240	\$ 1,386	\$ -	\$ 16,227
Net difference between projected and actual earnings on pension plan investments	-	232,758	-	29,908
Impact of change in proportional allocation	334	334	-	-
Employer contributions subsequent to the measurement date	233,749	-	66,803	-
Total	\$ 336,323	\$ 234,478	\$ 66,803	\$ 46,135

\$233,749 and \$66,803 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 the Net Pension Liability (Asset) in the fiscal year ending June 30, 2026. 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:

Year Ended June 30,	Primary Government	Component Unit School Board (nonprofessional)
2026	\$ (130,410)	\$ (42,921)
2027	94,363	8,439
2028	(45,599)	(5,531)
2029	(50,258)	(6,122)

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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**NOTE 9—PENSION PLANS: (CONTINUED)**

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**Component Unit School Board (Professional)**

***Plan Description***

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

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options 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, 2025 was 14.21% of covered employee compensation. This was the General Assembly approved rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$326,544 and \$337,963 for the years ended June 30, 2025 and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$13,506 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$20,730 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,350,585 for the year ended June 30, 2025.

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

At June 30, 2025, the school division reported a liability of \$1,881,142 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2024 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion was 0.02014% as compared to 0.02018% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized pension expense of \$108,528. 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 9—PENSION PLANS: (CONTINUED)**

**Component Unit School Board (Professional)**

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

At June 30, 2025, 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	\$ 326,352	\$ 38,734
Change in assumptions	34,145	-
Net difference between projected and actual earnings on pension plan investments	-	258,940
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,978	96,486
Employer contributions subsequent to the measurement date	326,544	-
Total	<u>\$ 691,019</u>	<u>\$ 394,160</u>

\$326,544 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. 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>	
2026	\$ (152,118)
2027	129,561
2028	17,895
2029	(25,024)
2030	-

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 9—PENSION PLANS: (CONTINUED)**

**Component Unit School Board (Professional) (Continued)**

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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 standard MP-2020 rates

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 9—PENSION PLANS: (CONTINUED)

**Component Unit School Board (Professional) (Continued)**

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2024, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	60,622,260
Plan Fiduciary Net Position		51,235,326
Employers' Net Pension Liability (Asset)	\$	<u>9,386,934</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		84.52%

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

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

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

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

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 3,494,793	\$ 1,881,142	\$ 559,613

**Pension Plan Fiduciary Net Position**

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 9—PENSION PLANS: (CONTINUED)**

**Primary Government and Component Unit School Board**

**Aggregate Pension Information**

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net Pension Liability (Asset)</u>	<u>Pension Expense</u>
VRS Pension Plans:				
Primary Government	\$ 336,323	\$ 234,478	\$ (134,590)	\$ 58,038
Component Unit:				
School Board Nonprofessional	\$ 66,803	\$ 46,135	\$ 434,111	\$ 2,044
School Board Professional	691,019	394,160	1,881,142	108,528
Total School Board	<u>\$ 757,822</u>	<u>\$ 440,295</u>	<u>\$ 2,315,253</u>	<u>\$ 110,572</u>
Total VRS Pension Plans	<u>\$ 1,094,145</u>	<u>\$ 674,773</u>	<u>\$ 2,180,663</u>	<u>\$ 168,610</u>

**NOTE 10—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:

## COUNTY OF HIGHLAND, VIRGINIA

### Notes to Financial Statements June 30, 2025 (Continued)

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#### NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

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##### ***Benefit Amounts (Continued)***

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 \$9,532 as of June 30, 2025.

##### ***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 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% x 60%) and the employer component was 0.47% (1.18% 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, 2025 was 0.47% of covered employee compensation. 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, 2023. 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. County contributions to the GLI Plan were \$11,346 and \$11,574 for the years ended June 30, 2025 and June 30, 2024, respectively. School Board contributions to the GLI Plan for professional employees were \$10,801 and \$11,675, for the years ended June 30, 2025 and June 30, 2024 respectively. School Board contributions to the GLI Plan for nonprofessional employees were \$1,222 and \$1,357, for the years ended June 30, 2025 and June 30, 2024 respectively.

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

At June 30, 2025, the County reported a liability of \$93,179 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer's proportion was 0.00835% as compared to 0.00728% at June 30, 2023.

At June 30, 2025, the School Board reported liability of \$10,936 for nonprofessional employees and \$93,961 for professional employees for its proportionate share of the Net GLI OPEB Liability. At June 30, 2024 and June 30, 2023, the participating employer's proportion for nonprofessional employees was 0.00098%, and 0.00101%, respectively. At June 30, 2024, the participating employer's proportion for School Board professional employees was 0.00842% as compared to 0.00728% at June 30, 2023.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 10—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 Group Life Insurance Plan OPEB (Continued)***

For the year ended June 30, 2025, the County recognized GLI OPEB expense of \$4,708, while the School Board recognized GLI OPEB expense (income) of (\$395), and (\$1,996) for nonprofessional and professional employees, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<b>Primary Government</b>			
	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$	14,697	\$	2,276
Net difference between projected and actual earnings on GLI OPEB plan investments		-		7,854
Change in assumptions		531		4,618
Changes in proportion		16,252		9,006
Employer contributions subsequent to the measurement date		11,346		-
Total	\$	<u>42,826</u>	\$	<u>23,754</u>

  

	<b>Component Unit School Board</b>			
	<b>Nonprofessional Employees</b>		<b>Professional Employees</b>	
	<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$	1,725	\$	267
Net difference between projected and actual earnings on GLI OPEB plan investments		-	922	-
Change in assumptions		62	542	536
Changes in proportionate share		3	1,638	100
Employer contributions subsequent to the measurement date		1,222	-	10,801
Total	\$	<u>3,012</u>	\$	<u>3,369</u>
			\$	<u>26,257</u>
			\$	<u>23,756</u>

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 10—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)***

\$11,346, \$1,222, and \$10,801 for the County and School Board nonprofessional and professional employees respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’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, 2026. 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	
	Nonprofessional	Professional
Year Ended June 30,	Year Ended June 30,	Year Ended June 30,
2026 \$ (1,471)	2026 \$ (1,111)	2026 \$ (7,504)
2027 3,391	2027 (335)	2027 (170)
2028 1,285	2028 (286)	2028 (1,404)
2029 1,135	2029 38	2029 (376)
2030 3,386	2030 115	2030 1,154
Thereafter -	Thereafter -	Thereafter -

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for the 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

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions (Continued)**

**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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

**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

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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**NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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**Actuarial Assumptions (Continued)**

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 10—GROUP LIFE INSURANCE (GLI) 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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 Improvements 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 HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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**NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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**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, June 30, 2024, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Plan</b>
Total GLI OPEB Liability	\$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	\$	<u>1,115,922</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		73.41%

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.

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**NOTE 10—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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return**		7.07%

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

\*\* On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%

**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 Trustee. Through the fiscal year ended June 30, 2024, 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 113% of the actuarially determined contribution rate. From July 1, 2024 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.

**NOTE 10—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)**

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

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 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	\$ 144,906	\$ 93,179	\$ 51,391
School Board's proportionate share of the GLI Plan Net OPEB Liability-nonprofessional employees	\$ 17,007	\$ 10,936	\$ 6,032
School Board's proportionate share of the GLI Plan Net OPEB Liability-professional employees	\$ 146,121	\$ 93,961	\$ 51,822

***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):**

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***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 Plan OPEB, including eligibility, coverage, and benefits is described below:

***Eligible Employees***

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

***Benefit Amounts***

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

***HIC Plan Notes***

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

***Contributions***

The contribution requirements for active employees are governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2025 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, 2023. 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 \$27,806 and \$26,160 for the years ended June 30, 2025 and June 30, 2024, respectively.

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 11—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***

At June 30, 2025, the school division reported a liability of \$233,210 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2024 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division’s proportion of the VRS Teacher Employee HIC Program was 0.02018% as compared to 0.02028% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC OPEB expense of \$11,682. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2025, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 11,049
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	830
Change in assumptions	4,018	-
Change in proportion	235	20,119
Employer contributions subsequent to the measurement date	<u>27,806</u>	<u>-</u>
Total	<u>\$ 32,059</u>	<u>\$ 31,998</u>

**NOTE 11—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)***

\$27,806 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>		
2026	\$	(8,745)
2027		(6,790)
2028		(4,967)
2029		(4,221)
2030		(2,469)
Thereafter		(553)

***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Inflation		2.50%
Salary increases, including inflation:		
Teacher employees		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

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):  
(CONTINUED)**

**Mortality Rates – Teachers (Continued)**

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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 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, 2024, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,478,105
Plan Fiduciary Net Position		322,457
Teacher Employee Net HIC OPEB Liability (Asset)	\$	<u>1,155,648</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		21.82%

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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 11—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	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	100.00%		7.07%
	Expected arithmetic nominal return**		7.07%

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

\*\* On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 11—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):  
(CONTINUED)**

***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, 2024, 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, 2024 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC 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 (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 265,218	\$ 233,210	\$ 206,080

***Teacher Employee HIC OPEB Fiduciary Net Position***

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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**NOTE 12—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):**

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***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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

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**NOTE 12—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

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***Employees Covered by Benefit Terms***

As of the June 30, 2023 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	5
Inactive members active elsewhere in VRS	2
Active members	<u>9</u>
Total covered employees	<u><u>16</u></u>

***Contributions***

The contribution requirements for active employees are 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, 2025 was 1.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 for nonprofessional employees were \$3,276 and \$3,119 for the years ended June 30, 2025 and June 30, 2024, respectively.

***Net HIC OPEB Liability***

The School Board’s net HIC OPEB liability was measured as of June 30, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

**NOTE 12—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

**Actuarial Assumptions**

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023 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, 2024.

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

**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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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 HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 12—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:

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnerships	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	-3.00%	3.50%	-0.11%
Total	<u>100.00%</u>		<u>7.07%</u>
	Expected arithmetic nominal return**		<u>7.07%</u>

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). 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 7.10%, including expected inflation of 2.50%.

\*\* On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

**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, 2024, the rate contributed by the entity for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 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.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

NOTE 12—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

*Changes in Net HIC OPEB Liability*

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 26,427	\$ 3,695	\$ 22,732
Changes for the year:			
Service cost	\$ 238	\$ -	\$ 238
Interest	1,734	-	1,734
Differences between expected and actual experience	235	-	235
Contributions - employer	-	3,119	(3,119)
Net investment income	-	417	(417)
Benefit payments	(1,958)	(1,958)	-
Administrative expenses	-	(6)	6
Other changes	-	(1)	1
Net changes	\$ 249	\$ 1,571	\$ (1,322)
Balances at June 30, 2024	\$ 26,676	\$ 5,266	\$ 21,410

***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 (Nonprofessional) Net HIC OPEB Liability	\$ 23,893	\$ 21,410	\$ 19,264

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 12—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)**

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

For the year ended June 30, 2025, the School Board recognized HIC Plan OPEB expense (income) of (\$188). At June 30, 2025, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 166	\$ 577
Net difference between projected and actual earnings on HIC OPEB plan investments	-	74
Change in assumptions	-	118
Employer contributions subsequent to the measurement date	<u>3,276</u>	<u>-</u>
Total	<u>\$ 3,442</u>	<u>\$ 769</u>

\$3,276 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2026. 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>	
2026	\$ (567)
2027	(15)
2028	4
2029	(25)
2030	-
Thereafter	-

***HIC Plan Data***

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 13—AGGREGATION OF OPEB PLANS:**

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 10)	\$ 42,826	\$ 23,754	\$ 93,179	\$ 4,708
Totals	\$ 42,826	\$ 23,754	\$ 93,179	\$ 4,708

  

	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:				
Group Life Insurance Plan (Note 10)				
School Board Nonprofessional	\$ 3,012	\$ 3,369	\$ 10,936	\$ (395)
School Board Professional	26,257	23,756	93,961	(1,996)
Teacher Health Insurance Credit Program (Note 11)	32,059	31,998	233,210	11,682
Health Insurance Credit (Note 12)	3,442	769	21,410	(188)
Totals	\$ 64,770	\$ 59,892	\$ 359,517	\$ 9,103

**NOTE 14—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, 2025 was \$1,048.

COUNTY OF HIGHLAND, VIRGINIA

Notes to Financial Statements  
June 30, 2025 (Continued)

**NOTE 15—UNEARNED/DEFERRED/UNAVAILABLE REVENUE:**

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2025:

	<u>Government- wide Statements</u>	<u>Fund Financial Statements</u>
<b>Primary Government:</b>		
Deferred/Unavailable revenue:		
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 299,830
Unavailable revenue representing uncollected property tax billings for the second half of calendar year 2025. The uncollected tax billings are not available for the funding of current expenditures.	2,471,678	2,471,678
Deferred prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	107,938	107,938
Unavailable revenue related to the opioid lawsuit settlement due for fiscal years 2025 through 2034	-	32,374
Total primary government deferred/unavailable revenue	<u>\$ 2,579,616</u>	<u>\$ 2,911,820</u>
Unearned revenue:		
Emergency services grants revenue and payment in lieu of taxes revenue representing monies received in fiscal years 2003, 2004, and 2006, but to be expended in subsequent years	\$ 28,277	\$ 28,277
Coronavirus State and Local Fiscal Recovery Funds unspent as of June 30, 2025	15,338	15,338
Total primary government unearned revenue	<u>\$ 43,615</u>	<u>\$ 43,615</u>
<b>Component Unit School Board:</b>		
Unearned revenue:		
All In Virginia grant funds unspent as of June 30, 2025	\$ 47,226	\$ 47,226
Total component unit school board unearned revenue	<u>\$ 47,226</u>	<u>\$ 47,226</u>
<b>Component Unit Economic Development Authority:</b>		
Unearned revenue:		
Event registration fees collected in advance for events occurring in the subsequent year	\$ 17,644	\$ 17,644
Total component unit economic development authority unearned revenue	<u>\$ 17,644</u>	<u>\$ 17,644</u>

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

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**NOTE 16—SURETY BONDS:**

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Details of the County’s surety bond coverage are as follows:

Fidelity and Deposit Company of Maryland - Surety:		
Paul Tribble	Supervisor	\$ 1,000
Harry Sponaugle	Supervisor	1,000
Henry Budzinski, Jr	Supervisor	1,000
Harry Sponaugle	McDowell Water System, Chairman	5,000
Jerri Botkin	County Administrator	10,000
Tabitha Ulmer	Clerk of the School Board	10,000
Division of Risk Management:		
All County employees - blanket bond		250,000
Blanket Bond Premiums Paid by State Compensation Board:		
Judy Hupman	Clerk of the Circuit Court	25,000
Christy J. Harper	Treasurer	300,000
Yvonne E. Wimer	Commissioner of the Revenue	3,000
Robert W. Kelly	Sheriff	30,000
St. Paul Fire and Marine Insurance Company:		
Social Services - blanket bond		75,000

**NOTE 17—RISK MANAGEMENT:**

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The County is 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. The County joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association and the Virginia Association of Counties Group Self Insurance Risk Pool, public entity risk pools currently operating as a common risk management and insurance programs for participating local governments. The County pays an annual premium to VACORP for its general workers compensation insurance coverage and general liability coverages. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 18—LITIGATION:**

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At June 30, 2025, there were no matters of litigation involving the County for which would materially affect the County’s financial position should any court decisions on pending matters not be favorable to the County.

