

Middlesex County, Virginia

Annual Financial Report

For the fiscal year ended June 30, 2025



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COUNTY OF MIDDLESEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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COUNTY OF MIDDLESEX, VIRGINIA

BOARD OF SUPERVISORS

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Reginald A. Williams Sr., Vice-Chair

Wayne H. Jessie, Sr.
William "Bill" A. Harris

Randy Crittenden

COUNTY SCHOOL BOARD

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Dr. Dana D. Burnett, Vice-Chair

Thomas D. Kennedy
Tiffany A. Robins

Jenny L. McMurtrie

OTHER OFFICIALS

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

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Stephanie M. Revere
Matthew R. Kite
Michael T. Hurd
E. Mae Diggs
Traci Wright
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Tracy B. Seitz, Ed.D
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FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County of Middlesex, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Middlesex, Virginia, as of and for the year ended June 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Changes in Accounting Principles

As described in Note 20 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 21 to the financial statements, in 2025, the County restated beginning balances to reflect the requirements of GASB Statement No. 101. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Middlesex, Virginia's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025, on our consideration of County of Middlesex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Middlesex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Middlesex, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 10, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Middlesex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2025.

Financial Highlight **Government-wide Financial Statements**

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,483,524 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other financing uses in the amount of \$347,051 (Exhibit 5) after making contributions totaling \$12,147,941 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$18,639,740, a decrease of \$347,051 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$20,287,443, or 58% of total general fund expenditures and other financing uses.

Overview of the Financial Statements

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

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

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

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

The statement of net position presents information on all County assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

Overview of the Financial Statements (Continued)

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

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the public and use the accrual basis of accounting, like private businesses.

The Airport Fund provides access to small aircraft flight to County residents and businesses.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,483,524 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Middlesex, Virginia's Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 31,911,269	\$ 33,060,346	\$ -	\$ -	\$ 31,911,269	\$ 33,060,346
Capital assets	23,187,115	18,414,624	1,537,242	1,605,831	24,724,357	20,020,455
Total assets	<u>\$ 55,098,384</u>	<u>\$ 51,474,970</u>	<u>\$ 1,537,242</u>	<u>\$ 1,605,831</u>	<u>\$ 56,635,626</u>	<u>\$ 53,080,801</u>
Deferred outflows of resources	\$ 668,599	\$ 312,361	\$ -	\$ -	\$ 668,599	\$ 312,361
Current liabilities	\$ 604,458	\$ 1,505,287	\$ 103,191	\$ 128,646	\$ 707,649	\$ 1,633,933
Long-term liabilities outstanding	20,677,507	17,698,174	-	-	20,677,507	17,698,174
Total liabilities	<u>\$ 21,281,965</u>	<u>\$ 19,203,461</u>	<u>\$ 103,191</u>	<u>\$ 128,646</u>	<u>\$ 21,385,156</u>	<u>\$ 19,332,107</u>
Deferred inflows of resources	\$ 8,435,545	\$ 8,937,974	\$ -	\$ -	\$ 8,435,545	\$ 8,937,974
Net position:						
Net investment in capital assets	\$ 3,605,006	\$ 1,339,808	\$ 1,537,242	\$ 1,605,831	\$ 5,142,248	\$ 2,945,639
Restricted:						
Pension & OPEB benefits	2,893,581	2,888,875	-	-	2,893,581	2,888,875
Unrestricted	<u>19,550,886</u>	<u>19,417,213</u>	<u>(103,191)</u>	<u>(128,646)</u>	<u>19,447,695</u>	<u>19,288,567</u>
Total net position	<u>\$ 26,049,473</u>	<u>\$ 23,645,896</u>	<u>\$ 1,434,051</u>	<u>\$ 1,477,185</u>	<u>\$ 27,483,524</u>	<u>\$ 25,123,081</u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County’s net position by \$2,804,861 during the current fiscal year. The following table summarizes the County’s Statement of Activities:

<u>County of Middlesex, Virginia's Changes in Net Position</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Charges for services	\$ 445,100	\$ 525,545	\$ 256,542	\$ 126,049	\$ 701,642	\$ 651,594
Operating grants and contributions	8,811,620	4,716,443	91,827	16,034	8,903,447	4,732,477
Capital grants and contributions	-	-	-	-	-	-
General property taxes	23,030,386	21,913,154	-	-	23,030,386	21,913,154
Other local taxes	4,121,461	4,116,237	-	-	4,121,461	4,116,237
Grants and other contributions not restricted	1,032,052	1,035,394	-	-	1,032,052	1,035,394
Other general revenues	868,136	842,901	-	-	868,136	842,901
Transfers	-	(318,358)	-	318,358	-	-
Total revenues	\$ 38,308,755	\$ 32,831,316	\$ 348,369	\$ 460,441	\$ 38,657,124	\$ 33,291,757
General government administration	\$ 3,208,811	\$ 2,603,283	\$ -	\$ -	\$ 3,208,811	\$ 2,603,283
Judicial administration	1,179,679	1,363,451	-	-	1,179,679	1,363,451
Public safety	7,001,370	6,501,876	-	-	7,001,370	6,501,876
Public works	5,759,563	4,630,374	391,503	339,318	6,151,066	4,969,692
Health and welfare	3,183,425	3,105,619	-	-	3,183,425	3,105,619
Education	13,282,632	13,351,603	-	-	13,282,632	13,351,603
Parks, recreation, and cultural	431,670	413,548	-	-	431,670	413,548
Community development	669,071	716,663	-	-	669,071	716,663
Interest and other fiscal charges	744,539	449,100	-	-	744,539	449,100
Total expenses	\$ 35,460,760	\$ 33,135,517	\$ 391,503	\$ 339,318	\$ 35,852,263	\$ 33,474,835
Change in net position	\$ 2,847,995	\$ (304,201)	\$ (43,134)	\$ 121,123	\$ 2,804,861	\$ (183,078)
Net position, beginning of year, as restated	23,201,478	23,950,097	1,477,185	1,356,062	24,678,663	25,306,159
Net position, end of year	\$ 26,049,473	\$ 23,645,896	\$ 1,434,051	\$ 1,477,185	\$ 27,483,524	\$ 25,123,081

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$18,639,740 a decrease of \$347,051. Approximately 109% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources were in deficit General Fund budgetary estimates in the amount of \$1,960,801. Expenditures and other financing uses were less than budgetary estimates by \$3,452,862 resulting in a positive variance of \$1,492,061.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital and leased assets for its governmental operations as of June 30, 2025 amounted to \$23,187,115 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and infrastructure.

Additional information on the County's capital assets can be found in Note 6 of this report.

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$17,765,791. Of this amount, \$695,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds and notes).

The County's debt increased by \$2,389,872 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

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

The fiscal year 2026 budget increased marginally compared to the prior year budget. All tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Middlesex, Virginia
Statement of Net Position
As of June 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,050,786	\$ -	\$ 12,050,786
Investments	4,121,446	-	4,121,446
Receivables (net of allowance for uncollectibles):			
Taxes receivable	9,450,268	-	9,450,268
Accounts receivable	395,607	-	395,607
Notes receivable	-	-	-
Due from primary government	-	-	-
Due from other governmental units	2,999,581	-	2,999,581
Prepaid items	-	-	-
Net pension asset	2,893,581	-	2,893,581
Net OPEB asset	-	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	2,754,733	331,344	3,086,077
Buildings and improvements	15,345,653	3,789	15,349,442
Equipment	1,226,756	-	1,226,756
Infrastructure	2,633,440	1,202,109	3,835,549
Lease equipment	382,607	-	382,607
Construction in progress	843,926	-	843,926
Total assets	\$ 55,098,384	\$ 1,537,242	\$ 56,635,626
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	\$ 601,662	\$ -	\$ 601,662
OPEB related items	66,937	-	66,937
Total deferred outflows of resources	\$ 668,599	\$ -	\$ 668,599
LIABILITIES			
Accounts payable	\$ 8,972	\$ 103,191	\$ 112,163
Accrued liabilities	-	-	-
Reconciled overdraft payable	-	-	-
Accrued interest payable	218,120	-	218,120
Due to component unit	109,785	-	109,785
Unearned revenue	267,581	-	267,581
Long-term liabilities:			
Due within one year	2,528,906	-	2,528,906
Due in more than one year	18,148,601	-	18,148,601
Total liabilities	\$ 21,281,965	\$ 103,191	\$ 21,385,156
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 7,787,102	\$ -	\$ 7,787,102
Pension related items	616,944	-	616,944
OPEB related items	31,499	-	31,499
Total deferred inflows of resources	\$ 8,435,545	\$ -	\$ 8,435,545
NET POSITION			
Net investment in capital assets	\$ 3,605,006	\$ 1,537,242	\$ 5,142,248
Restricted for pension and OPEB benefits	2,893,581	-	2,893,581
Unrestricted (deficit)	19,550,886	(103,191)	19,447,695
Total net position	\$ 26,049,473	\$ 1,434,051	\$ 27,483,524

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

Exhibit 1

Component Units				
<u>School Board</u>	<u>EDA</u>	<u>Broadband Authority</u>	<u>Water Authority</u>	
\$ 2,334,649	\$ 247,743	\$ 33,586	\$ 450,426	
-	300,000	-	-	
-	-	-	-	
-	-	-	77,149	
-	85,200	-	-	
-	109,785	-	-	
602,332	-	-	-	
134,465	-	-	21,382	
-	-	-	-	
9,215	-	-	-	
248,545	-	-	454,163	
10,672,171	-	-	26,689,288	
2,638,679	-	-	-	
-	-	-	-	
276,131	-	-	-	
-	-	-	-	
\$ 16,916,187	\$ 742,728	\$ 33,586	\$ 27,692,408	
\$ 3,746,057	\$ -	\$ -	\$ -	
444,042	-	-	-	
\$ 4,190,099	\$ -	\$ -	\$ -	
\$ 74	\$ -	\$ -	\$ 20,555	
1,841,819	-	-	-	
-	-	-	-	
-	-	-	10,731	
-	-	-	-	
-	-	-	72,658	
274,858	-	-	494,691	
13,947,832	-	-	21,356,309	
\$ 16,064,583	\$ -	\$ -	\$ 21,954,944	
\$ -	\$ -	\$ -	\$ -	
1,859,730	-	-	-	
361,245	-	-	-	
\$ 2,220,975	\$ -	\$ -	\$ -	
\$ 13,557,434	\$ -	\$ -	\$ 5,212,451	
9,215	-	-	-	
(10,745,921)	742,728	33,586	525,013	
\$ 2,820,728	\$ 742,728	\$ 33,586	\$ 5,737,464	