**NOTE 19—LANDFILL CLOSURE AND POST-CLOSURE MONITORING COSTS:**

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State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$69,926 at June 30, 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County demonstrated financial assurance requirements for closure, post-closure care, and corrective action costs through the submission of a Local Government Financial Assurance Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

**COUNTY OF HIGHLAND, VIRGINIA**

**Notes to Financial Statements  
June 30, 2025 (Continued)**

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**NOTE 20—NOTES RECEIVABLE:**

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The County has issued several loans to fire and rescue agencies for the purchase of new fire and rescue equipment to better serve the Highland community. The outstanding balances due from the fire and rescue agencies as of June 30, 2025 were as follows:

	Loans Receivable			Loans Receivable
	July 1, 2024	Issuances	Repayments	June 30, 2025
Bolar Volunteer Fire Dept.	\$ 25,000	\$ -	\$ (5,000)	\$ 20,000
Bolar Volunteer Rescue Squad	12,000	-	-	12,000
Highland County Volunteer Fire Dept.	120,000	-	(5,000)	115,000
McDowell Volunteer Fire Dept.	50,000	28,000	(50,000)	28,000
Total	<u>\$ 207,000</u>	<u>\$ 28,000</u>	<u>\$ (60,000)</u>	<u>\$ 175,000</u>

**NOTE 21—LEASE RECEIVABLE:**

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The County entered into a noncancellable lease agreement for property with a lease term of 5 years and interest rate of 1.003% as the discount rate for leases. The lease agreement requires annual payments of \$4,500. The County recognized lease revenue of \$4,374 and interest revenue of \$45. As of June 30, 2025, there was no lease receivable balance.

**NOTE 22—CONTINGENT LIABILITIES:**

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Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the provisions of this guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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 disallowances of current grant program expenditures, if any, would be immaterial.

**NOTE 23—UPCOMING PRONOUNCEMENTS:**

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Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

(Note: Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.)

General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 4,633,505	\$ 4,650,505	\$ 4,750,961	\$ 100,456
Other local taxes	443,200	471,200	475,341	4,141
Permits, privilege fees, and regulatory licenses	13,150	11,150	11,409	259
Fines and forfeitures	3,500	9,500	11,507	2,007
Revenue from the use of money and property	173,700	173,700	234,065	60,365
Charges for services	13,245	13,245	17,165	3,920
Miscellaneous	37,750	52,750	98,883	46,133
Intergovernmental:				
Commonwealth	1,476,955	1,453,955	1,496,887	42,932
Federal	184,500	191,500	217,063	25,563
Total revenues	<u>\$ 6,979,505</u>	<u>\$ 7,027,505</u>	<u>\$ 7,313,281</u>	<u>\$ 285,776</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,232,981	\$ 1,234,981	\$ 1,219,211	\$ 15,770
Judicial administration	427,036	427,036	428,956	(1,920)
Public safety	1,588,928	1,588,928	1,651,752	(62,824)
Public works	18,143	18,143	6,988	11,155
Health and welfare	198,649	198,649	209,899	(11,250)
Education	3,095,562	3,110,479	2,802,297	308,182
Parks, recreation, and cultural	97,702	97,702	96,906	796
Community development	316,661	316,661	255,623	61,038
Nondepartmental	11,600	11,600	19,687	(8,087)
Capital projects	2,000	2,000	101	1,899
Total expenditures	<u>\$ 6,989,262</u>	<u>\$ 7,006,179</u>	<u>\$ 6,691,420</u>	<u>\$ 314,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,757)</u>	<u>\$ 21,326</u>	<u>\$ 621,861</u>	<u>\$ 600,535</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ 9,757	\$ (21,326)	\$ (660,522)	\$ (639,196)
Total other financing sources (uses)	<u>\$ 9,757</u>	<u>\$ (21,326)</u>	<u>\$ (660,522)</u>	<u>\$ (639,196)</u>
Net change in fund balances	\$ -	\$ -	\$ (38,661)	\$ (38,661)
Fund balances - beginning	-	-	6,779,755	6,779,755
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,741,094</u>	<u>\$ 6,741,094</u>

Special Revenue Fund-EMS Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 657,263	\$ 715,263	\$ 699,162	\$ (16,101)
Miscellaneous	675	675	-	(675)
Total revenues	<u>\$ 657,938</u>	<u>\$ 715,938</u>	<u>\$ 699,162</u>	<u>\$ (16,776)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 826,889	\$ 826,889	\$ 734,579	\$ 92,310
Total expenditures	<u>\$ 826,889</u>	<u>\$ 826,889</u>	<u>\$ 734,579</u>	<u>\$ 92,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (168,951)</u>	<u>\$ (110,951)</u>	<u>\$ (35,417)</u>	<u>\$ 75,534</u>
Net change in fund balances	\$ (168,951)	\$ (110,951)	\$ (35,417)	\$ 75,534
Fund balances - beginning	-	-	354,881	354,881
Fund balances - ending	<u>\$ (168,951)</u>	<u>\$ (110,951)</u>	<u>\$ 319,464</u>	<u>\$ 430,415</u>

Special Revenue Fund-Virginia Public Assistance Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 85	\$ 85
Miscellaneous	-	-	3	3
Intergovernmental:				
Commonwealth	342,275	262,275	211,812	(50,463)
Federal	360,447	343,447	400,201	56,754
Total revenues	<u>\$ 702,722</u>	<u>\$ 605,722</u>	<u>\$ 612,101</u>	<u>\$ 6,379</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	<u>\$ 939,610</u>	<u>\$ 950,971</u>	<u>\$ 702,311</u>	<u>\$ 248,660</u>
Total expenditures	<u>\$ 939,610</u>	<u>\$ 950,971</u>	<u>\$ 702,311</u>	<u>\$ 248,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (236,888)</u>	<u>\$ (345,249)</u>	<u>\$ (90,210)</u>	<u>\$ 255,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>\$ 236,888</u>	<u>\$ 345,249</u>	<u>\$ 90,210</u>	<u>\$ (255,039)</u>
Total other financing sources (uses)	<u>\$ 236,888</u>	<u>\$ 345,249</u>	<u>\$ 90,210</u>	<u>\$ (255,039)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Special Revenue Fund-E-911 Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
Commonwealth	\$ -	\$ -	\$ 106,748	\$ 106,748
Total revenues	\$ -	\$ -	\$ 106,748	\$ 106,748
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ -	\$ 136,568	\$ (136,568)
Total expenditures	\$ -	\$ -	\$ 136,568	\$ (136,568)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (29,820)	\$ (29,820)
Net change in fund balances	\$ -	\$ -	\$ (29,820)	\$ (29,820)
Fund balances - beginning	-	-	37,200	37,200
Fund balances - ending	\$ -	\$ -	\$ 7,380	\$ 7,380

County of Highland, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Primary Government  
 Pension Plans  
 For the Measurement Dates of June 30, 2015 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total pension liability</b>				
Service cost	\$ 202,376	\$ 215,689	\$ 200,519	\$ 177,496
Interest	575,386	559,348	537,258	493,815
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	112,804	111,410	(16,776)	(94,044)
Changes of assumptions	-	-	-	196,451
Benefit payments	(791,703)	(479,376)	(338,448)	(322,820)
<b>Net change in total pension liability</b>	<b>\$ 98,863</b>	<b>\$ 407,071</b>	<b>\$ 382,553</b>	<b>\$ 450,898</b>
<b>Total pension liability - beginning</b>	<b>8,717,707</b>	<b>8,310,636</b>	<b>7,928,083</b>	<b>7,477,185</b>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 8,816,570</u></b>	<b><u>\$ 8,717,707</u></b>	<b><u>\$ 8,310,636</u></b>	<b><u>\$ 7,928,083</u></b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 207,619	\$ 166,244	\$ 172,346	\$ 155,812
Contributions - employee	99,407	78,764	84,012	80,692
Net investment income	816,896	531,096	(10,336)	1,829,952
Benefit payments	(791,703)	(479,376)	(338,448)	(322,820)
Administrator charges	(5,610)	(5,345)	(5,221)	(4,511)
Other	125	214	196	173
<b>Net change in plan fiduciary net position</b>	<b>\$ 326,734</b>	<b>\$ 291,597</b>	<b>\$ (97,451)</b>	<b>\$ 1,739,298</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,624,426</b>	<b>8,332,829</b>	<b>8,430,280</b>	<b>6,690,982</b>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 8,951,160</u></b>	<b><u>\$ 8,624,426</u></b>	<b><u>\$ 8,332,829</u></b>	<b><u>\$ 8,430,280</u></b>
<b>County's net pension liability (asset) - ending (a) - (b)</b>	<b>\$ (134,590)</b>	<b>\$ 93,281</b>	<b>\$ (22,193)</b>	<b>\$ (502,197)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	101.53%	98.93%	100.27%	106.33%
<b>Covered payroll</b>	\$ 2,143,295	\$ 1,713,720	\$ 1,806,457	\$ 1,621,467
<b>County's net pension liability (asset) as a percentage of covered payroll</b>	-6.28%	5.44%	-1.23%	-30.97%

	2020	2019	2018	2017	2016	2015
\$	180,499	\$ 154,618	\$ 156,750	\$ 155,202	\$ 149,304	\$ 153,716
	495,799	491,087	474,696	445,876	427,276	421,763
	-	-	-	-	51,557	-
	(395,272)	(212,208)	(84,912)	155,277	(12,933)	(138,534)
	-	189,970	-	3,210	-	-
	(298,037)	(289,585)	(335,177)	(360,531)	(338,460)	(377,894)
\$	(17,011)	\$ 333,882	\$ 211,357	\$ 399,034	\$ 276,744	\$ 59,051
	7,494,196	7,160,314	6,948,957	6,549,923	6,273,179	6,214,128
\$	<u>7,477,185</u>	<u>7,494,196</u>	<u>7,160,314</u>	<u>6,948,957</u>	<u>6,549,923</u>	<u>6,273,179</u>
\$	180,832	\$ 161,912	\$ 148,896	\$ 144,304	\$ 187,768	\$ 178,879
	79,750	66,429	65,835	63,793	63,391	77,375
	126,397	417,087	436,495	655,009	92,846	240,813
	(298,037)	(289,585)	(335,177)	(360,531)	(338,460)	(377,894)
	(4,241)	(4,071)	(3,791)	(3,850)	(3,392)	(3,366)
	(151)	(264)	(388)	(581)	(40)	(53)
\$	84,550	\$ 351,508	\$ 311,870	\$ 498,144	\$ 2,113	\$ 115,754
	6,606,432	6,254,924	5,943,054	5,444,910	5,442,797	5,327,043
\$	<u>6,690,982</u>	<u>6,606,432</u>	<u>6,254,924</u>	<u>5,943,054</u>	<u>5,444,910</u>	<u>5,442,797</u>
\$	786,203	\$ 887,764	\$ 905,390	\$ 1,005,903	\$ 1,105,013	\$ 830,382
	89.49%	88.15%	87.36%	85.52%	83.13%	86.76%
\$	1,590,277	\$ 1,407,034	\$ 1,382,360	\$ 1,326,229	\$ 1,302,387	\$ 1,242,402
	49.44%	63.09%	65.50%	75.85%	84.85%	66.84%

County of Highland, Virginia

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Measurement Dates of June 30, 2015 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Total pension liability</b>				
Service cost	\$ 21,735	\$ 19,890	\$ 18,727	\$ 23,333
Interest	102,413	102,294	92,437	92,031
Differences between expected and actual experience	(33,131)	(17,843)	142,097	(38,287)
Changes of assumptions	-	-	-	44,234
Benefit payments	(91,562)	(117,271)	(99,527)	(168,512)
<b>Net change in total pension liability</b>	\$ (545)	\$ (12,930)	\$ 153,734	\$ (47,201)
<b>Total pension liability - beginning</b>	1,541,279	1,554,209	1,400,475	1,447,676
<b>Total pension liability - ending (a)</b>	<u>\$ 1,540,734</u>	<u>\$ 1,541,279</u>	<u>\$ 1,554,209</u>	<u>\$ 1,400,475</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 69,280	\$ 60,558	\$ 37,316	\$ 39,394
Contributions - employee	11,572	11,056	10,386	11,209
Net investment income	99,010	63,113	(392)	235,005
Benefit payments	(91,562)	(117,271)	(99,527)	(168,512)
Administrative expense	(652)	(647)	(669)	(676)
Other	20	25	24	22
<b>Net change in plan fiduciary net position</b>	\$ 87,668	\$ 16,834	\$ (52,862)	\$ 116,442
<b>Plan fiduciary net position - beginning</b>	1,018,955	1,002,121	1,054,983	938,541
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,106,623</u>	<u>\$ 1,018,955</u>	<u>\$ 1,002,121</u>	<u>\$ 1,054,983</u>
<b>School Division's net pension liability - ending (a) - (b)</b>	\$ 434,111	\$ 522,324	\$ 552,088	\$ 345,492
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.82%	66.11%	64.48%	75.33%
<b>Covered payroll</b>	\$ 247,503	\$ 237,172	\$ 221,772	\$ 230,492
<b>School Division's net pension liability as a percentage of covered payroll</b>	175.40%	220.23%	248.94%	149.89%

	2020	2019	2018	2017	2016	2015
\$	22,624	\$ 21,471	\$ 20,910	\$ 20,048	\$ 20,055	\$ 18,181
	93,990	91,803	83,621	80,313	75,437	76,690
	(27,844)	(2,288)	79,475	26,217	44,084	(49,056)
	-	35,821	-	(7,630)	-	-
	(67,068)	(64,597)	(69,651)	(73,744)	(66,091)	(61,327)
\$	21,702	\$ 82,210	\$ 114,355	\$ 45,204	\$ 73,485	\$ (15,512)
	1,425,974	1,343,764	1,229,409	1,184,205	1,110,720	1,126,232
\$	<u>1,447,676</u>	<u>1,425,974</u>	<u>1,343,764</u>	<u>1,229,409</u>	<u>1,184,205</u>	<u>1,110,720</u>
\$	40,665	\$ 39,821	\$ 30,448	\$ 29,727	\$ 35,591	\$ 36,046
	12,222	11,973	11,825	11,534	11,371	11,528
	17,779	59,234	62,498	94,641	13,591	35,354
	(67,068)	(64,597)	(69,651)	(73,744)	(66,091)	(61,327)
	(606)	(582)	(550)	(566)	(500)	(489)
	(21)	(37)	(55)	(84)	(6)	(8)
\$	2,971	\$ 45,812	\$ 34,515	\$ 61,508	\$ (6,044)	\$ 21,104
	935,570	889,758	855,243	793,735	799,779	778,675
\$	<u>938,541</u>	<u>935,570</u>	<u>889,758</u>	<u>855,243</u>	<u>793,735</u>	<u>799,779</u>
\$	509,135	\$ 490,404	\$ 454,006	\$ 374,166	\$ 390,470	\$ 310,941
	64.83%	65.61%	66.21%	69.57%	67.03%	72.01%
\$	247,284	\$ 242,361	\$ 239,365	\$ 233,486	\$ 227,420	\$ 224,553
	205.89%	202.34%	189.67%	160.25%	171.70%	138.47%

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 For the Measurement Dates of June 30, 2015 through June 30, 2024

<b>Date</b>	<b>Employer's Proportion of the Net Pension Liability</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Covered Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
2024	0.02014%	\$ 1,881,142	\$ 2,162,000	87.01%	84.52%
2023	0.02018%	2,039,634	2,022,121	100.87%	82.45%
2022	0.02118%	2,016,463	1,962,519	102.75%	82.61%
2021	0.02150%	1,669,066	1,894,883	88.08%	85.46%
2020	0.02140%	3,108,441	1,875,525	165.74%	71.47%
2019	0.02272%	2,990,081	1,903,179	157.11%	73.51%
2018	0.02435%	2,863,000	1,950,212	146.80%	74.81%
2017	0.02435%	2,994,000	1,911,314	156.65%	72.92%
2016	0.02344%	3,285,000	1,786,902	183.84%	68.28%
2015	0.02404%	3,025,000	1,787,334	169.25%	70.68%

Schedule of Employer Contributions  
Pension Plans  
Years Ended June 30, 2016 through June 30, 2025

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)
<b>Primary Government</b>					
2025	\$ 233,749	\$ 233,749	\$ -	\$ 2,407,300	9.71%
2024	207,618	207,618	-	2,143,295	9.69%
2023	166,255	166,255	-	1,713,720	9.70%
2022	172,910	172,910	-	1,806,457	9.57%
2021	155,811	155,811	-	1,621,467	9.61%
2020	181,199	181,199	-	1,590,277	11.39%
2019	161,674	161,674	-	1,407,034	11.49%
2018	148,896	148,896	-	1,382,360	10.77%
2017	144,304	144,304	-	1,326,229	10.88%
2016	144,304	144,304	-	1,302,387	11.08%
<b>Component Unit School Board (nonprofessional)</b>					
2025	\$ 66,803	\$ 66,803	\$ -	\$ 260,034	25.69%
2024	63,092	63,092	-	247,503	25.49%
2023	60,560	60,560	-	237,172	25.53%
2022	37,317	37,317	-	221,772	16.83%
2021	39,394	39,394	-	230,492	17.09%
2020	40,665	40,665	-	247,284	16.44%
2019	39,821	39,821	-	242,361	16.43%
2018	30,448	30,448	-	239,365	12.72%
2017	29,769	29,769	-	233,486	12.75%
2016	35,591	35,591	-	227,420	15.65%
<b>Component Unit School Board (professional)</b>					
2025	\$ 326,544	\$ 326,544	\$ -	\$ 2,297,988	14.21%
2024	337,963	337,963	-	2,162,000	15.63%
2023	318,616	318,616	-	2,022,121	15.76%
2022	314,581	314,581	-	1,962,519	16.03%
2021	304,153	304,153	-	1,894,883	16.05%
2020	283,796	283,796	-	1,875,525	15.13%
2019	291,132	291,132	-	1,903,179	15.30%
2018	314,346	314,346	-	1,950,212	16.12%
2017	277,816	277,816	-	1,911,314	14.54%
2016	249,226	249,226	-	1,786,902	13.95%

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

Notes to Required Supplementary Information  
 Pension Plans  
 Year Ended June 30, 2025

**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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
2024	0.00835%	\$ 93,179	\$ 2,143,295	4.35%	73.41%
2023	0.00728%	87,310	1,713,720	5.09%	69.30%
2022	0.00830%	99,940	1,806,457	5.53%	67.21%
2021	0.00780%	91,396	1,621,467	5.64%	67.45%
2020	0.00770%	129,001	1,590,277	8.11%	52.64%
2019	0.00718%	116,838	1,407,034	8.30%	52.00%
2018	0.00730%	111,000	1,388,989	7.99%	51.22%
2017	0.00719%	109,000	1,326,229	8.22%	48.86%

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

Schedule of School Board's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
<b>Component Unit School Board (nonprofessional)</b>					
2024	0.00098% \$	10,936 \$	251,352	4.35%	73.41%
2023	0.00101%	12,113	237,172	5.11%	69.30%
2022	0.00100%	12,282	221,772	5.54%	67.21%
2021	0.00110%	13,040	230,492	5.66%	67.45%
2020	0.00120%	20,026	247,284	8.10%	52.64%
2019	0.00124%	20,178	242,361	8.33%	52.00%
2018	0.00126%	19,000	239,365	7.94%	51.22%
2017	0.00127%	19,000	233,486	8.14%	48.86%
<b>Component Unit School Board (professional)</b>					
2024	0.00842% \$	93,961 \$	2,162,000	4.35%	73.41%
2023	0.00728%	103,021	2,022,121	5.09%	69.30%
2022	0.00910%	109,573	1,979,044	5.54%	67.21%
2021	0.00920%	106,880	1,894,883	5.64%	67.45%
2020	0.00920%	152,866	1,884,075	8.11%	52.64%
2019	0.00971%	158,007	1,903,179	8.30%	52.00%
2018	0.01026%	155,000	1,950,212	7.95%	51.22%
2017	0.01036%	156,000	1,911,314	8.16%	48.86%

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

Schedule of Employer Contributions  
 Group Life Insurance (GLI) Plan  
 Years Ended June 30, 2016 through June 30, 2025

<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>
<b>Primary Government</b>					
2025	\$ 11,346	\$ 11,346	\$ -	\$ 2,414,084	0.47%
2024	11,574	11,574	-	2,143,295	0.54%
2023	9,254	9,254	-	1,713,720	0.54%
2022	9,755	9,755	-	1,806,457	0.54%
2021	8,756	8,756	-	1,621,467	0.54%
2020	8,269	8,269	-	1,590,277	0.52%
2019	7,317	7,317	-	1,407,034	0.52%
2018	7,223	7,223	-	1,388,989	0.52%
2017	6,896	6,896	-	1,326,229	0.52%
2016	6,251	6,251	-	1,302,387	0.48%
<b>Component Unit School Board (nonprofessional)</b>					
2025	\$ 1,222	\$ 1,222	\$ -	\$ 260,034	0.47%
2024	1,357	1,357	-	251,352	0.54%
2023	1,281	1,281	-	237,172	0.54%
2022	1,198	1,198	-	221,772	0.54%
2021	1,245	1,245	-	230,492	0.54%
2020	1,286	1,286	-	247,284	0.52%
2019	1,260	1,260	-	242,361	0.52%
2018	1,244	1,244	-	239,365	0.52%
2017	1,214	1,214	-	233,486	0.52%
2016	1,092	1,092	-	227,420	0.48%
<b>Component Unit School Board (professional)</b>					
2025	\$ 10,801	\$ 10,801	\$ -	\$ 2,297,988	0.47%
2024	11,675	11,675	-	2,162,000	0.54%
2023	10,919	10,919	-	2,022,121	0.54%
2022	10,687	10,687	-	1,979,044	0.54%
2021	10,232	10,232	-	1,894,883	0.54%
2020	9,797	9,797	-	1,884,075	0.52%
2019	9,897	9,897	-	1,903,179	0.52%
2018	10,141	10,141	-	1,950,212	0.52%
2017	9,939	9,939	-	1,911,314	0.52%
2016	8,577	8,577	-	1,786,902	0.48%

Notes to Required Supplementary Information  
 Group Life Insurance (GLI) Plan  
 Year Ended June 30, 2025

**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, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

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, 2024

<b>Date (1)</b>	<b>Employer's Proportion of the Net HIC OPEB Liability (2)</b>	<b>Employer's Proportionate Share of the Net HIC OPEB Liability (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)</b>	<b>Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)</b>
2024	0.02018%	\$ 233,210	\$ 2,162,000	10.79%	21.82%
2023	0.02028%	245,675	2,022,121	12.15%	17.90%
2022	0.02106%	263,049	1,962,519	13.40%	15.08%
2021	0.02143%	275,069	1,894,883	14.52%	13.15%
2020	0.02140%	279,036	1,875,525	14.88%	9.95%
2019	0.02269%	297,034	1,903,179	15.61%	8.97%
2018	0.02411%	306,000	1,950,212	15.69%	8.08%
2017	0.02422%	308,000	1,911,314	16.11%	7.04%

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

Schedule of Employer Contributions  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 Years Ended June 30, 2016 through June 30, 2025

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2025	\$ 27,806	\$ 27,806	\$ -	\$ 2,297,988	1.21%
2024	26,160	26,160	-	2,162,000	1.21%
2023	24,468	24,468	-	2,022,121	1.21%
2022	23,746	23,746	-	1,962,519	1.21%
2021	22,928	22,928	-	1,894,883	1.21%
2020	22,506	22,506	-	1,875,525	1.20%
2019	22,838	22,838	-	1,903,179	1.20%
2018	23,988	23,988	-	1,950,212	1.23%
2017	21,216	21,216	-	1,911,314	1.11%
2016	18,941	18,941	-	1,786,902	1.06%

Notes to Required Supplementary Information  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 Year Ended June 30, 2025

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

Schedule of Changes in the 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, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total HIC OPEB Liability</b>					
Service cost	\$ 238	\$ 231	\$ 225	\$ 343	\$ -
Interest	1,734	1,782	2,143	2,001	-
Changes in benefit terms	-	-	-	-	29,651
Differences between expected and actual experience	235	(783)	(3,866)	-	-
Changes of assumptions	-	-	(1,795)	600	-
Benefit payments	(1,958)	(1,958)	(2,147)	-	-
<b>Net change in total HIC OPEB liability</b>	<u>\$ 249</u>	<u>\$ (728)</u>	<u>\$ (5,440)</u>	<u>\$ 2,944</u>	<u>\$ 29,651</u>
<b>Total HIC OPEB Liability - beginning</b>	26,427	27,155	32,595	29,651	-
<b>Total HIC OPEB Liability - ending (a)</b>	<u>\$ 26,676</u>	<u>\$ 26,427</u>	<u>\$ 27,155</u>	<u>\$ 32,595</u>	<u>\$ 29,651</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 3,119	\$ 2,988	\$ 2,040	\$ 2,120	\$ -
Net investment income	417	188	8	289	-
Benefit payments	(1,958)	(1,958)	(2,147)	-	-
Administrator charges	(6)	(5)	(5)	(9)	-
Other	(1)	9	177	-	-
<b>Net change in plan fiduciary net position</b>	<u>\$ 1,571</u>	<u>\$ 1,222</u>	<u>\$ 73</u>	<u>\$ 2,400</u>	<u>\$ -</u>
<b>Plan fiduciary net position - beginning</b>	3,695	2,473	2,400	-	-
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 5,266</u>	<u>\$ 3,695</u>	<u>\$ 2,473</u>	<u>\$ 2,400</u>	<u>\$ -</u>
<b>School Board's net HIC OPEB liability - ending (a) - (b)</b>	\$ 21,410	\$ 22,732	\$ 24,682	\$ 30,195	\$ 29,651
<b>Plan fiduciary net position as a percentage of the total HIC OPEB liability</b>	19.74%	13.98%	9.11%	7.36%	0.00%
<b>Covered payroll</b>	\$ 247,503	\$ 237,172	\$ 221,772	\$ 230,491	\$ -
<b>School Board's net HIC OPEB liability as a percentage of covered payroll</b>	8.65%	9.58%	11.13%	13.10%	0.00%

Schedule is intended to show information for 10 years. The School board began participating in the Health Insurance Credit Plan in the year ended June 30, 2021 (measurement year 2020). However, additional years will be included as they become available.

Schedule of Employer Contributions  
 Health Insurance Credit (HIC) Plan  
 Years Ended June 30, 2021 through June 30, 2025

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<b>Date</b>	<b>Contractually Required Contribution (1)</b>	<b>Contributions in Relation to Contractually Required Contribution (2)</b>	<b>Contribution Deficiency (Excess) (3)</b>	<b>Employer's Covered Payroll (4)</b>	<b>Contributions as a % of Covered Payroll (5)</b>
2025	\$ 3,276	\$ 3,276	\$ -	\$ 260,034	1.26%
2024	3,119	3,119	-	247,503	1.26%
2023	2,988	2,988	-	237,172	1.26%
2022	2,040	2,040	-	221,772	0.92%
2021	2,121	2,121	-	230,491	0.92%

Schedule is intended to show information for 10 years. The School board began participating in the Health Insurance Credit Plan in the year ended June 30, 2021. Additional years will be added as the information becomes available.