County of Middlesex, Virginia
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	Total	Component Units			
			Operating Grants and Contributions	Capital Grants and Contributions				School Board	EDA	Broadband Authority	Water Authority
PRIMARY GOVERNMENT:											
General government activities:											
Judicial administration	\$ 3,208,811	\$ 80,534	\$ 350,801	\$ -	\$ (2,777,476)	\$ -	\$ (2,777,476)				
Public safety	1,179,679	63,852	731,030	-	(384,797)	-	(384,797)				
Public works	7,001,370	217,430	3,062,455	-	(3,721,485)	-	(3,721,485)				
Health and welfare	5,759,563	-	2,578,045	-	(3,181,518)	-	(3,181,518)				
Education	3,183,425	47,967	2,036,822	-	(1,098,636)	-	(1,098,636)				
Parks, recreation, and cultural	13,282,632	-	-	-	(13,282,632)	-	(13,282,632)				
Community development	431,670	14,100	4,500	-	(413,070)	-	(413,070)				
Interest on long-term debt	669,071	21,217	-	-	(647,854)	-	(647,854)				
Total governmental activities	744,539	-	-	-	(744,539)	-	(744,539)				
	\$ 35,460,760	\$ 445,100	\$ 8,763,653	\$ -	\$ (26,252,007)	\$ -	\$ (26,252,007)				
Business-type activities:											
Airport	\$ 391,503	\$ 256,542	\$ 91,827	\$ -	\$ (43,134)	\$ (43,134)	\$ (43,134)				
Total business-type activities	\$ 391,503	\$ 256,542	\$ 91,827	\$ -	\$ (43,134)	\$ (43,134)	\$ (43,134)				
	\$ 35,852,263	\$ 701,642	\$ 8,855,480	\$ -	\$ (26,295,141)	\$ -	\$ (26,295,141)				
COMPONENT UNITS:											
School Board	\$ 22,332,763	\$ 115,853	\$ 10,320,747	\$ -	\$ (11,896,163)	\$ (11,896,163)	\$ (11,896,163)				
Economic Development Authority	192,761	18,085	9,000	-	-	-	(165,676)				
Middlesex Water Authority	1,242,603	803,540	-	-	-	-	-				(439,063)
Middlesex Broadband Authority	16,127	-	-	-	-	-	-				-
Total component unit	\$ 23,784,254	\$ 937,478	\$ 10,329,747	\$ -	\$ (11,896,163)	\$ (11,896,163)	\$ (11,896,163)				(439,063)
General revenues:											
General property taxes	\$ 23,030,386	\$ -	\$ -	\$ -	\$ 23,030,386	\$ -	\$ -				
Other local taxes:											
Local sales and use taxes	1,719,163	-	-	-	1,719,163	-	-				
Motor vehicle licenses	293,828	-	-	-	293,828	-	-				
Meals tax	560,305	-	-	-	560,305	-	-				
Business licenses	487,212	-	-	-	487,212	-	-				
Other local taxes	1,060,953	-	-	-	1,060,953	-	-				
Unrestricted revenues from use of money	660,194	-	-	-	660,194	17,176	20,404	88			11,381
Miscellaneous	207,942	-	-	-	207,942	530,123	-	-			7,625
Contributions from Middlesex County	1,080,019	-	-	-	1,080,019	12,997,583	48,986	-			257,000
Grants and contributions not restricted to specific programs	-	-	-	-	-	734,543	-	-			-
Gain on disposal of capital assets	-	-	-	-	-	14,279,425	230,732	88			276,006
Total general revenues	\$ 29,100,002	\$ -	\$ 29,100,002	\$ 14,279,425	\$ 2,383,262	\$ 65,056	\$ (16,039)	\$ 5,900,521			
Change in net position	\$ 2,847,995	\$ (43,134)	\$ 1,477,185	\$ 25,123,081	\$ 2,428,353	\$ 677,672	\$ 49,625	\$ 5,900,521			
Net position (deficit) - beginning, as previously reported	23,645,896	-	(444,418)	-	(444,418)	(1,990,887)	-	-			-
Restatement	\$ 23,201,478	\$ 1,477,185	\$ 24,678,663	\$ 437,466	\$ 677,672	\$ 49,625	\$ 5,900,521				
Net position (deficit) - beginning, as restated	\$ 26,049,473	\$ 1,434,051	\$ 27,483,524	\$ 2,820,728	\$ 742,728	\$ 33,586	\$ 5,737,464				
Net position - ending	\$ 26,049,473	\$ 1,434,051	\$ 27,483,524	\$ 2,820,728	\$ 742,728	\$ 33,586	\$ 5,737,464				

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

FUND FINANCIAL STATEMENTS

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County of Middlesex, Virginia
Balance Sheet - Governmental Funds
As of June 30, 2025

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 16,011,136	\$ -	\$ 16,011,136
Investments	4,121,446	-	4,121,446
Receivables (net of allowance for uncollectibles):			
Taxes receivable	9,450,268	-	9,450,268
Accounts receivable	395,607	-	395,607
Due from other governmental units	864,109	2,135,472	2,999,581
Total assets	<u>\$ 30,842,566</u>	<u>\$ 2,135,472</u>	<u>\$ 32,978,038</u>
LIABILITIES			
Accounts payable	\$ 8,972	-	\$ 8,972
Reconciled overdraft payable	-	3,960,350	3,960,350
Due to component unit	109,785	-	109,785
Unearned revenue	60,000	207,581	267,581
Total liabilities	<u>\$ 178,757</u>	<u>\$ 4,167,931</u>	<u>\$ 4,346,688</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	\$ 9,766,674	-	\$ 9,766,674
Unavailable revenue-opioid settlement	224,936	-	224,936
Total deferred inflows of resources	<u>\$ 9,991,610</u>	<u>\$ -</u>	<u>\$ 9,991,610</u>
FUND BALANCES:			
Committed	\$ 135,904	-	\$ 135,904
Assigned	248,852	1,000,000	1,248,852
Unassigned	20,287,443	(3,032,459)	17,254,984
Total fund balances	<u>\$ 20,672,199</u>	<u>\$ (2,032,459)</u>	<u>\$ 18,639,740</u>

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

County of Middlesex, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 As of June 30, 2025

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 18,639,740

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 43,853,627	
Accumulated depreciation	<u>(20,666,512)</u>	23,187,115

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

Unavailable revenue - property taxes	\$ 1,979,572	
Unavailable revenue - opioid settlement	224,936	
Net pension asset	<u>2,893,581</u>	5,098,089

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

Pension related items	\$ 601,662	
OPEB related items	<u>66,937</u>	668,599

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

Capital leases	\$ (3,989,020)	
General obligation bonds	(695,000)	
Lease revenue bonds	(13,081,771)	
Bond premium	(1,432,467)	
Lease liabilities	(383,851)	
Compensated absences	(897,322)	
Net OPEB liability	(198,076)	
Accrued interest payable	<u>(218,120)</u>	(20,895,627)

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

Pension related items	\$ (616,944)	
OPEB related items	<u>(31,499)</u>	(648,443)

Net position of governmental activities	\$ 26,049,473
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The notes to the financial statements are an integral part of this statement.

County of Middlesex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 22,657,020	\$ -	\$ 22,657,020
Other local taxes	4,121,461	-	4,121,461
Permits, privilege fees, and regulatory licenses	198,075	-	198,075
Fines and forfeitures	34,641	-	34,641
Revenue from the use of money and property	610,246	130,482	740,728
Charges for services	83,883	-	83,883
Miscellaneous	254,925	984	255,909
Recovered costs	433,294	-	433,294
Intergovernmental:			
Commonwealth	4,756,163	2,135,472	6,891,635
Federal	2,904,070	-	2,904,070
Total revenues	<u>\$ 36,053,778</u>	<u>\$ 2,266,938</u>	<u>\$ 38,320,716</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,629,315	\$ -	\$ 2,629,315
Judicial administration	1,257,405	-	1,257,405
Public safety	7,253,662	-	7,253,662
Public works	4,026,165	-	4,026,165
Health and welfare	3,231,092	-	3,231,092
Education	12,155,331	-	12,155,331
Parks, recreation, and cultural	351,474	-	351,474
Community development	794,288	-	794,288
Capital projects	-	8,749,801	8,749,801
Debt service:			
Principal retirement	2,152,489	155,881	2,308,370
Interest and other fiscal charges	586,498	106,293	692,791
Total expenditures	<u>\$ 34,437,719</u>	<u>\$ 9,011,975</u>	<u>\$ 43,449,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,616,059</u>	<u>\$ (6,745,037)</u>	<u>\$ (5,128,978)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 434,193	\$ 434,193
Transfers out	(434,193)	-	(434,193)
Issuance of local lease acquisition agreement	-	561,966	561,966
Issuance of bonds	-	3,995,000	3,995,000
Bond issuance costs	-	(186,173)	(186,173)
Bond premiums	-	212,966	212,966
Issuance of leases	198,168	-	198,168
Total other financing sources (uses)	<u>\$ (236,025)</u>	<u>\$ 5,017,952</u>	<u>\$ 4,781,927</u>
Net change in fund balances	\$ 1,380,034	\$ (1,727,085)	\$ (347,051)
Fund balances - beginning	19,292,165	(305,374)	18,986,791
Fund balances - ending	<u>\$ 20,672,199</u>	<u>\$ (2,032,459)</u>	<u>\$ 18,639,740</u>

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

County of Middlesex, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds \$ (347,051)

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

Capital asset additions	\$ 7,137,666	
Depreciation expense	(1,515,533)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>(849,642)</u>	4,772,491

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

Opioid settlement	\$ 47,967	
Property taxes	<u>373,366</u>	421,333

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

Principal retired on general obligation bonds	\$ 210,000	
Principal retired on lease revenue bonds	1,801,213	
Principal retired on lease liabilities	141,276	
Principal retired on capital financing	155,881	
Amortization of bond premiums	152,437	
Issuance of leases	(198,168)	
Issuance of lease revenue bonds	(3,995,000)	
Issuance of bond premium	(212,966)	
Issuance of capital financing activities	<u>(561,966)</u>	(2,507,293)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Decrease (increase) in compensated absences	\$ (39,666)	
Change in pension related items	553,110	
Change in OPEB related items	13,083	
Decrease (increase) in accrued interest payable	<u>(18,012)</u>	508,515

Change in net position of governmental activities \$ 2,847,995

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

County of Middlesex, Virginia
Statement of Net Position
Proprietary Fund
As of June 30, 2025

		Enterprise Fund
		<u>Airport</u>
ASSETS		
Noncurrent assets:		
Capital assets:		
Land	\$	331,344
Buildings		573,095
Infrastructure		1,391,690
Less accumulated depreciation		(758,887)
Total capital assets	\$	1,537,242
Total noncurrent assets	\$	1,537,242
Total assets	\$	1,537,242
LIABILITIES		
Current liabilities:		
Accounts payable	\$	33,655
Reconciled overdraft payable		69,536
Total current liabilities	\$	103,191
Total liabilities	\$	103,191
NET POSITION		
Investment in capital assets	\$	1,537,242
Unrestricted		(103,191)
Total net position	\$	1,434,051