Notes to Required Supplementary Information  
 Health Insurance Credit (HIC) Plan  
 Year Ended June 30, 2025

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

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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

## **OTHER SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

Capital Projects Fund-County Capital Improvements Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 13,291	\$ 13,291
Intergovernmental:				
Federal	-	-	39,000	39,000
Total revenues	\$ -	\$ -	\$ 52,291	\$ 52,291
<b>EXPENDITURES</b>				
Capital projects	\$ 134,000	\$ 134,000	\$ 97,343	\$ 36,657
Total expenditures	\$ 134,000	\$ 134,000	\$ 97,343	\$ 36,657
Excess (deficiency) of revenues over (under) expenditures	\$ (134,000)	\$ (134,000)	\$ (45,052)	\$ 88,948
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 134,000	\$ 134,000	\$ -	\$ (134,000)
Sale of capital assets	-	-	100,000	100,000
Total other financing sources (uses)	\$ 134,000	\$ 134,000	\$ 100,000	\$ (34,000)
Net change in fund balances	\$ -	\$ -	\$ 54,948	\$ 54,948
Fund balances - beginning	-	-	(5,383)	(5,383)
Fund balances - ending	\$ -	\$ -	\$ 49,565	\$ 49,565

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2025

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Sheriff's Grants</u>	<u>School Capital Improvements</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,851	\$ 506,798	\$ 532,649
Total assets	<u>\$ 25,851</u>	<u>\$ 506,798</u>	<u>\$ 532,649</u>
<b>FUND BALANCES</b>			
Restricted:			
Forfeited assets	\$ 5,153	\$ -	\$ 5,153
Assigned:			
Capital projects	-	506,798	506,798
Special revenue funds	20,698	-	20,698
Total fund balances	<u>\$ 25,851</u>	<u>\$ 506,798</u>	<u>\$ 532,649</u>
Total liabilities and fund balances	<u>\$ 25,851</u>	<u>\$ 506,798</u>	<u>\$ 532,649</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2025

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Sheriff's Grants</u>	<u>School Capital Improvements</u>	
<b>REVENUES</b>			
Intergovernmental:			
Commonwealth	\$ 3,292	\$ -	\$ 3,292
Total revenues	<u>\$ 3,292</u>	<u>\$ -</u>	<u>\$ 3,292</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	\$ 4,592	\$ -	\$ 4,592
Capital projects	-	116,349	116,349
Total expenditures	<u>\$ 4,592</u>	<u>\$ 116,349</u>	<u>\$ 120,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,300)</u>	<u>\$ (116,349)</u>	<u>\$ (117,649)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 285,287	\$ 285,287
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 285,287</u>	<u>\$ 285,287</u>
Net change in fund balances	\$ (1,300)	\$ 168,938	\$ 167,638
Fund balances - beginning	27,151	337,860	365,011
Fund balances - ending	<u>\$ 25,851</u>	<u>\$ 506,798</u>	<u>\$ 532,649</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

School Operating Fund – The School Operating fund accounts for and reports the operations of the County’s School system. Financing is provided by the State and Federal government as well as by contributions from the General Fund.

School Cafeteria Fund – The Cafeteria Fund accounts for and reports the County’s school breakfast and lunch program. Financing is provided from school breakfast and lunch sales and State and Federal reimbursements.

School Activity Funds – The School Activity Funds include all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from any and all activities of the school involving personnel, students, or property. The activity funds are a special revenue fund of the School Board.

Combining Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2025

	School Operating Fund	School Cafeteria Fund	School Activity Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 253,457	\$ 27,393	\$ 164,719	\$ 445,569
Accounts receivable	-	-	965	965
Due from primary government	-	12,638	-	12,638
Due from other governmental units	153,981	4,120	-	158,101
Inventories	-	9,138	-	9,138
Prepaid items	81,458	900	-	82,358
Total assets	<u>\$ 488,896</u>	<u>\$ 54,189</u>	<u>\$ 165,684</u>	<u>\$ 708,769</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 10,428	\$ -	\$ 2,698	\$ 13,126
Accrued liabilities	253,457	13,702	-	267,159
Due to primary government	177,785	-	-	177,785
Unearned revenue	47,226	-	-	47,226
Total liabilities	<u>\$ 488,896</u>	<u>\$ 13,702</u>	<u>\$ 2,698</u>	<u>\$ 505,296</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	\$ -	\$ 9,138	\$ -	\$ 9,138
Prepaid items	81,458	900	-	82,358
Restricted:				
School activity funds	-	-	162,986	162,986
Assigned:				
School cafeteria	-	30,449	-	30,449
Unassigned (deficit)	(81,458)	-	-	(81,458)
Total fund balances	<u>\$ -</u>	<u>\$ 40,487</u>	<u>\$ 162,986</u>	<u>\$ 203,473</u>
Total liabilities and fund balances	<u>\$ 488,896</u>	<u>\$ 54,189</u>	<u>\$ 165,684</u>	<u>\$ 708,769</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 203,473
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 13,035
Buildings and improvements	3,802,766
Machinery and equipment	<u>542,248</u>
	4,358,049
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.	
Pension related items	\$ 757,822
OPEB related items	<u>64,770</u>
	822,592
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	\$ (386,039)
Net OPEB liabilities	(359,517)
Net Pension Liability	<u>(2,315,253)</u>
	(3,060,809)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.	
Pension related items	\$ (440,295)
OPEB related items	<u>(59,892)</u>
	(500,187)
Net position of governmental activities	<u>\$ 1,823,118</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2025

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Activity Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Charges for services	\$ -	\$ 101,026	\$ -	\$ 101,026
Miscellaneous	28,455	-	251,936	280,391
Intergovernmental:				
Local government	2,685,524	116,773	-	2,802,297
Commonwealth	2,435,934	6,164	-	2,442,098
Federal	241,777	109,169	-	350,946
Total revenues	<u>\$ 5,391,690</u>	<u>\$ 333,132</u>	<u>\$ 251,936</u>	<u>\$ 5,976,758</u>
<b>EXPENDITURES</b>				
Education	<u>\$ 5,391,690</u>	<u>\$ 317,844</u>	<u>\$ 241,994</u>	<u>\$ 5,951,528</u>
Total expenditures	<u>\$ 5,391,690</u>	<u>\$ 317,844</u>	<u>\$ 241,994</u>	<u>\$ 5,951,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 15,288</u>	<u>\$ 9,942</u>	<u>\$ 25,230</u>
Net change in fund balances	\$ -	\$ 15,288	\$ 9,942	\$ 25,230
Fund balances - beginning	-	25,199	153,044	178,243
Fund balances - ending	<u>\$ -</u>	<u>\$ 40,487</u>	<u>\$ 162,986</u>	<u>\$ 203,473</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			\$	25,230
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 depreciation in the current period.				
Capital outlays			\$ 391,520	
Depreciation expense			<u>(381,864)</u>	9,656
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.				
Change in compensated absences			\$ (80,387)	
Change in pension related items			288,963	
Change in OPEB related items			<u>34,003</u>	<u>242,579</u>
Change in net position of governmental activities			\$	<u>277,465</u>

**County of Highland, Virginia**

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2025

	<b>School Operating Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	28,455	28,455
Intergovernmental:				
Local government	2,867,077	2,881,994	2,685,524	(196,470)
Commonwealth	2,346,011	2,346,011	2,435,934	89,923
Federal	402,403	402,403	241,777	(160,626)
Total revenues	<u>\$ 5,615,491</u>	<u>\$ 5,630,408</u>	<u>\$ 5,391,690</u>	<u>\$ (238,718)</u>
<b>EXPENDITURES</b>				
Education	\$ 5,615,491	\$ 5,630,408	\$ 5,391,690	\$ 238,718
Total expenditures	<u>\$ 5,615,491</u>	<u>\$ 5,630,408</u>	<u>\$ 5,391,690</u>	<u>\$ 238,718</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<b>School Cafeteria Fund</b>			
<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Original</b>	<b>Final</b>		
\$ -	\$ -	\$ 101,026	\$ 101,026
-	-	-	-
228,485	228,485	116,773	(111,712)
4,088	4,088	6,164	2,076
84,030	84,030	109,169	25,139
<u>\$ 316,603</u>	<u>\$ 316,603</u>	<u>\$ 333,132</u>	<u>\$ 16,529</u>
<u>\$ 316,603</u>	<u>\$ 316,603</u>	<u>\$ 317,844</u>	<u>\$ (1,241)</u>
<u>\$ 316,603</u>	<u>\$ 316,603</u>	<u>\$ 317,844</u>	<u>\$ (1,241)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,288</u>	<u>\$ 15,288</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,288</u>	<u>\$ 15,288</u>
<u>-</u>	<u>-</u>	<u>25,199</u>	<u>25,199</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,487</u></u>	<u><u>\$ 40,487</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT –  
ECONOMIC DEVELOPMENT AUTHORITY OF  
HIGHLAND COUNTY, VIRGINIA**

Statement of Net Position  
 Discretely Presented Component Unit - Economic Development Authority  
 June 30, 2025

	<b>Component Unit                      Economic                      Development                      Authority</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 53,271
Certificates of deposit	10,000
Accounts receivable	295
Total current assets	\$ 63,566
Total assets	\$ 63,566
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 5,698
Unearned revenue	17,644
Total liabilities	\$ 23,342
<b>NET POSITION</b>	
Unrestricted	\$ 40,224
Total net position	\$ 40,224

Statement of Revenues, Expenses, and Changes in Net Position  
 Discretely Presented Component Unit - Economic Development Authority  
 Year Ended June 30, 2025

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
<b>OPERATING EXPENSES</b>	
Contractual expenses	\$ 480
Dues and memberships	500
Marketing	31,661
Supplies	170
Other charges	7,275
Total operating expenses	<u>\$ 40,086</u>
Operating income (loss)	<u>\$ (40,086)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental:	
Contribution from Highland County	\$ 49,865
Contribution from Town of Monterey	4,072
Interest income	133
Grants awarded	(18,277)
Total nonoperating revenues (expenses)	<u>\$ 35,793</u>
Change in net position	\$ (4,293)
Net position - beginning	44,517
Net position - ending	<u><u>\$ 40,224</u></u>

Statement of Cash Flows  
 Discretely Presented Component Unit - Economic Development Authority  
 Year Ended June 30, 2025

	<u>Component Unit</u> <u>Economic</u> <u>Development</u> <u>Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ (7,514)
Payments to suppliers	(40,760)
Net cash provided by (used for) operating activities	<u>\$ (48,274)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental revenues	\$ 53,937
Grant awarded	(18,277)
Net cash provided by (used for) noncapital financing activities	<u>\$ 35,660</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of certificates of deposit	\$ (10,000)
Interest income	133
Net cash provided by (used for) investing activities	<u>\$ (9,867)</u>
Net increase (decrease) in cash and cash equivalents	\$ (22,481)
Cash and cash equivalents - beginning	<u>75,752</u>
Cash and cash equivalents - ending	<u><u>\$ 53,271</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (40,086)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	(295)
Increase (decrease) in accounts payable and accrued expenses	(674)
Increase (decrease) in unearned revenue	<u>(7,219)</u>
Total adjustments	<u>\$ (8,188)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (48,274)</u></u>