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

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2025

		<u>Enterprise</u>	
		<u>Fund</u>	
			<u>Airport</u>
OPERATING REVENUES			
Charges for services:			
Sale of fuel	\$	215,089	
Hanger rent		35,594	
Other charges for services		5,859	
Total charges fro services	\$	<u>256,542</u>	
Operating grants		91,827	
Total operating revenues	\$	<u>348,369</u>	
OPERATING EXPENSES			
Personal services and benefits	\$	53,756	
Contractual services		46,111	
Fuel		178,160	
Repairs and maintenance		900	
Other charges		43,987	
Depreciation		68,589	
Total operating expenses	\$	<u>391,503</u>	
Operating income (loss)	\$	<u>(43,134)</u>	
Change in net position	\$	<u>(43,134)</u>	
Total net position - beginning	\$	<u>1,477,185</u>	
Total net position - ending	\$	<u><u>1,434,051</u></u>	

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

County of Middlesex, Virginia
 Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2025

		<u>Enterprise Fund</u>
		<u>Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$	256,542
Payments for operating activities		(348,369)
Other receipts (payments)		91,827
Net cash provided by (used for) operating activities	\$	<u>-</u>
Cash and cash equivalents - beginning	\$	<u>-</u>
Cash and cash equivalents - ending	\$	<u><u>-</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$	<u>(43,134)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$	68,589
Increase (decrease) in accounts payable and accrued liabilities		33,655
Increase (decrease) in overdraft payable		(59,110)
Total adjustments	\$	<u>43,134</u>
Net cash provided (used) by operating activities	\$	<u><u>-</u></u>

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

County of Middlesex, Virginia
 Statement of Fiduciary Net Position - Fiduciary Funds
 As of June 30, 2025

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 214,331
NET POSITION	
Restricted for:	
Education/students	\$ 187,582
Social services clients	26,749
Total net position	\$ 214,331

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

County of Middlesex, Virginia
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2025

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Donations and contributions	\$ 60,827
Participant fees and grants	2,102,809
Total additions	\$ 2,163,636
DEDUCTIONS	
Recipient payments	\$ 58,683
Operating expenses	1,987,861
Total deductions	\$ 2,046,544
Net increase (decrease) in fiduciary net position	\$ 117,092
Net position - beginning	97,239
Net position - ending	\$ 214,331

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2025

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

Government-Wide and Fund Financial Statements

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

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

Government-Wide and Fund Financial Statements (Continued)

Statement of Activities (Continued)

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2025.

Discretely Presented Component Units. The School Board members are elected by the citizens of Middlesex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County can approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2025.

The Middlesex County Economic Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2025. The Authority does not issue a separate financial report.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

B. Individual Component Unit Disclosures (Continued)

The Middlesex Water Authority was created pursuant to Title 15.2-5107 of the Code of Virginia by resolution of the County of Middlesex, Virginia’s Board of Supervisors in 2014 and is charged with providing a public source of water for residents of the County of Middlesex. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the Authority, and therefore, it is included in the County’s financial statements as a discrete presentation for the year ended June 30, 2025. The Authority does not issue a separate financial report.

The Middlesex Broadband Authority was created pursuant to Title 15.2-5107 of the Code of Virginia by resolution of the County of Middlesex, Virginia’s Board of Supervisors in 2016 and is charged with facilitating the creation of broadband infrastructure for the citizens of the County of Middlesex. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the Authority, and therefore, it is included in the County’s financial statements as a discrete presentation for the year ended June 30, 2025. The Authority does not issue a separate financial report.

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

None

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment

benefits, and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use lease and subscription assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

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

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

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

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

1. Governmental Funds

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

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$347,772 on June 30, 2025 and was comprised solely of property taxes.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

G. Receivables and Payables (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

I. Leases

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

Lessee

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

Key Estimates and Judgments

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

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

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

J. Compensated Absences

The liability for compensated absences represents amounts owed to employees for earned but unused vacation and other leave benefits. In accordance with GASB Statement No. 101, *Compensated Absences*, this liability is recognized when the leave is attributable to services already rendered, the leave accumulates, and it is probable that the leave will be used or paid. The liability is measured using the pay rates in effect as of the reporting date, including salary-related payments that are directly and incrementally associated with payments for compensated absences. The portion of the liability expected to be paid within one year is reported as a current liability in the financial statements.

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

K. Use of Estimates

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

L. Fund Balance

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

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

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

L. Fund Balance (Continued)

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment, which does not lapse at year end, is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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

	<u>General Fund</u>	<u>County Capital Projects</u>	<u>Total</u>
Fund Balances:			
Committed:			
Playground Equipment	\$ 119,347	\$ -	\$ 119,347
Proffers	6,923	-	6,923
Forfeited Assets - Commonwealth's Attorney	2,905	-	2,905
Forfeited Assets - Sheriff	6,729	-	6,729
Total Committed	<u>\$ 135,904</u>	<u>\$ -</u>	<u>\$ 135,904</u>
Assigned:			
Dredge funding	\$ -	\$ 1,000,000	\$ 1,000,000
Broadband	248,852	-	248,852
Total Assigned Fund Balance	<u>\$ 248,852</u>	<u>\$ 1,000,000</u>	<u>\$ 1,248,852</u>
Unassigned	\$ 20,287,443	\$ (3,032,459)	\$ 17,254,984
Total Fund Balances	<u>\$ 20,672,199</u>	<u>\$ (2,032,459)</u>	<u>\$ 18,639,740</u>

M. Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

M. Net Position (Continued)

- 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 or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

N. Pensions

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

O. Other Postemployment Benefits (OPEB)

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

P. Long-term Obligations

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

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

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to pension and OPEB. For more detailed information on these items, reference the related notes.

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the County Capital Projects Funds of the primary government and the School Operating Fund and School Special Revenue Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.
9. Excess expenditures over appropriations:
Expenditures exceed appropriations in the County Capital Projects Fund for year ended June 30, 2025.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2025 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The County’s investment policy has an emphasis on safety and liquidity of investments. The County’s policy is to invest where funds are readily available with little risk of penalties for early withdrawal.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 3,660,055
State Non-Arbitrage Program	461,391
Total	<u>\$ 4,121,446</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Type	Investment Maturities (in years)	
	Fair Value	Less Than 1 Year
Local Government Investment Pool	\$ 3,660,055	\$ 3,660,055
State Non-Arbitrage Program (SNAP)	-	-
Total	<u>\$ 4,121,446</u>	<u>\$ 4,121,446</u>

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2025, the County has receivables due from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 325,138	\$ -
Rental tax	1,588	-
State sales tax	-	287,326
Constitutional officer reimbursements	152,961	-
Medicaid	-	69,079
Communications tax	45,461	-
Children's services act	165,730	-
Wireless funds	12,998	-
Welfare	49,560	-
Port Authority grant	2,135,472	-
Rolling stock tax	18	-
Federal Government:		
VATI grant	16,563	-
School fund grants	-	245,927
Victim/witness	10,717	-
Welfare	83,375	-
Total due from other governments	<u>\$ 2,999,581</u>	<u>\$ 602,332</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 5—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 434,193
County Capital Projects	<u>434,193</u>	<u>-</u>
Total	<u>\$ 434,193</u>	<u>\$ 434,193</u>

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Primary Government:</i>				
<i>Governmental Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 2,754,733	\$ -	\$ -	\$ 2,754,733
Construction in progress	1,419,074	6,513,645	7,088,793	843,926
Total capital assets not subject to depreciation	<u>\$ 4,173,807</u>	<u>\$ 6,513,645</u>	<u>\$ 7,088,793</u>	<u>\$ 3,598,659</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 14,007,660	\$ 4,894,042	\$ -	\$ 18,901,702
Equipment	6,623,497	110,641	251,015	6,483,123
Infrastructure	273,762	2,505,751	-	2,779,513
Intangibles	695,545	-	-	695,545
Lease equipment	481,146	202,380	56,366	627,160
Jointly owned assets	12,701,062	-	1,933,137	10,767,925
Total capital assets subject to depreciation	<u>\$ 34,782,672</u>	<u>\$ 7,712,814</u>	<u>\$ 2,240,518</u>	<u>\$ 40,254,968</u>
Accumulated depreciation:				
Buildings and improvements	\$ 7,563,838	\$ 447,210	\$ -	\$ 8,011,048
Equipment	4,973,946	533,436	251,015	5,256,367
Infrastructure	34,805	111,268	-	146,073
Intangibles	695,545	-	-	695,545
Lease equipment	154,959	145,960	56,366	244,553
Jointly owned assets	7,118,762	277,659	1,083,495	6,312,926
Total accumulated depreciation	<u>\$ 20,541,855</u>	<u>\$ 1,515,533</u>	<u>\$ 1,390,876</u>	<u>\$ 20,666,512</u>
Total capital assets subject to depreciation, net	<u>\$ 14,240,817</u>	<u>\$ 6,197,281</u>	<u>\$ 849,642</u>	<u>\$ 19,588,456</u>
Governmental activities capital assets, net	<u>\$ 18,414,624</u>	<u>\$ 12,710,926</u>	<u>\$ 7,938,435</u>	<u>\$ 23,187,115</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 6 –Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Business-type Activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 331,344	\$ -	\$ -	\$ 331,344
Total capital assets not subject to depreciation	\$ 331,344	\$ -	\$ -	\$ 331,344
Capital assets subject to depreciation:				
Buildings and improvements	\$ 573,095	\$ -	\$ -	\$ 573,095
Infrastructure	1,391,690	-	-	1,391,690
Total capital assets subject to depreciation	\$ 1,964,785	\$ -	\$ -	\$ 1,964,785
Accumulated depreciation:				
Building improvement	\$ 568,674	\$ 632	\$ -	\$ 569,306
Infrastructure	121,624	67,957	-	189,581
Total accumulated depreciation	\$ 690,298	\$ 68,589	\$ -	\$ 758,887
Total capital assets subject to depreciation, net	\$ 1,274,487	\$ (68,589)	\$ -	\$ 1,205,898
Business-type activities capital assets, net	\$ 1,605,831	\$ (68,589)	\$ -	\$ 1,537,242

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 6—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025: (Continued)

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 248,545	\$ -	\$ -	\$ 248,545
Construction in progress	233,400	420,519	653,919	-
Total capital assets not subject to depreciation	<u>\$ 481,945</u>	<u>\$ 420,519</u>	<u>\$ 653,919</u>	<u>\$ 248,545</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,196,283	\$ 671,314	\$ -	\$ 4,867,597
Equipment	6,760,251	944,239	-	7,704,490
Lease equipment	10,740	318,613	10,739	318,614
Jointly owned assets	15,785,337	1,933,137	-	17,718,474
Total capital assets subject to depreciation	<u>\$26,752,611</u>	<u>\$3,867,303</u>	<u>\$ 10,739</u>	<u>\$ 30,609,175</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,024,439	\$ 236,172	\$ 734,543	\$ 1,526,068
Equipment	4,175,580	890,231	-	5,065,811
Lease equipment	8,592	44,630	10,739	42,483
Jointly owned assets	8,847,454	456,883	(1,083,495)	10,387,832
Total accumulated depreciation	<u>\$15,056,065</u>	<u>\$1,627,916</u>	<u>\$ (338,213)</u>	<u>\$ 17,022,194</u>
Total capital assets subject to depreciation, net	<u>\$11,696,546</u>	<u>\$2,239,387</u>	<u>\$ 348,952</u>	<u>\$ 13,586,981</u>
Component unit school board capital assets, net	<u><u>\$12,178,491</u></u>	<u><u>\$ 2,659,906</u></u>	<u><u>\$ 1,002,871</u></u>	<u><u>\$ 13,835,526</u></u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 6—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2025: (Continued)

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<i>Component Unit-Middlesex Water Authority:</i>				
Capital assets not subject to depreciation:				
Land	\$ 454,163	\$ -	\$ -	\$ 454,163
Total capital assets not subject to depreciation	\$ 454,163	\$ -	\$ -	\$ 454,163
Capital assets subject to depreciation:				
Utility plant	\$28,392,860	\$ -	\$ -	\$ 28,392,860
Total capital assets subject to depreciation	\$28,392,860	\$ -	\$ -	\$ 28,392,860
Accumulated depreciation:				
Utility plan	\$ 1,135,714	\$ 567,858	\$ -	\$ 1,703,572
Total accumulated depreciation	\$ 1,135,714	\$ 567,858	\$ -	\$ 1,703,572
Total capital assets subject to depreciation, net	\$27,257,146	\$ (567,858)	\$ -	\$ 26,689,288
Component unit Middlesex Water Authority capital assets, net	\$27,711,309	\$ (567,858)	\$ -	\$ 27,143,451

The following is a summary of depreciation/amortization for the fiscal year ended June 30, 2025:

Primary Government:	
Governmental activities:	
General government administration	\$ 454,021
Judicial administration	185,518
Public safety	526,506
Public works	44,003
Health and welfare	19,431
Education	277,659
Parks, recreation and cultural	8,395
Total Governmental activities	\$ 1,515,533
Business-type activities	\$ 68,589
Component Unit School Board	\$ 1,627,916

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 6—Capital Assets: (Continued)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Middlesex, Virginia for the year ended June 30, 2025, is that school financed assets in the amount of \$7,330,642 are reported in the Primary Government for financial reporting purposes.

Note 7—Long Term Obligations:

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

Primary Government:

	Balance at July 1, 2024	Restatement	Restated Balance at July 1, 2024	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Governmental Activities Obligations:							
Incurred by County:							
Compensated absences							
(payable by General Fund)	\$ 413,238	\$ 444,418	\$ 857,656	\$ 125,432	\$ 85,766	\$ 897,322	\$ 89,732
Net OPEB liabilities	210,120	-	210,120	83,291	95,335	198,076	-
Lease liabilities	326,959	-	326,959	198,168	141,276	383,851	170,752
Direct borrowings and placements:							
Capital financing activities	3,582,935	-	3,582,935	561,966	155,881	3,989,020	101,851
Bond premium	566,885	-	566,885	212,966	62,987	716,864	-
Lease revenue bonds	4,980,684	-	4,980,684	3,995,000	793,913	8,181,771	884,971
Total incurred by County	\$ 10,080,821	\$ 444,418	\$ 10,525,239	\$ 5,176,823	\$ 1,335,158	\$ 14,366,904	\$ 1,247,306
Incurred by School Board:							
Direct borrowings and placements:							
General obligation bonds	\$ 905,000	\$ -	\$ 905,000	\$ -	\$ 210,000	\$ 695,000	\$ 225,000
Bond premium	805,053	-	805,053	-	89,450	715,603	-
Lease revenue bonds	5,907,300	-	5,907,300	-	1,007,300	4,900,000	1,056,600
Total incurred by School Board	\$ 7,617,353	\$ -	\$ 7,617,353	\$ -	\$ 1,306,750	\$ 6,310,603	\$ 1,281,600
Total Governmental Activities Obligations	\$ 17,698,174	\$ 444,418	\$ 18,142,592	\$ 5,176,823	\$ 2,641,908	\$ 20,677,507	\$ 2,528,906

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations					
	Direct borrowings and placements				Lease Liabilities	
	Lease Revenue Bonds		Capital Financing		Principal	Interest
	Principal	Interest	Principal	Interest		
2026	\$ 884,971	\$ 331,520	\$ 101,851	\$ 131,421	\$ 170,752	\$ 10,290
2027	513,800	300,857	134,638	127,535	115,470	4,791
2028	471,000	277,571	138,639	123,534	84,786	1,630
2029	484,600	254,864	142,759	119,414	12,843	112
2030	514,400	231,095	147,002	115,172	-	-
2031	535,400	206,081	151,370	110,803	-	-
2032	556,600	184,082	155,869	106,305	-	-
2033	575,000	167,311	160,501	101,673	-	-
2034	164,000	156,590	165,271	96,903	-	-
2035	170,000	150,084	170,182	91,991	-	-
2036	177,000	143,299	175,239	86,934	-	-
2037	105,000	136,209	180,477	81,726	-	-
2038	110,000	130,700	185,809	76,364	-	-
2039	115,000	124,934	191,331	70,842	-	-
2040	120,000	118,913	197,017	65,156	-	-
2041	130,000	112,506	202,872	59,301	-	-
2042	135,000	105,716	208,901	53,272	-	-
2043	145,000	98,541	215,109	47,064	-	-
2044	150,000	91,481	221,501	40,672	-	-
2045	155,000	84,941	228,084	34,089	-	-
2046	165,000	78,341	234,862	27,311	-	-
2047	170,000	71,431	241,842	20,332	-	-
2048	175,000	64,316	37,894	13,145	-	-
2049	185,000	56,891	-	-	-	-
2050	190,000	49,119	-	-	-	-
2051	200,000	41,000	-	-	-	-
2052	210,000	32,469	-	-	-	-
2053	215,000	23,625	-	-	-	-
2054	225,000	14,466	-	-	-	-
2055	235,000	4,891	-	-	-	-
Total	\$ 8,181,771	\$ 3,843,844	\$ 3,989,020	\$ 1,800,959	\$ 383,851	\$ 16,823

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	School Obligations			
	Direct borrowings and placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 225,000	\$ 22,416	\$ 1,056,600	\$ 183,883
2027	230,000	13,228	1,114,200	131,839
2028	240,000	4,860	347,300	98,102
2029	-	-	364,700	83,738
2030	-	-	386,700	68,515
2031	-	-	408,200	52,327
2032	-	-	430,300	36,490
2033	-	-	451,000	21,673
2034	-	-	111,000	8,133
2035	-	-	114,000	5,486
2036	-	-	116,000	2,767
Total	<u>\$ 695,000</u>	<u>\$ 40,504</u>	<u>\$ 4,900,000</u>	<u>\$ 692,953</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurring by the County:						
Compensated absences (payable from the General Fund)					\$ 897,322	\$ 89,732
Net OPEB liabilities (payable from the General Fund)					\$ 198,076	\$ -
Direct borrowings and placements:						
<u>Lease Revenue Bonds:</u>						
Public Facility Lease Revenue Bond	2.125% - 5.125%	4/30/2012	10/1/2026	\$ 630,000	\$ 115,000	\$ 55,000
Public Facility Lease Revenue Refunding Bond, including unamortized premium of \$503,898	2.26%	11/18/2020	10/1/2032	3,997,600	3,422,298	311,600
Public Facility Lease Revenue Bond	2.26%	4/29/2021	5/1/2036	986,000	756,000	61,000
Public Facility Lease Revenue Bond	1.74%	3/29/2016	2/1/2026	5,000,000	397,371	397,371
Public Facility Lease Revenue Bond, including unamortized premium of \$212,966	4.612% - 5.125%	8/7/2024	10/1/2054	4,207,966	4,207,966	60,000
Total Lease Revenue Bonds					\$ 8,898,635	\$ 884,971
<u>Capital Financing Activities:</u>						
VRA Capital Financing obligation, not fully drawn down at June 30, 2025	2.95%	11/30/2022	9/1/2048	917,862	\$ 3,989,020	\$ 101,851
Other long-term debt:						
<u>Lease Liabilities:</u>						
Equipment lease - copier - Administrator	1.92%	2/1/2022	1/1/2027	16,948	\$ 5,535	\$ 3,476
Equipment lease - copier - Commonwealth's Attorney	2.96%	6/1/2022	6/1/2027	9,463	3,884	1,913
Equipment lease - postage machine - Treasurer	3.65%	11/30/2023	10/31/2028	8,557	5,684	1,679
Equipment lease - vehicle - Sheriff	11.36%	7/1/2022	6/1/2026	39,539	11,582	11,582
Equipment lease - vehicle - Sheriff	11.38%	7/1/2022	6/1/2026	39,296	11,649	11,649
Equipment lease - vehicle - Sheriff	7.41%	7/1/2021	7/31/2025	21,471	503	503
Equipment lease - vehicle - Sheriff	3.04%	8/17/2023	8/31/2026	39,675	15,619	13,354
Equipment lease - vehicle - Sheriff	3.04%	8/17/2023	8/31/2026	39,675	15,619	13,354
Equipment lease - vehicle - Sheriff	3.04%	8/17/2023	8/31/2026	39,675	15,619	13,354
Equipment lease - vehicle - Social Services	3.65%	12/14/2023	12/31/2028	27,929	19,839	5,412
Equipment lease - vehicle - Planning	3.65%	12/14/2023	12/31/2028	27,929	19,839	5,412
Equipment lease - vehicle - Administrator	3.65%	12/14/2023	12/31/2028	27,929	19,839	5,412
Equipment lease - vehicle - Buildings	2.88%	8/29/2023	8/31/2028	32,369	20,952	6,412
Equipment lease - vehicle - Administrator	2.88%	8/29/2023	8/31/2028	31,730	20,538	6,286
Equipment lease - vehicle - Social Services	2.88%	8/29/2023	8/31/2028	31,730	20,538	6,286
Equipment lease - vehicle - Sheriff	2.84%	2/27/2025	2/26/2028	49,542	44,153	16,167
Equipment lease - vehicle - Sheriff	2.84%	2/27/2025	2/26/2028	49,542	44,153	16,167
Equipment lease - vehicle - Sheriff	2.84%	2/27/2025	2/26/2028	49,542	44,153	16,167
Equipment lease - vehicle - Sheriff	2.84%	2/27/2025	2/26/2028	49,542	44,153	16,167
Total Lease Liabilities					\$ 383,851	\$ 170,752
Total long-term obligations incurred by the County					\$ 14,366,904	\$ 1,247,306
Incurring by the School Board:						
Direct borrowings and placements:						
<u>General Obligation Bond:</u>						
VPSA Bond Outstanding	2.55% - 5.05%	5/10/2012	7/15/2027	\$ 2,555,000	\$ 695,000	\$ 225,000
<u>Revenue Bonds:</u>						
Public Facility Lease Revenue Refunding Bond, including unamortized premium of \$715,603	2.26%	11/18/2020	10/1/2032	5,677,400	3,167,203	843,400
Public Facility Lease Revenue Bond	2.26%	4/29/2021	5/1/2036	1,488,000	1,140,000	92,000
Equipment Lease/Purchase Revenue Bond	4.52%	10/28/2013	10/15/2032	2,092,700	1,308,400	121,200
Total Direct Borrowings and Placements					\$ 6,310,603	\$ 1,281,600
Total long-term obligations incurred by School Board, payable from the General Fund					\$ 6,310,603	\$ 1,281,600
Total outstanding debt - governmental activities					\$ 20,677,507	\$ 2,528,906