## **SUPPORTING SCHEDULES**

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,761,005	\$ 3,827,005	\$ 3,881,545	\$ 54,540
Real and personal public service corporation taxes	120,000	115,000	133,527	18,527
Personal property taxes	714,000	656,000	686,688	30,688
Mobile home taxes	4,000	4,000	5,828	1,828
Machinery and tools taxes	1,000	1,000	1,004	4
Merchants Capital taxes	4,500	4,500	4,422	(78)
Penalties	17,000	31,000	24,116	(6,884)
Interest	12,000	12,000	13,831	1,831
Total general property taxes	<u>\$ 4,633,505</u>	<u>\$ 4,650,505</u>	<u>\$ 4,750,961</u>	<u>\$ 100,456</u>
Other local taxes:				
Local sales and use taxes	\$ 207,000	\$ 235,000	\$ 236,070	\$ 1,070
Consumers' utility taxes	124,000	124,000	115,783	(8,217)
Consumption taxes	6,300	6,300	7,128	828
Motor vehicle licenses	56,200	56,200	59,121	2,921
Bank stock taxes	14,000	14,000	12,766	(1,234)
Taxes on recordation and wills	10,700	10,700	16,785	6,085
Hotel and motel room taxes	25,000	25,000	27,688	2,688
Total other local taxes	<u>\$ 443,200</u>	<u>\$ 471,200</u>	<u>\$ 475,341</u>	<u>\$ 4,141</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,500	\$ 1,500	\$ 1,099	\$ (401)
Transfer fees	150	150	236	86
Permits and other licenses	11,500	9,500	10,074	574
Total permits, privilege fees, and regulatory licenses	<u>\$ 13,150</u>	<u>\$ 11,150</u>	<u>\$ 11,409</u>	<u>\$ 259</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,500	\$ 9,500	\$ 11,507	\$ 2,007
Total fines and forfeitures	<u>\$ 3,500</u>	<u>\$ 9,500</u>	<u>\$ 11,507</u>	<u>\$ 2,007</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 167,700	\$ 165,700	\$ 222,735	\$ 57,035
Revenue from use of property	6,000	8,000	11,330	3,330
Total revenue from use of money and property	<u>\$ 173,700</u>	<u>\$ 173,700</u>	<u>\$ 234,065</u>	<u>\$ 60,365</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 13,075	\$ 13,075	\$ 15,611	\$ 2,536
Charges for courthouse maintenance	-	-	1,131	1,131
Charges for Commonwealth's Attorney	150	150	315	165
Charges for other services	20	20	-	(20)
Charges for law library	-	-	108	108
Total charges for services	<u>\$ 13,245</u>	<u>\$ 13,245</u>	<u>\$ 17,165</u>	<u>\$ 3,920</u>
Miscellaneous:				
Miscellaneous revenue	\$ 37,750	\$ 52,750	\$ 98,197	\$ 45,447
Donations	-	-	686	686
Total miscellaneous	<u>\$ 37,750</u>	<u>\$ 52,750</u>	<u>\$ 98,883</u>	<u>\$ 46,133</u>
Total revenue from local sources	<u>\$ 5,318,050</u>	<u>\$ 5,382,050</u>	<u>\$ 5,599,331</u>	<u>\$ 217,281</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 4,000	\$ 4,000	\$ 2,861	\$ (1,139)
Taxes on deeds	30,000	43,000	42,619	(381)
Motor vehicle carriers' tax	200	200	-	(200)
Personal property tax relief funds	167,052	167,052	167,052	-
Total noncategorical aid	<u>\$ 201,252</u>	<u>\$ 214,252</u>	<u>\$ 212,532</u>	<u>\$ (1,720)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 85,726	\$ 85,726	\$ 85,720	\$ (6)
Sheriff	678,810	656,810	661,856	5,046
Commissioner of revenue	99,011	99,011	98,998	(13)
Treasurer	96,725	96,725	96,768	43
Registrar/electoral board	61,838	79,838	63,991	(15,847)
Clerk of the Circuit Court	233,343	201,343	201,115	(228)
Total shared expenses	<u>\$ 1,255,453</u>	<u>\$ 1,219,453</u>	<u>\$ 1,208,448</u>	<u>\$ (11,005)</u>
Other categorical aid:				
Fire prevention program	\$ -	\$ -	\$ 30,000	\$ 30,000
Other state grants	20,250	20,250	45,907	25,657
Total other categorical aid	<u>\$ 20,250</u>	<u>\$ 20,250</u>	<u>\$ 75,907</u>	<u>\$ 55,657</u>
Total categorical aid	<u>\$ 1,275,703</u>	<u>\$ 1,239,703</u>	<u>\$ 1,284,355</u>	<u>\$ 44,652</u>
Total revenue from the Commonwealth	<u>\$ 1,476,955</u>	<u>\$ 1,453,955</u>	<u>\$ 1,496,887</u>	<u>\$ 42,932</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 184,500	\$ 191,500	\$ 191,806	\$ 306
Total noncategorical aid	<u>\$ 184,500</u>	<u>\$ 191,500</u>	<u>\$ 191,806</u>	<u>\$ 306</u>
Categorical aid:				
Emergency management planning grant	\$ -	\$ -	\$ 7,500	\$ 7,500
Asset Forfeiture	-	-	1,527	1,527
Coronavirus State and Local Fiscal Recovery Fund	-	-	16,230	16,230
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,257</u>	<u>\$ 25,257</u>
Total revenue from the federal government	<u>\$ 184,500</u>	<u>\$ 191,500</u>	<u>\$ 217,063</u>	<u>\$ 25,563</u>
Total General Fund	<u>\$ 6,979,505</u>	<u>\$ 7,027,505</u>	<u>\$ 7,313,281</u>	<u>\$ 285,776</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 85	\$ 85
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 85</u>
Miscellaneous:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 3	\$ 3
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 3</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88</u>	<u>\$ 88</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds: (continued)</b>				
<b>Virginia Public Assistance Fund: (continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 248,275	\$ 248,275	\$ 198,407	\$ (49,868)
Comprehensive Services Act program	94,000	14,000	13,405	(595)
Total categorical aid	<u>\$ 342,275</u>	<u>\$ 262,275</u>	<u>\$ 211,812</u>	<u>\$ (50,463)</u>
Total revenue from the Commonwealth	<u>\$ 342,275</u>	<u>\$ 262,275</u>	<u>\$ 211,812</u>	<u>\$ (50,463)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 360,447	\$ 343,447	\$ 400,201	\$ 56,754
Total categorical aid	<u>\$ 360,447</u>	<u>\$ 343,447</u>	<u>\$ 400,201</u>	<u>\$ 56,754</u>
Total revenue from the federal government	<u>\$ 360,447</u>	<u>\$ 343,447</u>	<u>\$ 400,201</u>	<u>\$ 56,754</u>
Total Virginia Public Assistance Fund	<u><u>\$ 702,722</u></u>	<u><u>\$ 605,722</u></u>	<u><u>\$ 612,101</u></u>	<u><u>\$ 6,379</u></u>
<b>E-911 Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 106,748	\$ 106,748
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,748</u>	<u>\$ 106,748</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,748</u>	<u>\$ 106,748</u>
Total E-911 fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 106,748</u></u>	<u><u>\$ 106,748</u></u>
<b>Sheriff's Grants Fund:</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ -	\$ -	\$ 3,292	\$ 3,292
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292</u>	<u>\$ 3,292</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,292</u>	<u>\$ 3,292</u>
Total Sheriff's Grants Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,292</u></u>	<u><u>\$ 3,292</u></u>
<b>EMS Fund:</b>				
Revenue from local sources:				
General property taxes:				
EMS fee	\$ 654,063	\$ 712,063	\$ 693,115	\$ (18,948)
Penalties and interest	3,200	3,200	6,047	2,847
Total general property taxes	<u>\$ 657,263</u>	<u>\$ 715,263</u>	<u>\$ 699,162</u>	<u>\$ (16,101)</u>
Miscellaneous:				
Miscellaneous revenue	\$ 675	\$ 675	\$ -	\$ (675)
Total miscellaneous revenue	<u>\$ 675</u>	<u>\$ 675</u>	<u>\$ -</u>	<u>\$ (675)</u>
Total revenue from local sources	<u>\$ 657,938</u>	<u>\$ 715,938</u>	<u>\$ 699,162</u>	<u>\$ (16,776)</u>
Total EMS Fund	<u><u>\$ 657,938</u></u>	<u><u>\$ 715,938</u></u>	<u><u>\$ 699,162</u></u>	<u><u>\$ (16,776)</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Miscellaneous revenue:				
Refunds and recoveries	\$ -	\$ -	\$ 13,291	\$ 13,291
Total miscellaneous revenue	\$ -	\$ -	\$ 13,291	\$ 13,291
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Coronavirus State and Local Fiscal Recovery Fund	\$ -	\$ -	\$ 39,000	\$ 39,000
Total categorical aid	\$ -	\$ -	\$ 39,000	\$ 39,000
Total revenue from the federal government	\$ -	\$ -	\$ 39,000	\$ 39,000
Total County Capital Improvements fund	\$ -	\$ -	\$ 52,291	\$ 52,291
Total Primary Government	\$ 8,340,165	\$ 8,349,165	\$ 8,786,875	\$ 437,710
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Miscellaneous:				
Refunds and recoveries	\$ -	\$ -	\$ 28,455	\$ 28,455
Total miscellaneous	\$ -	\$ -	\$ 28,455	\$ 28,455
Total revenue from local sources	\$ -	\$ -	\$ 28,455	\$ 28,455
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 2,867,077	\$ 2,881,994	\$ 2,685,524	\$ (196,470)
Total revenues from local governments	\$ 2,867,077	\$ 2,881,994	\$ 2,685,524	\$ (196,470)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 289,119	\$ 289,119	\$ 292,976	\$ 3,857
Basic school aid	1,159,668	1,159,668	1,442,662	282,994
Hold harmless	48,051	48,051	-	(48,051)
Gifted and talented	2,641	2,641	2,385	(256)
Remedial education	10,956	10,956	2,952	(8,004)
Special education	3,608	3,608	-	(3,608)
Textbook payment	5,826	5,826	6,063	237
Vocational standards of quality payments	49,380	49,380	114,620	65,240
Vocational adult education	-	-	11,921	11,921
No loss funding	52,209	52,209	-	(52,209)
Social security fringe benefits	30,940	30,940	28,509	(2,431)
Retirement fringe benefits	-	-	61,220	61,220
Group life insurance instructional	74,335	74,335	1,742	(72,593)
State lottery payments	200,000	200,000	200,000	-
Early reading intervention	843	843	-	(843)
Vocational education - equipment	-	-	4,814	4,814
Salary supplement	75,306	75,306	15,342	(59,964)
Special education - foster children	35,605	35,605	-	(35,605)
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	1,709	1,709	899	(810)
At risk funding	1,211	1,211	-	(1,211)
English as a second language	-	-	514	514
Other state funds	202,604	202,604	147,315	(55,289)
Total categorical aid	\$ 2,346,011	\$ 2,346,011	\$ 2,435,934	\$ 89,923
Total revenue from the Commonwealth	\$ 2,346,011	\$ 2,346,011	\$ 2,435,934	\$ 89,923

Schedule of Revenues - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 55,438	\$ 55,438	\$ 8,115	\$ (47,323)
Title I	59,715	59,715	94,599	34,884
Title VI-B, special education flow-through	57,679	57,679	89,721	32,042
Title VI-B, special education pre-school	2,081	2,081	3,183	1,102
Improving teacher quality	17,490	17,490	11,737	(5,753)
Title IV	10,000	10,000	-	(10,000)
Coronavirus State and Local Fiscal Recovery Fund	200,000	200,000	-	(200,000)
Rural education achievement program	-	-	34,422	34,422
Total categorical aid	<u>\$ 402,403</u>	<u>\$ 402,403</u>	<u>\$ 241,777</u>	<u>\$ (160,626)</u>
Total revenue from the federal government	<u>\$ 402,403</u>	<u>\$ 402,403</u>	<u>\$ 241,777</u>	<u>\$ (160,626)</u>
Total School Operating Fund	<u>\$ 5,615,491</u>	<u>\$ 5,630,408</u>	<u>\$ 5,391,690</u>	<u>\$ (238,718)</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 101,026	\$ 101,026
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,026</u>	<u>\$ 101,026</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Highland, Virginia	\$ 228,485	\$ 228,485	\$ 116,773	\$ (111,712)
Total revenues from local governments	<u>\$ 228,485</u>	<u>\$ 228,485</u>	<u>\$ 116,773</u>	<u>\$ (111,712)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 4,088	\$ 4,088	\$ 6,164	\$ 2,076
Total revenue from the Commonwealth	<u>\$ 4,088</u>	<u>\$ 4,088</u>	<u>\$ 6,164</u>	<u>\$ 2,076</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 84,030	\$ 84,030	\$ 91,654	\$ 7,624
USDA commodities received	-	-	17,515	17,515
Total categorical aid	<u>\$ 84,030</u>	<u>\$ 84,030</u>	<u>\$ 109,169</u>	<u>\$ 25,139</u>
Total revenue from the federal government	<u>\$ 84,030</u>	<u>\$ 84,030</u>	<u>\$ 109,169</u>	<u>\$ 25,139</u>
Total School Cafeteria Fund	<u>\$ 316,603</u>	<u>\$ 316,603</u>	<u>\$ 333,132</u>	<u>\$ 16,529</u>
<b>School Activity Funds:</b>				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 251,936	\$ 251,936
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,936</u>	<u>\$ 251,936</u>
Total School Activity Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,936</u>	<u>\$ 251,936</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 5,932,094</u>	<u>\$ 5,947,011</u>	<u>\$ 5,976,758</u>	<u>\$ 29,747</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 34,307	\$ 34,307	\$ 42,009	\$ (7,702)
Total legislative	<u>\$ 34,307</u>	<u>\$ 34,307</u>	<u>\$ 42,009</u>	<u>\$ (7,702)</u>
General and financial administration:				
County administrator	\$ 162,353	\$ 162,353	\$ 143,330	\$ 19,023
Legal services	55,000	55,000	66,106	(11,106)
Independent auditor	45,000	45,000	73,453	(28,453)
Commissioner of revenue	193,520	193,520	175,603	17,917
Assessor	25,000	25,000	18,676	6,324
Treasurer	164,727	164,727	162,592	2,135
Central Purchasing	319,000	321,000	324,860	(3,860)
Total general and financial administration	<u>\$ 964,600</u>	<u>\$ 966,600</u>	<u>\$ 964,620</u>	<u>\$ 1,980</u>
Board of elections:				
Electoral board and officials	\$ 20,161	\$ 20,161	\$ 15,093	\$ 5,068
Registrar	213,913	213,913	197,489	16,424
Total board of elections	<u>\$ 234,074</u>	<u>\$ 234,074</u>	<u>\$ 212,582</u>	<u>\$ 21,492</u>
Total general government administration	<u>\$ 1,232,981</u>	<u>\$ 1,234,981</u>	<u>\$ 1,219,211</u>	<u>\$ 15,770</u>
Judicial administration:				
Courts:				
Circuit court	\$ 10,205	\$ 10,205	\$ 32,020	\$ (21,815)
Clerk of the circuit court	297,263	297,263	277,444	19,819
Total courts	<u>\$ 307,468</u>	<u>\$ 307,468</u>	<u>\$ 309,464</u>	<u>\$ (1,996)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 119,568	\$ 119,568	\$ 119,492	\$ 76
Total commonwealth's attorney	<u>\$ 119,568</u>	<u>\$ 119,568</u>	<u>\$ 119,492</u>	<u>\$ 76</u>
Total judicial administration	<u>\$ 427,036</u>	<u>\$ 427,036</u>	<u>\$ 428,956</u>	<u>\$ (1,920)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,364,792	\$ 1,364,792	\$ 1,406,092	\$ (41,300)
Total law enforcement and traffic control	<u>\$ 1,364,792</u>	<u>\$ 1,364,792</u>	<u>\$ 1,406,092</u>	<u>\$ (41,300)</u>
Fire and rescue services:				
Volunteer emergency operations	\$ 13,000	\$ 13,000	\$ 15,627	\$ (2,627)
Total fire and rescue services	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 15,627</u>	<u>\$ (2,627)</u>
Correction and detention:				
Sheriff	\$ 62,886	\$ 62,886	\$ 89,211	\$ (26,325)
Total correction and detention	<u>\$ 62,886</u>	<u>\$ 62,886</u>	<u>\$ 89,211</u>	<u>\$ (26,325)</u>
Inspections:				
Building	\$ 99,318	\$ 99,318	\$ 91,341	\$ 7,977
Total inspections	<u>\$ 99,318</u>	<u>\$ 99,318</u>	<u>\$ 91,341</u>	<u>\$ 7,977</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Medical examiner	\$ 200	\$ 200	\$ 40	\$ 160
Emergency management grants	48,732	48,732	49,441	(709)
Total other protection	<u>\$ 48,932</u>	<u>\$ 48,932</u>	<u>\$ 49,481</u>	<u>\$ (549)</u>
Total public safety	<u>\$ 1,588,928</u>	<u>\$ 1,588,928</u>	<u>\$ 1,651,752</u>	<u>\$ (62,824)</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 18,143	\$ 18,143	\$ 6,988	\$ 11,155
Total maintenance of general buildings and grounds	<u>\$ 18,143</u>	<u>\$ 18,143</u>	<u>\$ 6,988</u>	<u>\$ 11,155</u>
Total public works	<u>\$ 18,143</u>	<u>\$ 18,143</u>	<u>\$ 6,988</u>	<u>\$ 11,155</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 138,775	\$ 138,775	\$ 138,775	\$ -
Total health	<u>\$ 138,775</u>	<u>\$ 138,775</u>	<u>\$ 138,775</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 14,874	\$ 14,874	\$ 14,874	\$ -
Total mental health and mental retardation	<u>\$ 14,874</u>	<u>\$ 14,874</u>	<u>\$ 14,874</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	\$ 45,000	\$ 45,000	\$ 56,250	\$ (11,250)
Total welfare	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 56,250</u>	<u>\$ (11,250)</u>
Total health and welfare	<u>\$ 198,649</u>	<u>\$ 198,649</u>	<u>\$ 209,899</u>	<u>\$ (11,250)</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 3,095,562	\$ 3,110,479	\$ 2,802,297	\$ 308,182
Total education	<u>\$ 3,095,562</u>	<u>\$ 3,110,479</u>	<u>\$ 2,802,297</u>	<u>\$ 308,182</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 97,702	\$ 97,702	\$ 96,906	\$ 796
Total library	<u>\$ 97,702</u>	<u>\$ 97,702</u>	<u>\$ 96,906</u>	<u>\$ 796</u>
Total parks, recreation, and cultural	<u>\$ 97,702</u>	<u>\$ 97,702</u>	<u>\$ 96,906</u>	<u>\$ 796</u>
Community development:				
Planning and community development:				
Planning	\$ 22,745	\$ 22,745	\$ 11,545	\$ 11,200
Community development	45,472	45,472	45,472	-
Swimming pool	126,461	126,461	82,214	44,247
Economic Development	47,900	47,900	50,306	(2,406)
Total planning and community development	<u>\$ 242,578</u>	<u>\$ 242,578</u>	<u>\$ 189,537</u>	<u>\$ 53,041</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 74,083	\$ 74,083	\$ 66,086	\$ 7,997
Total cooperative extension program	<u>\$ 74,083</u>	<u>\$ 74,083</u>	<u>\$ 66,086</u>	<u>\$ 7,997</u>
Total community development	<u>\$ 316,661</u>	<u>\$ 316,661</u>	<u>\$ 255,623</u>	<u>\$ 61,038</u>
Nondepartmental:				
Miscellaneous	\$ 11,600	\$ 11,600	\$ 19,687	\$ (8,087)
Total nondepartmental	<u>\$ 11,600</u>	<u>\$ 11,600</u>	<u>\$ 19,687</u>	<u>\$ (8,087)</u>
Capital projects:				
Capital outlay	\$ 2,000	\$ 2,000	\$ 101	\$ 1,899
Total capital projects	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 101</u>	<u>\$ 1,899</u>
Total General Fund	<u><u>\$ 6,989,262</u></u>	<u><u>\$ 7,006,179</u></u>	<u><u>\$ 6,691,420</u></u>	<u><u>\$ 314,759</u></u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 739,610	\$ 750,971	\$ 677,947	\$ 73,024
Comprehensive services	200,000	200,000	24,364	175,636
Total welfare and social services	<u>\$ 939,610</u>	<u>\$ 950,971</u>	<u>\$ 702,311</u>	<u>\$ 248,660</u>
Total health and welfare	<u>\$ 939,610</u>	<u>\$ 950,971</u>	<u>\$ 702,311</u>	<u>\$ 248,660</u>
Total Virginia Public Assistance Fund	<u><u>\$ 939,610</u></u>	<u><u>\$ 950,971</u></u>	<u><u>\$ 702,311</u></u>	<u><u>\$ 248,660</u></u>
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ -	\$ -	\$ 136,568	\$ (136,568)
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,568</u>	<u>\$ (136,568)</u>
Total E-911 Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136,568</u></u>	<u><u>\$ (136,568)</u></u>
<b>Sheriff's Grants Fund:</b>				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ -	\$ -	\$ 4,592	\$ (4,592)
Total other protection	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,592</u>	<u>\$ (4,592)</u>
Total public safety	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,592</u>	<u>\$ (4,592)</u>
Total Sheriff's Grants Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,592</u></u>	<u><u>\$ (4,592)</u></u>
<b>EMS Fund:</b>				
Public safety:				
Fire and rescue services				
Emergency Management Services	\$ 826,889	\$ 826,889	\$ 734,579	\$ 92,310
Total EMS Fund	<u>\$ 826,889</u>	<u>\$ 826,889</u>	<u>\$ 734,579</u>	<u>\$ 92,310</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects:				
Equipment and other capital outlay	\$ 134,000	\$ 134,000	\$ 96,538	\$ 37,462
Jail renovation	-	-	805	(805)
Total capital projects	<u>\$ 134,000</u>	<u>\$ 134,000</u>	<u>\$ 97,343</u>	<u>\$ 36,657</u>
Total County Capital Improvements Fund	<u><u>\$ 134,000</u></u>	<u><u>\$ 134,000</u></u>	<u><u>\$ 97,343</u></u>	<u><u>\$ 36,657</u></u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
Year Ended June 30, 2025 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Fund: (Continued)</b>				
<b>School Capital Projects Fund:</b>				
Capital projects:				
Building services	\$ -	\$ -	\$ 116,349	\$ (116,349)
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,349</u>	<u>\$ (116,349)</u>
 Total Primary Government	 <u>\$ 8,889,761</u>	 <u>\$ 8,918,039</u>	 <u>\$ 8,483,162</u>	 <u>\$ 434,877</u>
 <b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 41,712	\$ 41,712	\$ 43,214	\$ (1,502)
Executive administration services	208,387	208,387	265,189	(56,802)
Total administration of schools	<u>\$ 250,099</u>	<u>\$ 250,099</u>	<u>\$ 308,403</u>	<u>\$ (58,304)</u>
Instruction costs:				
Elementary and secondary schools	\$ 2,984,184	\$ 2,984,184	\$ 2,803,561	\$ 180,623
Guidance services	154,378	154,378	86,124	68,254
Media services	1,021,153	1,021,153	911,216	109,937
Office of the principal	360,313	360,313	360,015	298
Total instruction costs	<u>\$ 4,520,028</u>	<u>\$ 4,520,028</u>	<u>\$ 4,160,916</u>	<u>\$ 359,112</u>
Operating costs:				
Pupil transportation	\$ 348,493	\$ 363,410	\$ 367,281	\$ (3,871)
Operation and maintenance of school plant	496,871	496,871	555,090	(58,219)
Total operating costs	<u>\$ 845,364</u>	<u>\$ 860,281</u>	<u>\$ 922,371</u>	<u>\$ (62,090)</u>
 Total education	 <u>\$ 5,615,491</u>	 <u>\$ 5,630,408</u>	 <u>\$ 5,391,690</u>	 <u>\$ 238,718</u>
 Total School Operating Fund	 <u>\$ 5,615,491</u>	 <u>\$ 5,630,408</u>	 <u>\$ 5,391,690</u>	 <u>\$ 238,718</u>
 <b>School Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 316,603	\$ 316,603	\$ 317,844	\$ (1,241)
Total school food services	<u>\$ 316,603</u>	<u>\$ 316,603</u>	<u>\$ 317,844</u>	<u>\$ (1,241)</u>
 Total education	 <u>\$ 316,603</u>	 <u>\$ 316,603</u>	 <u>\$ 317,844</u>	 <u>\$ (1,241)</u>
 Total School Cafeteria Fund	 <u>\$ 316,603</u>	 <u>\$ 316,603</u>	 <u>\$ 317,844</u>	 <u>\$ (1,241)</u>
 <b>School Activity Funds</b>				
Education:				
Miscellaneous	\$ -	\$ -	\$ 241,994	\$ (241,994)
Total education	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,994</u>	<u>\$ (241,994)</u>
 Total School Activity Funds	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 241,994</u>	 <u>\$ (241,994)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 5,932,094</u>	 <u>\$ 5,947,011</u>	 <u>\$ 5,951,528</u>	 <u>\$ (4,517)</u>