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long-Term Obligations: (Continued)

Component Unit - Water Authority:

	Balance at July 1, 2024	Increases	Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Component Unit-Water Authority:					
Direct borrowings and direct placements:					
Notes payable	\$ 80,000	\$ -	\$ -	\$ 80,000	\$ -
Revenue bonds	22,260,160	-	489,160	21,771,000	494,691
Total Component Unit-Water Authority	<u>\$ 22,340,160</u>	<u>\$ -</u>	<u>\$ 489,160</u>	<u>\$21,851,000</u>	<u>\$ 494,691</u>

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long-Term Obligations: (Continued)

Component Unit - Water Authority: (Continued)

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

Year Ending June 30,	Component Unit - Water Authority			
	Direct borrowings and placements			
	Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ -	\$ 400	\$ 494,691	\$ 242,385
2027	-	400	500,285	236,740
2028	20,000	400	505,310	231,766
2029	20,000	400	511,656	225,420
2030	20,000	400	517,443	219,633
2031	20,000	200	523,294	213,782
2032	-	-	528,643	208,433
2031	-	-	535,190	201,886
2032	-	-	541,240	195,836
2033	-	-	547,362	189,714
2034	-	-	553,051	184,025
2035	-	-	559,806	177,270
2036	-	-	566,137	170,940
2035	-	-	572,538	164,538
2036	-	-	578,582	158,495
2037	-	-	585,556	151,520
2038	-	-	592,177	144,899
2039	-	-	598,873	138,203
2040	-	-	605,288	131,788
2041	-	-	612,490	124,586
2042	-	-	619,415	117,661
2043	-	-	626,420	110,656
2044	-	-	633,224	103,852
2045	-	-	640,665	96,411
2046	-	-	647,910	89,166
2047	-	-	655,237	81,839
2048	-	-	662,446	74,630
2049	-	-	670,137	66,939
2050	-	-	677,716	59,362
2051	-	-	685,378	51,698
2052	-	-	693,014	44,063
2053	-	-	700,967	36,111
2054	-	-	708,893	28,183
2055	-	-	716,908	20,167
2056	-	-	724,988	12,088
2057	-	-	413,216	5,175
2058	-	-	264,854	1,278
Total	<u>\$ 80,000</u>	<u>\$ 2,200</u>	<u>\$ 21,771,000</u>	<u>\$ 4,711,138</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long-Term Obligations: (Continued)

Component Unit - Water Authority: (Continued)

Details of long-term indebtedness are as follows:

Component Unit - Water Authority:

Direct borrowings and placements:

Notes Payable:

	Interest	Date	Final	Amount of	Balance	Amount
	Rates	Issued	Maturity	Original	Business-type	Due Within
			Date	Issue	Activities	One Year
Note payable - Middlesex EDA - no payment until maturity	1.00%	5/18/2017	12/31/2028	\$ 40,000	\$ 40,000	\$ -
Note payable - Middlesex EDA - no payment until maturity	1.00%	6/20/2019	12/31/2029	20,000	20,000	-
Note payable - Middlesex EDA - no payment until maturity	1.00%	7/16/2020	12/31/2030	20,000	20,000	-
<u>Revenue Bonds:</u>						
Revenue bond - Series 2020A	1.13%	9/22/2020	9/22/2060	9,000,000	8,468,402	197,343
Revenue bond - Series 2020B	1.13%	9/22/2020	9/22/2060	3,070,000	2,888,666	67,316
Revenue bond - Series 2022A	1.13%	4/19/2022	4/19/2062	5,000,000	4,875,898	107,699
Revenue bond - Series 2022B	1.13%	4/19/2022	4/19/2062	5,679,000	5,538,034	122,333

Total Direct Borrowings and Placements

\$ 21,851,000 \$ 494,691

Total outstanding debt - Component Unit - Water Authority

\$ 21,851,000 \$ 494,691

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 7—Long-Term Obligations: (Continued)

Component Unit - School Board:

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

	Balance at July 1, 2024	Restatement	Restated Balance at July 1, 2024	Increases	Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Component Unit-School Board:							
Compensated absences	\$ 342,266	\$ 1,990,887	\$ 2,333,153	\$ 37,827	\$ 233,315	\$ 2,137,665	\$ 213,767
Net pension liabilities	10,796,531	-	10,796,531	4,672,020	5,681,014	9,787,537	-
Net OPEB liabilities	2,165,973	-	2,165,973	527,865	674,442	2,019,396	-
Lease liabilities	2,180	-	2,180	318,613	42,701	278,092	61,091
Total Component Unit-School Board	<u>\$13,306,950</u>	<u>\$ 1,990,887</u>	<u>\$15,297,837</u>	<u>\$ 5,556,325</u>	<u>\$ 6,631,472</u>	<u>\$14,222,690</u>	<u>\$ 274,858</u>

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

Year Ending June 30,	School Obligations	
	Lease Liabilities	
	Principal	Interest
2026	\$ 61,091	\$ 7,309
2027	62,899	5,501
2028	64,761	3,639
2029	66,678	1,722
2030	22,663	138
Total	<u>\$ 278,092</u>	<u>\$ 18,309</u>

Details of long-term indebtedness are as follows:

Component Unit - School Board:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance School Board Activities	Amount Due Within One Year
Compensated absences					\$ 2,137,665	\$ 213,767
Net pension liability					\$ 9,787,537	\$ -
Net OPEB liabilities					\$ 2,019,396	\$ -
<u>Lease Liabilities:</u>						
Equipment lease - copiers	2.92%	11/1/2024	10/31/2029	\$ 318,613	\$ 278,092	\$ 61,091
Total long-term obligations - Component Unit - School Board					<u>\$14,222,690</u>	<u>\$ 274,858</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 8—Unearned and Deferred/Unavailable Revenue:

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

Unavailable Property Tax Revenue - Property tax revenue representing uncollected tax billings not available for funding of current expenditures totaled \$9,766,674 (including 2nd half tax billings of \$7,305,563 not due until December 5) on June 30, 2025.

Prepaid Property Taxes - Property taxes due after June 30, 2025 but paid in advance by the taxpayers totaled \$481,540 on June 30, 2025.

Deferred Revenue - Deferred revenue representing prepaid taxes due after June 30, 2025 totaling \$481,540 and \$7,305,563 of 2nd half tax billing levied in current year but due in FY2025 totaled \$7,787,102.

Unearned Revenue - Other unearned revenue items totaled \$267,581 on June 30, 2025, which consisted of \$207,581 of unused American Rescue Plan Act funds to be obligated by December 31, 2024 and \$60,000 of unused sewer connection grant funds.

Unavailable Opioid Settlement Revenue - Unavailable revenue representing opioid settlement income not available for funding of current expenditures totaled \$224,936 on June 30, 2025.

Note 9—Litigation:

On June 30, 2025, there were no matters of litigation involving the County that would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 10—Risk Management:

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 10—Risk Management: (Continued)

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

Note 11—Pension Plans:

Plan Description

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

Benefit Structures

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

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

Note 11—Pension Plans: (Continued)

Benefit Structures (Continued)

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

Average Final Compensation and Service Retirement Multiplier

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

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

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:

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	61	39
Inactive members:		
Vested inactive members	26	8
Non-vested inactive members	36	14
Inactive members active elsewhere in VRS	51	11
Active members	74	25
Total covered employees	<u>248</u>	<u>97</u>

Contributions

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

The County’s contractually required employer contribution rate for the year ended June 30, 2025 was 5.52% 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 \$281,245 and \$248,526 for the years ended June 30, 2025 and June 30, 2024, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2025 was 9.72% 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 \$72,263 and \$110,674 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 \$17,470 and \$3,388 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 \$18,088 and \$1,614 for the County and School Board, respectively, for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$1,799,293 and \$375,448 for the County and School Board, respectively, for the year ended June 30, 2025.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Net Pension Liability (Asset)

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

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

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 because of the experience study and VRS Board action are as follows:

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

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

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—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%.

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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Discount Rate (Continued)

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. 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	\$ 13,590,854	\$ 16,479,729	\$ (2,888,875)
Changes for the year:			
Service cost	\$ 557,004	\$ -	\$ 557,004
Interest	931,656	-	931,656
Differences between expected and actual experience	554,298	-	554,298
Contributions - employer	-	248,082	(248,082)
Contributions - employee	-	212,449	(212,449)
Net investment income	-	1,597,229	(1,597,229)
Benefit payments, including refunds	(691,098)	(691,098)	-
Administrative expenses	-	(10,433)	10,433
Other changes	-	337	(337)
Net changes	\$ 1,351,860	\$ 1,356,566	\$ (4,706)
Balances at June 30, 2024	\$ 14,942,714	\$ 17,836,295	\$ (2,893,581)

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Changes in Net Pension Liability

	Component School Board (Nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2023	\$ 3,201,245	\$ 2,973,818	\$ 227,427
Changes for the year:			
Service cost	\$ 66,659	\$ -	\$ 66,659
Interest	212,881	-	212,881
Differences between expected and actual experience	35,096	-	35,096
Contributions - employer	-	110,673	(110,673)
Contributions - employee	-	31,458	(31,458)
Net investment income	-	285,654	(285,654)
Benefit payments, including refunds	(228,226)	(228,226)	-
Administrative expenses	-	(1,956)	1,956
Other changes	-	56	(56)
Net changes	\$ 86,410	\$ 197,659	\$ (111,249)
Balances at June 30, 2024	\$ 3,287,655	\$ 3,171,477	\$ 116,178

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's			
Net Pension Liability (Asset)	\$ (1,126,524)	\$ (2,893,581)	\$ (4,340,196)
Component Unit School Board's (Nonprofessional)			
Net Pension Liability (Asset)	\$ 422,624	\$ 116,178	\$ (144,954)

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 (\$272,309) and (\$38,805), 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	\$ 320,417	\$ 156,598	\$ 14,329	\$ -
Net difference between projected and actual earnings on pension plan investments	-	460,346	-	87,287
Employer contributions subsequent to the measurement date	281,245	-	72,263	-
Total	<u>\$ 601,662</u>	<u>\$ 616,944</u>	<u>\$ 86,592</u>	<u>\$ 87,287</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

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

\$281,245 and \$72,263 reported as deferred outflows of resources related to pensions resulting from the County’s and Component Unit School Board’s (Nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 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>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2026	\$ (319,196)	\$ (64,033)
2027	212,325	24,561
2028	(91,063)	(15,907)
2029	(98,593)	(17,579)
2030	-	-
Thereafter	-	-

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.