## **STATISTICAL INFORMATION**

County of Highland, Virginia

Net Position by Component  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
<b>Governmental Activities</b>					
Net investment in capital assets	\$ 1,638,325	\$ 1,656,165	\$ 1,719,475	\$ 1,716,417	\$ 1,677,834
Restricted	-	219,853	208,914	169,525	53,961
Unrestricted	3,800,788	3,767,367	3,559,979	3,634,852	4,167,419
<b>Total governmental activities net position</b>	<b>\$ 5,439,113</b>	<b>\$ 5,643,385</b>	<b>\$ 5,488,368</b>	<b>\$ 5,520,794</b>	<b>\$ 5,899,214</b>
<b>Business-type Activities</b>					
Net investment in capital assets	\$ 663,491	\$ 636,872	\$ 609,846	\$ 603,095	\$ 576,840
Restricted	18,846	18,846	18,846	18,846	18,846
Unrestricted	778,715	799,895	816,614	826,216	847,326
<b>Total business-type activities net position</b>	<b>\$ 1,461,052</b>	<b>\$ 1,455,613</b>	<b>\$ 1,445,306</b>	<b>\$ 1,448,157</b>	<b>\$ 1,443,012</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 2,301,816	\$ 2,293,037	\$ 2,329,321	\$ 2,319,512	\$ 2,254,674
Restricted	18,846	238,699	227,760	188,371	72,807
Unrestricted	4,579,503	4,567,262	4,376,593	4,461,068	5,014,745
<b>Total primary government net position</b>	<b>\$ 6,900,165</b>	<b>\$ 7,098,998</b>	<b>\$ 6,933,674</b>	<b>\$ 6,968,951</b>	<b>\$ 7,342,226</b>

Table 1

		Fiscal Year							
		2021	2022	2023	2024	2025			
\$	1,996,600	\$	1,940,225	\$	1,756,301	\$	2,182,116	\$	2,025,369
	515,689		977,321		573,546		484,540		546,092
	<u>4,197,999</u>		<u>4,737,624</u>		<u>6,848,267</u>		<u>6,957,426</u>		<u>7,401,673</u>
\$	<u>6,710,288</u>	\$	<u>7,655,170</u>	\$	<u>9,178,114</u>	\$	<u>9,624,082</u>	\$	<u>9,973,134</u>
\$	555,811	\$	529,991	\$	547,697	\$	925,464	\$	1,272,007
	18,846		40,080		12,639		11,844		14,231
	<u>831,818</u>		<u>814,346</u>		<u>794,786</u>		<u>403,295</u>		<u>222,579</u>
\$	<u>1,406,475</u>	\$	<u>1,384,417</u>	\$	<u>1,355,122</u>	\$	<u>1,340,603</u>	\$	<u>1,508,817</u>
\$	2,552,411	\$	2,470,216	\$	2,303,998	\$	3,107,580	\$	3,297,376
	534,535		1,017,401		586,185		496,384		560,323
	<u>5,029,817</u>		<u>5,551,970</u>		<u>7,643,053</u>		<u>7,360,721</u>		<u>7,624,252</u>
\$	<u>8,116,763</u>	\$	<u>9,039,587</u>	\$	<u>10,533,236</u>	\$	<u>10,964,685</u>	\$	<u>11,481,951</u>

County of Highland, Virginia

Changes in Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
<b>Expenses</b>					
Governmental Activities:					
General government administration	\$ 969,269	\$ 1,044,258	\$ 1,093,250	\$ 1,030,748	\$ 1,093,375
Judicial administration	261,868	276,845	284,983	306,194	298,969
Public safety	970,542	1,081,259	1,050,709	1,102,196	1,325,589
Public works	34,565	52,679	52,921	57,113	47,354
Health and welfare	454,484	602,845	645,087	683,751	579,137
Education	2,060,324	2,106,438	2,408,542	2,534,181	2,275,557
Parks, recreation, and cultural	84,826	95,302	100,272	98,841	107,009
Community development	756,201	169,001	216,422	175,093	188,825
Interest on long-term debt	2,586	4,822	4,348	5,543	1,265
Total governmental activities expenses	\$ 5,594,665	\$ 5,433,449	\$ 5,856,534	\$ 5,993,660	\$ 5,917,080
Business-type Activities:					
Refuse Disposal	\$ 276,589	\$ 302,433	\$ 325,013	\$ 322,787	\$ 345,461
McDowell Water System	58,758	55,425	59,418	51,318	52,700
Recreation Commission	52,814	55,257	50,145	44,353	46,864
Total business-type activities expenses	\$ 388,161	\$ 413,115	\$ 434,576	\$ 418,458	\$ 445,025
Total primary government expenses	\$ 5,982,826	\$ 5,846,564	\$ 6,291,110	\$ 6,412,118	\$ 6,362,105
<b>Program Revenues</b>					
Governmental Activities:					
Charges for services:					
General government administration	\$ 720	\$ 392	\$ 366	\$ 276	\$ 184
Judicial administration	6,101	5,025	3,014	8,201	3,917
Public safety	22,626	20,019	20,880	25,416	31,349
Operating grants and contributions	1,361,469	1,362,068	1,414,588	1,518,561	1,544,009
Capital grants and contributions	503,865	54,690	75,753	-	7,500
Total governmental activities program revenues	\$ 1,894,781	\$ 1,442,194	\$ 1,514,601	\$ 1,552,454	\$ 1,586,959
Business-type Activities:					
Charges for services:					
Refuse disposal	\$ 320,544	\$ 322,668	\$ 329,308	\$ 326,801	\$ 332,005
McDowell Water System	34,371	34,734	35,549	34,391	40,549
Recreation commission	44,739	45,023	42,838	45,735	45,981
Operating grants and contributions	24,998	14,740	24,577	7,241	5,904
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	\$ 424,652	\$ 417,165	\$ 432,272	\$ 414,168	\$ 424,439
Total primary government program revenues	\$ 2,319,433	\$ 1,859,359	\$ 1,946,873	\$ 1,966,622	\$ 2,011,398
Net (expense) / revenue					
Governmental Activities	\$ (3,699,884)	\$ (3,991,255)	\$ (4,341,933)	\$ (4,441,206)	\$ (4,330,121)
Business-type Activities	36,491	4,050	(2,304)	(4,290)	(20,586)
Total primary government net expense	\$ (3,663,393)	\$ (3,987,205)	\$ (4,344,237)	\$ (4,445,496)	\$ (4,350,707)

Table 2  
Page 1 of 2

		Fiscal Year							
		2021	2022	2023	2024	2025			
\$	1,249,230	\$	1,170,607	\$	1,340,828	\$	1,740,470	\$	1,288,309
	317,999		292,632		338,202		406,655		396,043
	1,429,970		1,330,044		1,387,986		1,843,479		2,531,546
	37,072		46,230		19,740		23,132		20,938
	681,598		853,586		756,991		838,313		901,414
	2,058,982		2,146,334		3,106,508		2,772,587		2,918,646
	117,826		103,702		96,304		92,726		102,383
	428,287		223,948		601,949		333,653		254,127
	-		-		-		-		-
\$	<u>6,320,964</u>	\$	<u>6,167,083</u>	\$	<u>7,648,508</u>	\$	<u>8,051,015</u>	\$	<u>8,413,406</u>
\$	356,663	\$	361,623	\$	381,039	\$	428,305	\$	571,203
	50,854		54,098		53,572		54,418		58,708
	68,045		61,556		62,431		71,778		104,298
\$	<u>475,562</u>	\$	<u>477,277</u>	\$	<u>497,042</u>	\$	<u>554,501</u>	\$	<u>734,209</u>
\$	<u>6,796,526</u>	\$	<u>6,644,360</u>	\$	<u>8,145,550</u>	\$	<u>8,605,516</u>	\$	<u>9,147,615</u>
\$	131	\$	11,283	\$	7,110	\$	6,407	\$	11,330
	3,830		1,651		4,157		5,983		13,061
	31,676		34,193		33,012		30,411		27,020
	1,868,825		1,802,311		3,587,595		2,139,722		1,924,917
	141,963		62,103		47,704		306,560		145,748
\$	<u>2,046,425</u>	\$	<u>1,911,541</u>	\$	<u>3,679,578</u>	\$	<u>2,489,083</u>	\$	<u>2,122,076</u>
\$	348,540	\$	347,721	\$	350,456	\$	405,963	\$	461,102
	41,268		32,475		35,976		34,719		35,943
	15,805		48,125		49,512		66,580		99,912
	6,640		9,310		14,024		14,598		12,871
	-		-		-		-		-
\$	<u>412,253</u>	\$	<u>437,631</u>	\$	<u>449,968</u>	\$	<u>521,860</u>	\$	<u>609,828</u>
\$	<u>2,458,678</u>	\$	<u>2,349,172</u>	\$	<u>4,129,546</u>	\$	<u>3,010,943</u>	\$	<u>2,731,904</u>
\$	(4,274,539)	\$	(4,255,542)	\$	(3,968,930)	\$	(5,561,932)	\$	(6,291,330)
	(63,309)		(39,646)		(47,074)		(32,641)		(124,381)
\$	<u>(4,337,848)</u>	\$	<u>(4,295,188)</u>	\$	<u>(4,016,004)</u>	\$	<u>(5,594,573)</u>	\$	<u>(6,415,711)</u>

County of Highland, Virginia

Changes in Net Position  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
<b>General Revenues and Other Changes in Net Position</b>					
Governmental Activities:					
Taxes					
Property taxes	\$ 3,240,477	\$ 3,418,317	\$ 3,453,866	\$ 3,645,328	\$ 3,878,523
Local sales and use taxes	138,331	130,764	122,452	124,764	144,402
Consumer utility taxes	135,842	134,357	148,083	129,227	127,263
Motor vehicle licenses	55,960	58,419	58,162	58,333	57,765
E-911 taxes	27,344	-	-	-	-
Taxes on recordation and wills	18,425	23,386	22,335	4,245	8,114
Other local taxes	25,128	24,687	29,759	32,884	35,982
Unrestricted grants and contributions	283,538	292,994	336,864	346,381	357,366
Unrestricted revenues from use of money and property	39,808	38,838	52,671	85,710	67,557
Miscellaneous	48,241	63,791	75,055	53,060	46,295
Gain on disposal of capital assets	-	-	-	-	-
Transfers	13,700	9,974	2,934	(6,300)	(14,726)
Total governmental activities	<u>\$ 4,026,794</u>	<u>\$ 4,195,527</u>	<u>\$ 4,302,181</u>	<u>\$ 4,473,632</u>	<u>\$ 4,708,541</u>
Business-type Activities:					
Unrestricted revenues from use of money and property	\$ 367	\$ 485	\$ 666	\$ 841	\$ 715
Transfers	(13,700)	(9,974)	(2,934)	6,300	14,726
Total business-type activities	<u>\$ (13,333)</u>	<u>\$ (9,489)</u>	<u>\$ (2,268)</u>	<u>\$ 7,141</u>	<u>\$ 15,441</u>
Total primary government	<u>\$ 4,013,461</u>	<u>\$ 4,186,038</u>	<u>\$ 4,299,913</u>	<u>\$ 4,480,773</u>	<u>\$ 4,723,982</u>
<b>Change in Net Position</b>					
Governmental Activities	\$ 326,910	\$ (146,406)	\$ (39,752)	\$ 32,426	\$ 378,420
Business-type Activities	23,158	(11,793)	(4,572)	2,851	(5,145)
Total primary government	<u>\$ 350,068</u>	<u>\$ (158,199)</u>	<u>\$ (44,324)</u>	<u>\$ 35,277</u>	<u>\$ 373,275</u>

		Fiscal Year							
		2021	2022	2023	2024	2025			
\$	4,243,105	\$	4,297,382	\$	4,413,656	\$	4,812,492	\$	5,536,881
	171,066		192,579		204,645		214,400		236,070
	120,566		119,615		118,462		115,515		115,783
	59,131		58,249		59,048		59,759		59,121
	-		-		-		-		-
	20,597		10,869		11,208		16,070		16,785
	46,386		46,889		45,542		45,201		47,582
	364,221		375,383		387,387		396,003		404,338
	30,678		20,263		203,138		270,059		222,820
	56,388		96,695		66,288		95,901		109,168
	-		-		-		-		57,434
	(26,525)		(17,500)		(17,500)		(17,500)		(285,025)
\$	5,085,613	\$	5,200,424	\$	5,491,874	\$	6,007,900	\$	6,520,957
\$	247	\$	88	\$	279	\$	622	\$	2,333
	26,525		17,500		17,500		17,500		285,025
\$	26,772	\$	17,588	\$	17,779	\$	18,122	\$	287,358
\$	5,112,385	\$	5,218,012	\$	5,509,653	\$	6,026,022	\$	6,808,315
\$	830,071	\$	944,882	\$	1,522,944	\$	445,968	\$	229,627
	(12,874)		(22,058)		(29,295)		(14,519)		162,977
\$	817,197	\$	922,824	\$	1,493,649	\$	431,449	\$	392,604

Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
*(accrual basis of accounting)*

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
2025	\$ 5,536,881	\$ 236,070	\$ 115,783	\$ 59,121	\$ 16,785	\$ 47,582	\$ 6,012,222
2024	4,812,492	214,400	115,515	59,759	16,070	45,201	5,263,437
2023	4,413,656	204,645	118,462	59,048	11,208	45,542	4,852,561
2022	4,297,382	192,579	119,615	58,249	10,869	46,889	4,725,583
2021	4,243,105	171,066	120,566	59,131	20,597	46,386	4,660,851
2020	3,878,523	144,402	127,263	57,765	8,114	35,982	4,252,049
2019	3,645,328	124,764	129,227	58,333	4,245	32,884	3,994,781
2018	3,453,866	122,452	148,083	58,162	22,335	29,759	3,834,657
2017	3,418,317	130,764	134,357	58,419	23,386	24,687	3,789,930
2016	3,240,477	138,331	135,842	55,960	18,425	25,128	3,614,163

County of Highland, Virginia

Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
General fund					
Nonspendable	\$ 20,188	\$ 7,085	\$ 21,010	\$ 70,000	\$ 56,696
Restricted	37,127	63,599	65,025	40,583	42,726
Committed	572,077	793,954	705,643	661,949	708,629
Assigned	4,291	4,291	2,291	22,291	42,291
Unassigned	3,316,899	3,506,585	3,406,112	3,554,410	3,779,802
Total general fund	<u>\$ 3,950,582</u>	<u>\$ 4,375,514</u>	<u>\$ 4,200,081</u>	<u>\$ 4,349,233</u>	<u>\$ 4,630,144</u>
All other governmental funds					
Nonspendable, reported in:					
Special revenue funds	\$ -	\$ -	\$ 4,325	\$ 2,000	\$ -
Capital projects funds	2,000	11,004	11,554	12,387	13,345
Restricted, reported in:					
Special revenue funds	200,558	156,254	143,889	128,942	11,235
Assigned, reported in:					
Special revenue funds	6,095	4,081	4,106	6,661	1,515
Capital projects funds	569,167	366,561	394,393	237,357	370,526
Unassigned (deficit), reported in:					
Capital projects funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 777,820</u>	<u>\$ 537,900</u>	<u>\$ 558,267</u>	<u>\$ 387,347</u>	<u>\$ 396,621</u>

Table 4

Fiscal Year					
2021	2022	2023	2024	2025	
\$ 180,750	\$ 35,000	\$ 155,745	\$ 207,348	\$ 207,149	
38,031	40,368	46,740	68,713	66,308	
852,479	828,305	864,983	863,067	862,632	
52,291	62,291	62,291	92,291	122,291	
3,659,790	3,966,785	4,479,204	5,548,336	5,482,714	
<u>\$ 4,783,341</u>	<u>\$ 4,932,749</u>	<u>\$ 5,608,963</u>	<u>\$ 6,779,755</u>	<u>\$ 6,741,094</u>	
\$ -	\$ 6,076	\$ -	\$ -	\$ -	
-	-	-	39,025	18,851	
477,658	430,000	490,066	397,234	331,997	
366,737	831,419	1,521,652	21,998	20,698	
-	-	-	337,860	537,512	
-	-	-	(44,408)	-	
<u>\$ 844,395</u>	<u>\$ 1,267,495</u>	<u>\$ 2,011,718</u>	<u>\$ 751,709</u>	<u>\$ 909,058</u>	

**County of Highland, Virginia**

Changes in Fund Balances of Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	Fiscal Year				
	2016	2017	2018	2019	2020
<b>Revenues</b>					
General property taxes	\$ 3,210,564	\$ 3,424,405	\$ 3,431,495	\$ 3,623,902	\$ 3,757,460
Other local taxes	401,030	371,613	380,791	349,453	373,526
Permits, privilege fees, and regulatory licenses	12,167	11,111	10,436	8,006	17,171
Fines and forfeitures	4,148	3,130	1,332	4,730	1,529
Revenue from use of money and property	39,808	38,838	52,671	85,710	67,557
Charges for services	13,132	11,195	12,492	21,157	16,750
Miscellaneous	48,241	63,791	75,055	53,060	46,295
Intergovernmental:					
Local government	-	39,690	48,491	-	80,416
Commonwealth	1,327,853	1,288,183	1,320,191	1,400,102	1,362,458
Federal	821,019	381,879	458,523	464,840	466,001
<b>Total revenues</b>	<b>\$ 5,877,962</b>	<b>\$ 5,633,835</b>	<b>\$ 5,791,477</b>	<b>\$ 6,010,960</b>	<b>\$ 6,189,163</b>
<b>Expenditures</b>					
General government administration	\$ 961,166	\$ 1,019,071	\$ 1,033,524	\$ 983,061	\$ 995,186
Judicial administration	277,099	278,697	285,819	292,841	297,490
Public safety	1,088,708	948,281	960,998	1,013,468	1,309,137
Public works	39,370	38,693	39,245	39,979	40,302
Health and welfare	459,318	596,500	645,797	688,420	605,060
Education	1,891,452	2,063,961	2,323,813	2,415,749	2,157,348
Parks, recreation, and cultural	57,867	60,129	62,940	65,370	70,440
Community development	166,290	169,001	189,929	175,318	188,825
Nondepartmental	7,412	13,148	8,180	8,540	9,919
Capital projects	815,764	216,497	378,018	371,930	96,015
Debt service:					
Principal	75,878	128,246	95,674	49,215	110,694
Interest and other fiscal charges	3,645	5,893	4,348	2,972	3,836
<b>Total expenditures</b>	<b>\$ 5,843,969</b>	<b>\$ 5,538,117</b>	<b>\$ 6,028,285</b>	<b>\$ 6,106,863</b>	<b>\$ 5,884,252</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 33,993	\$ 95,718	\$ (236,808)	\$ (95,903)	\$ 304,911
<b>Other financing sources (uses)</b>					
Transfers in	\$ 435,424	\$ 509,655	\$ 425,984	\$ 244,730	\$ 338,784
Transfers out	(421,724)	(499,681)	(423,050)	(251,030)	(353,510)
Issuance of leases	132,205	79,320	78,808	80,435	-
Sale of capital assets	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 145,905</b>	<b>\$ 89,294</b>	<b>\$ 81,742</b>	<b>\$ 74,135</b>	<b>\$ (14,726)</b>
<b>Net change in fund balances</b>	<b>\$ 179,898</b>	<b>\$ 185,012</b>	<b>\$ (155,066)</b>	<b>\$ (21,768)</b>	<b>\$ 290,185</b>
Debt service as a percentage of noncapital expenditures	1.436%	2.501%	1.718%	0.886%	1.988%

Table 5

		Fiscal Year				
		2021	2022	2023	2024	2025
\$	4,346,806	\$ 4,293,544	\$ 4,396,426	\$ 4,794,374	\$ 5,450,123	
	417,746	428,201	438,905	450,945	475,341	
	16,271	17,380	17,580	14,658	11,409	
	2,157	88	2,513	4,328	11,507	
	30,678	31,500	210,236	276,246	234,150	
	17,209	18,422	17,088	17,628	17,165	
	56,388	70,705	71,015	81,781	112,177	
	-	-	1,471,884	-	-	
	1,505,952	1,589,156	1,607,737	1,938,191	1,818,739	
	869,057	650,641	943,065	904,094	656,264	
\$	<u>7,262,264</u>	<u>\$ 7,099,637</u>	<u>\$ 9,176,449</u>	<u>\$ 8,482,245</u>	<u>\$ 8,786,875</u>	
\$	1,180,349	\$ 1,196,892	\$ 1,281,769	\$ 1,566,921	\$ 1,219,211	
	297,695	319,322	358,033	369,246	428,956	
	1,427,263	1,512,613	1,400,083	1,996,929	2,527,491	
	25,155	29,646	2,115	9,929	6,988	
	683,454	903,902	778,276	846,195	912,210	
	2,058,982	2,108,260	1,892,530	2,107,863	2,802,297	
	77,732	72,982	78,401	91,005	96,906	
	428,287	226,758	608,091	364,127	255,623	
	15,462	10,627	21,470	10,811	19,687	
	440,389	128,627	1,317,744	1,190,936	213,793	
	-	-	-	-	-	
	-	-	-	-	-	
\$	<u>6,634,768</u>	<u>\$ 6,509,629</u>	<u>\$ 7,738,512</u>	<u>\$ 8,553,962</u>	<u>\$ 8,483,162</u>	
\$	<u>627,496</u>	<u>\$ 590,008</u>	<u>\$ 1,437,937</u>	<u>\$ (71,717)</u>	<u>\$ 303,713</u>	
\$	660,910	\$ 673,101	\$ 616,099	\$ 324,006	\$ 375,497	
	(687,435)	(690,601)	(633,599)	(341,506)	(660,522)	
	-	-	-	-	-	
	-	-	-	-	100,000	
\$	<u>(26,525)</u>	<u>\$ (17,500)</u>	<u>\$ (17,500)</u>	<u>\$ (17,500)</u>	<u>\$ (185,025)</u>	
\$	<u>600,971</u>	<u>\$ 572,508</u>	<u>\$ 1,420,437</u>	<u>\$ (89,217)</u>	<u>\$ 118,688</u>	
	0.000%	0.000%	0.000%	0.000%	0.000%	

General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

<b>Fiscal Year</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>Taxes on Recordation and Wills</b>	<b>Other Local Tax</b>	<b>Total</b>
2025	\$ 236,070	\$ 115,783	\$ 59,121	\$ 16,785	\$ 47,582	\$ 475,341
2024	214,400	115,515	59,759	16,070	45,201	450,945
2023	204,645	118,462	59,048	11,208	45,542	438,905
2022	192,579	119,615	58,249	10,869	46,889	428,201
2021	171,066	120,566	59,131	20,597	46,386	417,746
2020	144,402	127,263	57,765	8,114	35,982	373,526
2019	124,764	129,227	58,333	4,245	32,884	349,453
2018	122,452	148,083	58,162	22,335	29,759	380,791
2017	130,764	134,357	58,419	23,386	24,687	371,613
2016	138,331	135,842	55,960	18,425	25,128	373,686

**County of Highland, Virginia**

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Minerals/ Mineral Lands</b>	<b>Merchants' Capital</b>
2025	\$ 833,077,200	\$ 32,497,904	\$ 98,215	\$ 476,694	\$ 462,992
2024	826,093,100	31,927,196	103,384	476,694	470,934
2023	682,498,000	29,320,227	108,825	143,398	370,023
2022	678,670,700	26,077,630	114,560	143,398	352,010
2021	674,492,600	24,137,581	120,590	143,398	396,266
2020	674,856,900	24,320,631	113,772	96,200	339,413
2019	672,739,600	23,932,335	119,760	96,200	372,560
2018	671,184,500	22,960,365	122,797	96,200	380,638
2017	691,569,200	22,332,491	126,145	96,200	442,774
2016	689,984,500	21,165,297	97,995	96,200	403,664

(1) Estimated Actual Taxable Value includes information for Real Estate only.