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division’s contractually required employer contribution rate for the year ended June 30, 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 \$1,622,311 and \$1,737,720 for the years ended June 30, 2025 and June 30, 2024, respectively.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Contributions (Continued)

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 \$36,251 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 \$45,253 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$4,236,882 for the year ended June 30, 2025.

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

On June 30, 2025, the school division reported a liability of \$9,671,359 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. On June 30, 2024, the school division’s proportion was 0.10303% as compared to 0.10457% on June 30, 2023.

For the year ended June 30, 2025, the school division recognized pension expense of \$982,735. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

On June 30, 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	\$ 1,677,844	\$ 199,140
Change of assumptions	175,548	-
Net difference between projected and actual earnings on pension plan investments	-	1,331,268
Changes in proportion and differences between employer contributions and proportionate share of contributions	183,762	242,035
Employer contributions subsequent to the measurement date	<u>1,622,311</u>	-
Total	<u>\$ 3,659,465</u>	<u>\$ 1,772,443</u>

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

\$1,622,311 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 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	\$ (643,185)
2027	837,474
2028	209,731
2029	(139,309)
2030	-

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 rates

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

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 Pension Liability

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

	Teacher Employee Retirement Plan
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.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 11—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	17,967,489	\$ 9,671,359	\$ 2,877,092

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.

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 601,662	\$ 616,944	\$ (2,893,581)	\$ (272,309)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	86,592	87,287	116,178	(38,805)
School Board Professional	-	-	-	-	3,659,465	1,772,443	9,671,359	982,735
Totals	\$ 601,662	\$ 616,944	\$ (2,893,581)	\$ (272,309)	\$ 3,746,057	\$ 1,859,730	\$ 9,787,537	\$ 943,930

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Note 12—Group Life Insurance (GLI) Plan (OPEB Plan):

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions (Continued)

the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Plan from the County were \$24,028 and \$24,610 for the years ended June 30, 2025 and June 30, 2024, respectively.

Contributions to the GLI Plan from the Component Unit School Board Professional group were \$53,658 and \$59,625 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions to the GLI Plan from the Component Unit School Board Nonprofessional group were \$3,505 and \$3,768 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 GLI Plan OPEB

On June 30, 2025, the County reported a liability of \$198,076 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board Professional and Nonprofessional groups reported liabilities of \$479,846 and \$30,353, respectively, 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 Group Life Insurance Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. On June 30, 2024, the County's proportion was 0.01775% as compared to 0.01752% on June 30, 2023. On June 30, 2024, the Component Unit School Board Professional and Nonprofessional groups' proportion was 0.04300% and 0.00272%, respectively as compared to 0.04439% and 0.00264% respectively at June 30, 2023.

For the year ended June 30, 2025, the County recognized GLI OPEB expense of \$10,945. For the year ended June 30, 2025, the Component Unit School Board Professional group recognized GLI OPEB expense of \$18,497. For the year ended June 30, 2025, the Component Unit School Board Nonprofessional group recognized GLI OPEB expense of \$1,390. 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.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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

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

	Primary Government		Component School Board (Professional)		Component School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,241	\$ 4,838	\$ 75,683	\$ 11,721	\$ 4,787	\$ 741
Net difference between projected and actual earnings on GLI OPEB plan investments	-	16,696	-	40,446	-	2,558
Change in assumptions	1,129	9,816	2,735	23,780	173	1,504
Changes in proportionate share	10,539	149	11,426	24,433	4,179	958
Employer contributions subsequent to the measurement date	24,028	-	53,658	-	3,505	-
Total	\$ 66,937	\$ 31,499	\$ 143,502	\$ 100,380	\$ 12,644	\$ 5,761

\$24,028, \$53,658 and \$3,505, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 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:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
	2026	\$ (4,352)	\$ (23,445)
2027	7,016	4,631	1,219
2028	2,354	(896)	1,080
2029	2,902	4,234	1,296
2030	3,490	4,940	620
Thereafter	-	-	-

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 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 other groups can be referenced in the VRS Annual Report.

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

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 because of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	4,196,055
Plan Fiduciary Net Position		3,080,133
GLI Net OPEB Liability (Asset)	\$	<hr/> <hr/> 1,115,922
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.

Note 12—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 Partnership	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%.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 12—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 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.

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	\$ 308,034	\$ 198,076	\$ 109,245
Component School Board (professional)’s proportionate share of the GLI Plan Net OPEB Liability	\$ 746,224	\$ 479,846	\$ 264,649
Component School Board (nonprofessional)’s proportionate share of the GLI Plan Net OPEB Liability	\$ 47,203	\$ 30,353	\$ 16,741

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.

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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	6
Vested inactive members	-
Active members	<u>35</u>
Total covered employees	<u><u>41</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The School Board’s contractually required employer contribution rate for the year ended June 30, 2025 was 0.27% 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 were \$2,007 and \$18,563 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net HIC OPEB Asset

The School Board’s net HIC OPEB asset was measured as of June 30, 2024. The total HIC OPEB asset 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.

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%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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 MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Actuarial Assumptions (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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 Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	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 Partnership	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%.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 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.

Changes in Net HIC OPEB Liability (Asset)

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 44,788	\$ 33,557	\$ 11,231
Changes for the year:			
Service cost	\$ 927	\$ -	\$ 927
Interest	2,998	-	2,998
Differences between expected and actual experience	(1,733)	-	(1,733)
Contributions - employer	-	18,563	(18,563)
Net investment income	-	4,139	(4,139)
Benefit payments	(2,592)	(2,592)	-
Administrative expenses	-	(64)	64
Net changes	\$ (400)	\$ 20,046	\$ (20,446)
Balances at June 30, 2024	\$ 44,388	\$ 53,603	\$ (9,215)

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board's Net HIC OPEB Liability (Asset)	\$ (5,041)	\$ (9,215)	\$ (12,806)

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 of (\$25,486). 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,584
Net difference between projected and actual earnings on HIC OPEB plan investments	-	806
Change in assumptions	-	-
Employer contributions subsequent to the measurement date	2,007	-
Total	\$ 2,007	\$ 26,390

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 13—Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

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

\$2,007 reported as deferred outflows of resources related to the HIC OPEB resulting from the County’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 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:

Year Ended June 30

2026	\$ (18,953)
2027	(6,529)
2028	(639)
2029	(269)
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.

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

Plan Description

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

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

Eligible Employees

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

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted because of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 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 \$138,142 and \$133,605 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

On June 30, 2025, the school division reported a liability of \$1,191,011 for its proportionate share of the VRS Teacher Employee HIC Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2024 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 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. On June 30, 2024, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.10306% as compared to 0.10480% on June 30, 2023.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$106,333. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 56,427
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	4,236
Change in assumptions	20,518	-
Change in proportionate share differences between actual and expected contributions	58,992	48,774
Employer contributions subsequent to the measurement date	<u>138,142</u>	<u>-</u>
Total	<u>\$ 217,652</u>	<u>\$ 109,437</u>

\$138,142 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	\$ 5,047
2027	(2,979)
2028	(14,014)
2029	(9,959)
2030	(3,386)
Thereafter	(4,636)

Actuarial Assumptions

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

Actuarial Assumptions (Continued)

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

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 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 because of the experience study and VRS Board action are as follows:

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

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2024, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,478,105
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.

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 14—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 Partnership	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%.

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

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

Discount Rate (Continued)

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	\$ 1,354,476	\$ 1,191,011	\$ 1,052,459

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.

Note 15—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan):

School Board

Plan Description

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

Benefits Provided

Postemployment benefits are provided to eligible retirees include Medical, Dental, and Vision insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses, and dependents of

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 15—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

On January 1, 2024 (valuation date), the following employees were covered by the benefit terms:

Total active employees with coverage	170
Total retirees with coverage	<u>3</u>
Total	<u><u>173</u></u>

Contributions

The School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County Board. The amount paid by the School Board for OPEB as the benefits came due during the year ended June 30, 2025 was \$9,790.

Total OPEB Liability

The School Board’s total OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024.

Actuarial Assumptions

The measurement date is the Schools’ fiscal year end, June 30, 2025. Plan assets (Fiduciary Net Position) are measured as of this date. The Total OPEB Liability (TOL) as of this date is based on an actuarial valuation as of January 1, 2024, with adjustments made for the six months difference.

Inflation	2.50% per year
Salary Increases	3.00% per year
Discount Rate	4.81%
Mortality rates	PUB2010T (headcount weighted) employee tables with generational projections with scale MP-2021 for pre-retirement, PUB2010T (headcount weighted) retiree tables with generational projections with scale MP-2021 for pre-retirement for post-retirement and PUB201T (headcount weighted) disabled retiree tables with generational projections with scale MP-2021 for post-disablement.

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 15—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on a 20-year municipal bond Aa index as of June 30, 2025.

Changes in Total OPEB Liability

		Component Unit School Board <u>Total OPEB Liability</u>
Balances at June 30, 2024	\$	321,382
Changes for the year:		
Service cost		12,490
Interest		13,161
Changes in assumptions		(19,057)
Benefit payments		(9,790)
Net changes	\$	<u>(3,196)</u>
Balances at June 30, 2025	\$	<u><u>318,186</u></u>

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

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.81%) or one percentage point higher (5.81 %) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease</u> <u>(3.81%)</u>	<u>Current</u> <u>(4.81%)</u>	<u>1% Increase</u> <u>(5.81%)</u>
\$	341,985	\$ 318,186	\$ 296,137

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COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 15—Medical, Dental, and Vision Insurance - Pay-as-you-Go (OPEB Plan): (Continued)

School Board: (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.00% decreasing to an ultimate rate of 3.00%/3.25%) or one percentage point higher (7.00% decreasing to an ultimate rate of 5.00%/5.25%) than the current healthcare cost trend rates:

Rates		
Healthcare Cost		
1% Decrease (5.00% decreasing to 3.00%/3.25%)	Trend (6.00% decreasing to 4.00%/4.25%)	1% Increase (7.00% decreasing to 5.00%/5.25%)
\$ 288,572	\$ 318,186	\$ 353,106

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

For the year ended June 30, 2025, the School Board recognized OPEB expense in the amount of \$21,977. On June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,141	\$ 56,475
Changes in actuarial assumptions	25,096	62,802
Total	<u>\$ 68,237</u>	<u>\$ 119,277</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2026	\$ (3,674)
2027	(3,674)
2028	(3,674)
2029	(3,674)
2030	(3,680)
Thereafter	(32,664)

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

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 16—Summary of Other Postemployment Benefit Plans:

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liabilities	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 13):								
County	\$ 66,937	\$ 31,499	\$ 198,076	\$ 10,945	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	12,644	5,761	30,353	1,390
School Board Professional	-	-	-	-	143,502	100,380	479,846	18,497
Nonprofessional Teacher Health Insurance Credit Program (Note 14)	-	-	-	-	2,007	26,390	(9,215)	(25,486)
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	217,652	109,437	1,191,011	106,333
School Stand-Alone Plan (Note 16)	-	-	-	-	68,237	119,277	318,186	21,977
Totals	\$ 66,937	\$ 31,499	\$ 198,076	\$ 10,945	\$ 444,042	\$ 361,245	\$ 2,010,181	\$ 122,711

Note 17—Surety Bonds:

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

Note 18 - 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 \$26,534.

COUNTY OF MIDDLESEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2025

Note 19—Upcoming Pronouncements:

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

Note 20—Change in Accounting Principle:

During the year ended June 30, 2025, the County implemented GASB Statement No. 101, *Compensated Absences*. This Statement establishes recognition and measurement guidance for compensated absences that are attributable to services already rendered and that are expected to be paid or settled. Implementation of this Statement required the recognition of a liability for certain leave benefits previously unrecorded or measured differently under prior standards.

The adoption of GASB 101 resulted in a restatement of beginning net position as shown in Note 22 below.

Note 21—Restatement of Beginning Balances:

The beginning net position as of July 1, 2024, has been restated to reflect the cumulative effect of implementing GASB Statement No. 101, *Compensated Absences*.

The impact of these adjustments on beginning net position is as follows:

	Net Position	
	Governmental Activities	School Board
Balance, June 30, 2024, as previously stated	\$ 23,645,896	\$ 2,428,353
Implementation of GASB 101:		
Compensated absences liability	<u>(444,418)</u>	<u>(1,990,887)</u>
Balance, July 1, 2024, as restated	<u>\$ 23,201,478</u>	<u>\$ 437,466</u>

REQUIRED SUPPLEMENTARY INFORMATION

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County of Middlesex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
 For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 22,221,685	\$ 22,221,685	\$ 22,657,020	\$ 435,335
Other local taxes	4,045,427	4,045,427	4,121,461	76,034
Permits, privilege fees, and regulatory licenses	161,500	161,500	198,075	36,575
Fines and forfeitures	30,000	30,000	34,641	4,641
Revenue from the use of money and property	610,104	610,104	610,246	142
Charges for services	61,400	61,400	83,883	22,483
Miscellaneous	86,033	172,614	254,925	82,311
Recovered costs	347,614	347,614	433,294	85,680
Intergovernmental:				
Commonwealth	5,350,744	7,250,108	4,756,163	(2,493,945)
Federal	90,000	90,000	2,904,070	2,814,070
Total revenues	\$ 33,004,507	\$ 34,990,452	\$ 36,053,778	\$ 1,063,326
EXPENDITURES				
Current:				
General government administration	\$ 2,870,961	\$ 2,870,961	\$ 2,629,315	\$ 241,646
Judicial administration	1,235,135	1,294,680	1,257,405	37,275
Public safety	6,727,076	6,937,820	7,253,662	(315,842)
Public works	2,786,438	4,410,052	4,026,165	383,887
Health and welfare	3,152,416	3,152,416	3,231,092	(78,676)
Education	12,683,111	12,802,205	12,155,331	646,874
Parks, recreation, and cultural	356,884	357,884	351,474	6,410
Community development	754,560	852,696	794,288	58,408
Debt service:				
Principal retirement	2,279,124	2,413,306	2,152,489	260,817
Interest and other fiscal charges	-	-	586,498	(586,498)
Total expenditures	\$ 32,845,705	\$ 35,092,020	\$ 34,437,719	\$ 654,301
Excess (deficiency) of revenues over (under) expenditures	\$ 158,802	\$ (101,568)	\$ 1,616,059	\$ 1,717,627
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,222,295	\$ 3,222,295	\$ -	\$ (3,222,295)
Transfers out	(3,177,702)	(3,232,754)	(434,193)	2,798,561
Issuance of leases	-	-	198,168	198,168
Total other financing sources (uses)	\$ 44,593	\$ (10,459)	\$ (236,025)	\$ (225,566)
Net change in fund balances	\$ 203,395	\$ (112,027)	\$ 1,380,034	\$ 1,492,061
Fund balances - beginning	(203,395)	112,027	19,292,165	19,180,138
Fund balances - ending	\$ -	\$ -	\$ 20,672,199	\$ 20,672,199

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total pension liability			
Service cost	\$ 557,004	\$ 504,704	\$ 481,991
Interest	931,656	937,798	893,099
Changes of assumptions	-	-	-
Differences between expected and actual experience	554,298	(920,486)	(129,294)
Benefit payments	(691,098)	(639,537)	(573,054)
Net change in total pension liability	<u>\$ 1,351,860</u>	<u>\$ (117,521)</u>	<u>\$ 672,742</u>
Total pension liability - beginning	<u>13,590,854</u>	<u>13,708,375</u>	<u>13,035,633</u>
Total pension liability - ending (a)	<u><u>\$ 14,942,714</u></u>	<u><u>\$ 13,590,854</u></u>	<u><u>\$ 13,708,375</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 248,082	\$ 231,429	\$ 204,915
Contributions - employee	212,449	193,991	179,317
Net investment income	1,597,229	1,013,837	(17,334)
Benefit payments	(691,098)	(639,537)	(573,054)
Administrator charges	(10,433)	(10,065)	(9,884)
Other	337	408	369
Net change in plan fiduciary net position	<u>\$ 1,356,566</u>	<u>\$ 790,063</u>	<u>\$ (215,671)</u>
Plan fiduciary net position - beginning	<u>16,479,729</u>	<u>15,689,666</u>	<u>15,905,337</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 17,836,295</u></u>	<u><u>\$ 16,479,729</u></u>	<u><u>\$ 15,689,666</u></u>
County's net pension liability (asset) - ending (a) - (b)	<u>\$ (2,893,581)</u>	<u>\$ (2,888,875)</u>	<u>\$ (1,981,291)</u>
Plan fiduciary net position as a percentage of the total pension liability	119.36%	121.26%	114.45%
Covered payroll	\$ 4,549,372	\$ 4,127,243	\$ 3,786,442
County's net pension liability (asset) as a percentage of covered payroll	-63.60%	-70.00%	-52.33%

	2021	2020	2019	2018	2017	2016	2015
\$	392,970	\$ 389,468	\$ 346,768	\$ 319,227	\$ 323,719	\$ 313,001	\$ 308,501
	816,704	763,210	715,335	693,866	663,628	641,382	622,514
	473,831	-	316,710	-	(10,415)	-	-
	(482,849)	156,291	177,466	(263,707)	(92,300)	(206,116)	(263,473)
	(528,693)	(504,233)	(432,834)	(452,539)	(452,774)	(408,167)	(387,841)
\$	671,963	\$ 804,736	\$ 1,123,445	\$ 296,847	\$ 431,858	\$ 340,100	\$ 279,701
	12,363,670	11,558,934	10,435,489	10,138,642	9,706,784	9,366,684	9,086,983
\$	13,035,633	\$ 12,363,670	\$ 11,558,934	\$ 10,435,489	\$ 10,138,642	\$ 9,706,784	\$ 9,366,684
\$	190,183	\$ 121,178	\$ 118,251	\$ 125,630	\$ 121,680	\$ 212,076	\$ 207,393
	165,459	159,162	152,646	184,677	134,500	131,401	133,042
	3,457,678	241,977	799,985	836,732	1,244,950	176,194	448,360
	(528,693)	(504,233)	(432,834)	(452,539)	(452,774)	(408,167)	(387,841)
	(8,541)	(8,243)	(7,889)	(7,212)	(7,244)	(6,298)	(6,102)
	326	(1,338)	(504)	(744)	(1,105)	(75)	(96)
\$	3,276,412	\$ 8,503	\$ 629,655	\$ 686,544	\$ 1,040,007	\$ 105,131	\$ 394,756
	12,628,925	12,620,422	11,990,767	11,304,223	10,264,216	10,159,085	9,764,329
\$	15,905,337	\$ 12,628,925	\$ 12,620,422	\$ 11,990,767	\$ 11,304,223	\$ 10,264,216	\$ 10,159,085
\$	(2,869,704)	\$ (265,255)	\$ (1,061,488)	\$ (1,555,278)	\$ (1,165,581)	\$ (557,432)	\$ (792,401)
	122.01%	102.15%	109.18%	114.90%	111.50%	105.74%	108.46%
\$	3,497,044	\$ 3,346,229	\$ 3,185,785	\$ 2,917,276	\$ 2,776,413	\$ 2,690,989	\$ 2,594,531
	-82.06%	-7.93%	-33.32%	-53.31%	-41.98%	-20.71%	-30.54%

County of Middlesex, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Total pension liability			
Service cost	\$ 66,659	\$ 45,604	\$ 50,692
Interest	212,881	226,023	218,271
Changes of assumptions	-	-	-
Differences between expected and actual experience	35,096	(253,760)	109,500
Benefit payments	(228,226)	(239,010)	(278,050)
Net change in total pension liability	\$ 86,410	\$ (221,143)	\$ 100,413
Total pension liability - beginning	3,201,245	3,422,388	3,321,975
Total pension liability - ending (a)	<u>\$ 3,287,655</u>	<u>\$ 3,201,245</u>	<u>\$ 3,422,388</u>
Plan fiduciary net position			
Contributions - employer	\$ 110,673	\$ 98,996	\$ 59,116
Contributions - employee	31,458	28,368	22,514
Net investment income	285,654	183,800	310
Benefit payments	(228,226)	(239,010)	(278,050)
Administrator charges	(1,956)	(1,881)	(1,991)
Other	56	74	68
Net change in plan fiduciary net position	\$ 197,659	\$ 70,347	\$ (198,033)
Plan fiduciary net position - beginning	2,973,818	2,903,471	3,101,504
Plan fiduciary net position - ending (b)	<u>\$ 3,171,477</u>	<u>\$ 2,973,818</u>	<u>\$ 2,903,471</u>
School Division's net pension liability - ending (a) - (b)	\$ 116,178	\$ 227,427	\$ 518,917
Plan fiduciary net position as a percentage of the total pension liability	96.47%	92.90%	84.84%
Covered payroll	\$ 697,850	\$ 621,049	\$ 492,153
School Division's net pension liability as a percentage of covered payroll	16.65%	36.62%	105.44%