Source: Commissioner of Revenue

Table 7

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	<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value (1)</b>
\$	28,684,586	\$ 895,297,591	\$ 861,570,623	96.69%
	22,770,279	881,841,587	848,674,481	97.34%
	23,360,853	735,801,326	705,612,182	96.72%
	24,537,098	729,895,396	703,040,374	96.53%
	24,610,806	723,901,241	698,936,558	96.50%
	24,062,731	723,789,647	698,753,248	96.58%
	22,883,091	720,143,546	695,501,231	96.73%
	22,552,747	717,297,247	693,737,247	96.75%
	20,169,676	734,736,486	711,738,876	97.17%
	18,894,437	730,642,093	708,878,937	97.33%

Property Tax Rates (1)  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2025	\$ 0.51	\$ 2.75	\$ 0.44	\$ 1.00	\$ 1.00
2024	0.44	2.75	0.48	1.00	1.00
2023	0.48	2.75	0.48	1.00	1.00
2022	0.48	2.75	0.48	1.00	1.00
2021	0.48	2.75	0.48	1.00	1.00
2020	0.48	2.75	0.48	1.00	1.00
2019	0.48	2.50	0.44	1.00	1.00
2018	0.44	2.50	0.42	1.00	1.00
2017	0.42	2.25	0.42	1.00	1.00
2016	0.42	2.25	0.40	1.00	1.00

(1) Per \$100 of assessed value.

Principal Property Taxpayers  
 Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2025		Fiscal Year 2016	
		2025 Assessed Valuation	% of Total Assessed Valuation	2016 Assessed Valuation	% of Total Assessed Valuation
The Big Lonely LLC (formerly Karin Banks)	Farm	\$ 8,321,500	0.999%	\$ 7,752,000	1.120%
Red Oak Ranch	Farm	3,325,300	0.399%	2,509,700	0.364%
Hayfields Ltd.	Farm	-	0.000%	2,776,700	0.402%
Dividing Waters Farm	Farm	-	0.000%	2,188,300	0.317%
Meadowdale Farm LLC	Farm	2,290,700	0.275%	-	0.000%
Bull Pasture Mtn Ranch	Farm	2,109,400	0.253%	2,028,600	0.294%
Tamarack of Highland	Farm	2,306,400	0.277%	-	0.000%
Allen Ervin	Farm	2,076,600	0.249%	-	0.000%
Oksana Simmons	Farm	1,807,200	0.217%	-	0.000%
Jason Beverage	Farm	1,721,500	0.207%	-	0.000%
		<u>\$ 23,958,600</u>	<u>2.876%</u>	<u>\$ 17,255,300</u>	<u>2.497%</u>

Source: Commissioner of Revenue

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$ 4,988,391	\$ 4,890,848	98.04%	\$ -	\$ 4,890,848	98.04%
2024	4,480,084	4,371,315	97.57%	64,038	4,435,353	99.00%
2023	4,231,400	4,092,482	96.72%	120,570	4,213,052	99.57%
2022	4,059,451	3,910,877	96.34%	139,741	4,050,618	99.78%
2021	4,057,274	3,777,595	93.11%	272,804	4,050,399	99.83%
2020	3,836,601	3,712,765	96.77%	121,532	3,834,297	99.94%
2019	3,640,039	3,528,924	96.95%	110,358	3,639,282	99.98%
2018	3,598,706	3,524,584	97.94%	74,016	3,598,600	100.00%
2017	3,431,640	3,293,710	95.98%	137,861	3,431,571	100.00%
2016	3,326,987	3,200,663	96.20%	126,266	3,326,929	100.00%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia.

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Leases	Revenue Bonds			
2025	\$ -	\$ -	\$ 89,379	\$ 89,379	0.07%	\$ 39
2024	-	-	97,114	97,114	0.09%	43
2023	-	-	104,492	104,492	0.09%	47
2022	-	-	111,529	111,529	0.10%	50
2021	-	-	118,242	118,242	0.11%	53
2020	-	-	124,646	124,646	0.12%	55
2019	-	110,694	130,753	241,447	0.23%	107
2018	-	79,474	136,553	216,027	0.22%	95
2017	-	96,340	142,138	238,478	0.24%	104
2016	44,731	100,535	147,440	292,706	0.30%	129

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.  
(1) See the Schedule of Demographic and Economic Statistics - Table 14.

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

<b>Fiscal Year</b>	<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2025	\$ -	\$ -	\$ -	0.00%	\$ -
2024	-	-	-	0.00%	-
2023	-	-	-	0.00%	-
2022	-	-	-	0.00%	-
2021	-	-	-	0.00%	-
2020	-	-	-	0.00%	-
2019	-	-	-	0.00%	-
2018	-	-	-	0.00%	-
2017	-	-	-	0.00%	-
2016	-	-	-	0.00%	-

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7.

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans, excludes revenue bonds, leases, and compensated absences.

Pledged-Revenue Coverage  
Last Ten Fiscal Years

<b>Water Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Water Charges and Other</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2025	\$ 35,943	\$ 30,475	\$ 5,468	\$ 7,735	\$ 4,109	46.17%
2024	34,719	25,148	9,571	7,378	4,466	80.81%
2023	35,976	24,811	11,165	7,037	4,807	94.27%
2022	32,475	25,011	7,464	6,713	5,130	63.02%
2021	41,268	21,456	19,812	6,404	5,441	167.26%
2020	40,549	23,177	17,372	6,107	5,736	146.69%
2019	34,391	21,485	12,906	5,800	6,044	108.97%
2018	35,549	27,878	7,671	5,585	6,261	64.76%
2017	34,734	23,603	11,131	5,302	6,542	93.98%
2016	34,371	22,215	12,156	5,051	6,781	102.74%

Note: Water charges and other include water charges and miscellaneous revenues but not investment earnings or capital contributions. Operating expenses include all operating expenses except depreciation expense.

Demographic and Economic Statistics  
Last Ten Fiscal Years

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<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age (1)</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2025	2,285	\$ 126,186,840	\$ 55,224	57	208	3.00%
2024	2,251	113,211,794	50,294	58	212	2.30%
2023	2,234	112,774,554	50,481	59	200	1.90%
2022	2,226	111,736,296	50,196	59	178	2.10%
2021	2,226	103,097,190	46,315	60	209	3.10%
2020	2,246	100,600,586	44,791	58	218	4.90%
2019	2,265	104,445,945	46,113	58	200	2.20%
2018	2,284	99,456,000	43,545	57	193	3.50%
2017	2,300	101,321,946	44,498	57	197	3.20%
2016	2,277	99,006,237	43,481	59	193	3.10%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, [www.fedstats.gov](http://www.fedstats.gov), Bureau of Labor Statistics

Full-time Equivalent County Government Employees by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	16	16	16	16	16	16	16	16	15	15
Judicial administration	5	5	5	5	5	5	5	5	5	5
Public safety										
Sheriff's department	15	15	16	16	17	17	16	16	17	17
Fire and rescue		1	1	1	5	5	4	4	8	8
Building inspections	2	2	2	1	2	2	2	2	2	2
Animal control	1	1	0	0	1	1	1	1	1	1
Public works										
General maintenance	3	3	3	2	1	1	1	1	1	1
Landfill	7	6	6	6	6	6	5	5	5	5
Health and welfare										
Department of social services	4	5	6	6	6	6	5	5	6	6
Culture and recreation										
Library	2	2	2	2	2	2	2	2	2	2
Totals	<u>55</u>	<u>56</u>	<u>57</u>	<u>55</u>	<u>61</u>	<u>61</u>	<u>57</u>	<u>57</u>	<u>62</u>	<u>62</u>

Source: Individual County departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	2	2	2	2	2	2	2	2	2	2
Public safety										
Sheriffs department:										
Patrol units	9	11	11	11	11	11	11	11	11	11
Building inspections:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Animal control:										
Vehicles	1	1	0	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	1	1	1	1	1	1	1	1	1	1
Landfill:										
Vehicles	1	1	1	1	1	1	1	1	2	2
Equipment	2	2	2	2	2	2	2	2	2	2
Sites	1	1	1	1	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	2	2	2	2	2	2	2	2	2	2
School buses	9	7	7	8	7	7	7	7	8	8
School admin vehicles		7	7	5	7	7	7	7	7	7

Source: Individual County departments

# COMPLIANCE



**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**

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**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS  
COUNTY OF HIGHLAND, 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 business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of County of Highland, Virginia as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise County of Highland, Virginia's basic financial statements, and have issued our report thereon dated March 10, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered County of Highland, Virginia's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Highland, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Highland, 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 Highland, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

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

*Robinson, Farmer, Cox Assoc.*

Staunton, Virginia  
March 10, 2026



ROBINSON, FARMER, COX ASSOCIATES, PLLC

*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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**TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS  
COUNTY OF HIGHLAND, VIRGINIA**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited County of Highland, 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 Highland, Virginia's major federal programs for the year ended June 30, 2025. County of Highland, 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 Highland, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***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 Highland, 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 Highland, 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 Highland, 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 Highland, 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 Highland, 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 Highland, 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 Highland, 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 Highland, 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.

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 Assoc.*

Staunton, Virginia  
March 10, 2026

**County of Highland, Virginia**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Virginia Department of Social Services:			
Guardianship Assistance	93.090	Not Available	\$ 66
Title IV-E Prevention Program	93.472	Not Available	1,459
Marylee Allen Promoting Safe and Stable Families Program	93.556	Not Available	19,027
Temporary Assistance for Needy Families (TANF)	93.558	Not Available	45,490
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	Not Available	126
Low-Income Home Energy Assistance	93.568	Not Available	9,448
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Not Available	9,337
Stephanie Tubbs Jones Child Welfare Services Program	93.645	Not Available	163
Foster Care - Title IV-E	93.658	Not Available	23,117
Adoption Assistance	93.659	Not Available	71,681
Social Services Block Grant	93.667	Not Available	52,243
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	Not Available	334
Children's Health Insurance Program	93.767	Not Available	910
Medicaid Cluster:			
Medical Assistance Program	93.778	Not Available	75,025
<b>Total Department of Health and Human Services</b>			<b>\$ 308,426</b>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture:			
Food Distribution - School Nutrition Program	10.555	Not Available	\$ 17,515
Virginia Department of Education:			
National School Lunch Program (NSLP)	10.555	202323N89034 1; 202424N11994 1; 202524N11994 1; 202525N10994 1; 202525N11994 1	62,043
Subtotal ALN 10.555			\$ 79,558
Virginia Department of Agriculture:			
School Breakfast Program (SBP)	10.553	202424N11994 1; 202524N11994 1; 202525N10994 1; 202525N11994 1	\$ 29,611
Total Child Nutrition Cluster			\$ 109,169
Virginia Department of Education:			
Forest Service Schools and Roads Cluster:			
Schools and Roads - Grants to States	10.665	APE438410000	\$ 8,115
Virginia Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Available	91,775
<b>Total Department of Agriculture</b>			<b>\$ 209,059</b>
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not Available	\$ 1,527
<b>Total Department of Justice</b>			<b>\$ 1,527</b>

**County of Highland, Virginia**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2025 (Continued)

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
Department of Homeland Security			
Pass Through Payments:			
Virginia Department of Emergency Services:			
Emergency Management Performance Grants	97.042	EMP-2024-EP-05008	\$ <u>7,500</u>
Total Department of Homeland Security			\$ <u>7,500</u>
Department of Education:			
Pass Through Payments:			
Virginia Department of Education:			
Special Education Cluster:			
Special Education-Grants to States	84.027	H027A230107; H027A240107 H173A230112;	\$ 89,721
Special Education-Preschool Grants	84.173	H173A240112	3,183
Total Special Education Cluster			<u>\$ 92,904</u>
Rural Education	84.358	Not Available S367A230044;	34,422
Supporting Effective Instruction State Grants	84.367	S367A240044 S010A230046;	11,737
Title I Grants to Local Educational Agencies	84.010	S010A240046	<u>94,599</u>
Total Department of Education			<u>\$ 233,662</u>
Department of the Treasury:			
Pass Through Payments:			
Virginia Department of Criminal Justice Services:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	\$ 39,000
Virginia Department of Elections:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	16,230
Subtotal ALN 21.027			<u>\$ 55,230</u>
Total Department of the Treasury			<u>\$ 55,230</u>
Total Expenditures of Federal Awards			<u>\$ 815,404</u>

**County of Highland, Virginia**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025 (Continued)

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Notes to Schedule of Expenditures of Federal Awards:

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Highland, Virginia under programs of the federal government for the year ended June 30, 2025. 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 for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Highland, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Highland, 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) County of Highland, Virginia has not elected to use the 15 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the County had \$9,138 of food commodities in inventory. The value of food commodities expended during the year ended June 30, 2025 amounted to \$17,515.

**NOTE D - RELATIONSHIP TO FINANCIAL STATEMENTS**

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

Primary government:	
Governmental funds	\$ 656,264
Payments in lieu of tax received from the Department of the Interior not included on schedule	(191,806)
Total primary government	<u>\$ 464,458</u>
Component unit:	
School Board funds	350,946
Total County of Highland, Virginia	<u>\$ 815,404</u>

County of Highland, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified
Internal control over financial reporting:
- Material weakness(es) identified?
- Significant deficiency(ies) identified?
Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:
- Material weakness(es) identified?
- Significant deficiency(ies) identified?
Type of auditors' report issued on compliance for major programs:
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

Identification of major programs:

Table with 2 columns: Assistance Listing Numbers, Name of Federal Program or Cluster. Rows include 10.561 Supplemental Nutrition Assistance Program and 84.010 Title I Grants to Local Educational Agencies.

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

There are no financial statement findings to report

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report

Section IV-Prior Year Findings

There were no prior year findings