	2021	2020	2019	2018	2017	2016	2015
\$	41,157	\$ 47,945	\$ 44,102	\$ 45,026	\$ 42,574	\$ 43,323	\$ 49,097
	208,245	209,439	205,068	203,159	205,984	197,952	189,776
	129,043	-	72,237	-	(20,804)	-	-
	(10,294)	(52,031)	37,061	(26,426)	(82,281)	45,772	40,934
	(262,560)	(183,549)	(186,860)	(202,104)	(169,576)	(175,034)	(150,966)
\$	105,591	\$ 21,804	\$ 171,608	\$ 19,655	\$ (24,103)	\$ 112,013	\$ 128,841
	3,216,384	3,194,580	3,022,972	3,003,317	3,027,420	2,915,407	2,786,566
\$	<u>3,321,975</u>	<u>3,216,384</u>	<u>3,194,580</u>	<u>3,022,972</u>	<u>3,003,317</u>	<u>3,027,420</u>	<u>2,915,407</u>
\$	56,779	\$ 57,819	\$ 58,835	\$ 59,997	\$ 58,868	\$ 65,602	\$ 63,953
	21,999	22,942	23,422	21,595	21,208	33,066	20,699
	684,072	50,189	169,313	184,219	280,512	40,128	106,195
	(262,560)	(183,549)	(186,860)	(202,104)	(169,576)	(175,034)	(150,966)
	(1,829)	(1,763)	(1,744)	(1,656)	(1,673)	(1,503)	(1,498)
	64	(122)	(106)	(161)	(248)	(17)	(20)
\$	498,525	\$ (54,484)	\$ 62,860	\$ 61,890	\$ 189,091	\$ (37,758)	\$ 38,363
	2,602,979	2,657,463	2,594,603	2,532,713	2,343,622	2,381,380	2,343,017
\$	<u>3,101,504</u>	<u>2,602,979</u>	<u>2,657,463</u>	<u>2,594,603</u>	<u>2,532,713</u>	<u>2,343,622</u>	<u>2,381,380</u>
\$	220,471	\$ 613,405	\$ 537,117	\$ 428,369	\$ 470,604	\$ 683,798	\$ 534,027
	93.36%	80.93%	83.19%	85.83%	84.33%	77.41%	81.68%
\$	467,334	\$ 486,831	\$ 489,637	\$ 457,583	\$ 447,922	\$ 455,317	\$ 466,832
	47.18%	126.00%	109.70%	93.62%	105.06%	150.18%	114.39%

County of Middlesex, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Measurement Dates of June 30, 2016 through June 30, 2025

Date (1)	Employer's Proportion of the Net Pension Liability (Asset) (2)	Employer's Proportionate Share of the Net Pension Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (6)
2025	0.10303%	\$ 9,671,359	\$ 11,041,746	87.59%	84.52%
2024	0.10457%	10,569,104	10,447,792	101.16%	82.45%
2023	0.10157%	9,670,072	9,466,830	102.15%	82.61%
2022	0.10280%	7,980,464	9,094,465	87.75%	85.46%
2021	0.10440%	15,187,121	9,187,353	165.30%	71.47%
2020	0.10652%	14,018,637	8,970,888	156.27%	73.51%
2019	0.09640%	11,337,000	7,805,956	145.24%	74.81%
2018	0.09286%	11,420,000	7,356,335	155.24%	72.92%
2017	0.09425%	13,208,000	7,186,194	183.80%	68.28%
2016	0.09504%	11,962,000	7,066,046	169.29%	70.68%

County of Middlesex, Virginia
Schedule of Employer Contributions
Pension Plans

For the Years Ended June 30, 2016 through June 30, 2025

Date	Contractually Required Contribution*	Contributions in Relation to Contractually Required Contribution*	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	
Primary Government					
2025	\$ 281,245	\$ 281,245	\$ -	\$ 5,095,011	5.52%
2024	248,526	248,526	-	4,549,372	5.46%
2023	232,567	232,567	-	4,127,243	5.63%
2022	204,915	204,915	-	3,786,442	5.41%
2021	191,029	191,029	-	3,497,044	5.46%
2020	122,258	122,258	-	3,346,229	3.65%
2019	118,251	118,251	-	3,185,785	3.71%
2018	125,920	125,920	-	2,917,276	4.32%
2017	121,680	121,680	-	2,776,413	4.38%
2016	217,163	217,163	-	2,690,989	8.07%
Component Unit School Board (nonprofessional)					
2025	\$ 72,263	\$ 72,263	\$ -	\$ 743,448	9.72%
2024	110,674	110,674	-	697,850	15.86%
2023	99,228	99,228	-	621,049	15.98%
2022	59,116	59,116	-	492,153	12.01%
2021	56,778	56,778	-	467,334	12.15%
2020	57,819	57,819	-	486,831	11.88%
2019	58,835	58,835	-	489,637	12.02%
2018	59,997	59,997	-	457,583	13.11%
2017	58,868	58,868	-	447,922	13.14%
2016	66,658	66,658	-	455,317	14.64%
Component Unit School Board (professional)					
2025	\$ 1,622,311	\$ 1,622,311	\$ -	\$ 11,416,688	14.21%
2024	1,737,720	1,737,720	-	11,041,746	15.74%
2023	1,650,636	1,650,636	-	10,447,792	15.80%
2022	1,508,888	1,508,888	-	9,466,830	15.94%
2021	1,454,393	1,454,393	-	9,094,465	15.99%
2020	1,386,732	1,386,732	-	9,187,353	15.09%
2019	1,408,868	1,408,868	-	8,970,888	15.70%
2018	1,246,070	1,246,070	-	7,805,956	15.96%
2017	1,056,000	1,056,000	-	7,356,335	14.35%
2016	1,125,585	1,125,585	-	7,186,194	15.66%

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

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

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2024	0.01775% \$	198,076 \$	4,557,434	4.35%	73.41%
2023	0.01752%	210,120	4,127,243	5.09%	69.30%
2022	0.01741%	209,633	3,786,442	5.54%	67.21%
2021	0.01690%	197,227	3,497,044	5.64%	67.45%
2020	0.01630%	272,855	3,365,971	8.11%	52.64%
2019	0.01625%	264,431	3,185,785	8.30%	52.00%
2018	0.01534%	233,000	2,917,276	7.99%	51.22%
2017	0.01505%	227,000	2,776,413	8.18%	48.86%
Component Unit School Board (nonprofessional):					
2024	0.00272% \$	30,353 \$	697,850	4.35%	73.41%
2023	0.00264%	31,662	621,049	5.10%	69.30%
2022	0.00226%	27,213	492,153	5.53%	67.21%
2021	0.00230%	26,313	467,334	5.63%	67.45%
2020	0.00240%	39,551	486,831	8.12%	52.64%
2019	0.00250%	40,682	489,637	8.31%	52.00%
2018	0.00241%	37,000	457,583	8.09%	51.22%
2017	0.00243%	37,000	447,922	8.26%	48.86%
Component Unit School Board (professional):					
2024	0.04300% \$	479,846 \$	11,041,746	4.35%	73.41%
2023	0.04439%	532,375	10,457,046	5.09%	69.30%
2022	0.04352%	524,023	9,466,830	5.54%	67.21%
2021	0.04400%	512,862	9,094,465	5.64%	67.45%
2020	0.04460%	744,968	9,187,353	8.11%	52.64%
2019	0.04576%	744,637	8,970,888	8.30%	52.00%
2018	0.04105%	623,000	7,805,956	7.98%	51.22%
2017	0.03988%	600,000	7,356,335	8.16%	48.86%

County of Middlesex, Virginia
Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the 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)
Primary Government:					
2025	\$ 24,028	\$ 24,028	\$ -	\$ 5,112,237	0.47%
2024	24,610	24,610	-	4,557,434	0.54%
2023	22,287	22,287	-	4,127,243	0.54%
2022	20,447	20,447	-	3,786,442	0.54%
2021	18,884	18,884	-	3,497,044	0.54%
2020	17,503	17,503	-	3,365,971	0.52%
2019	16,566	16,566	-	3,185,785	0.52%
2018	15,170	15,170	-	2,917,276	0.52%
2017	14,437	14,437	-	2,776,413	0.52%
2016	12,953	12,953	-	2,690,989	0.48%
Component Unit School Board (nonprofessional):					
2025	\$ 3,505	\$ 3,505	\$ -	\$ 745,771	0.47%
2024	3,768	3,768	-	697,850	0.54%
2023	3,354	3,354	-	621,049	0.54%
2022	2,658	2,658	-	492,153	0.54%
2021	2,524	2,524	-	467,334	0.54%
2020	2,532	2,532	-	486,831	0.52%
2019	2,546	2,546	-	489,637	0.52%
2018	2,379	2,379	-	457,583	0.52%
2017	2,329	2,329	-	447,922	0.52%
2016	2,186	2,186	-	455,317	0.48%
Component Unit School Board (professional):					
2025	\$ 53,658	\$ 53,658	\$ -	\$ 11,416,688	0.47%
2024	59,625	59,625	-	11,041,746	0.54%
2023	56,468	56,468	-	10,457,046	0.54%
2022	51,121	51,121	-	9,466,830	0.54%
2021	49,110	49,110	-	9,094,465	0.54%
2020	47,774	47,774	-	9,187,353	0.52%
2019	46,649	46,649	-	8,970,888	0.52%
2018	40,590	40,590	-	7,805,956	0.52%
2017	38,253	38,253	-	7,356,335	0.52%
2016	34,494	34,494	-	7,186,194	0.48%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the 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
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

County of Middlesex, Virginia
Schedule of Changes in the Component Unit School Board's Net OPEB Liability (Asset) and Related Ratios
Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2020 through June 30, 2024

	2024	2023	2022	2021	2020
Total HIC OPEB Liability					
Service cost	\$ 927	\$ 719	\$ 6,927	\$ 2,954	\$ -
Interest	2,998	6,762	8,029	6,856	-
Changes in benefit terms		-	-	-	101,580
Differences between expected and actual experience	(1,733)	(60,857)	4,690	-	-
Changes of assumptions	-	-	(29,568)	1,974	-
Benefit payments	(2,592)	(2,592)	(2,686)	-	-
Net change in total HIC OPEB liability	<u>\$ (400)</u>	<u>\$ (55,968)</u>	<u>\$ (12,608)</u>	<u>\$ 11,784</u>	<u>\$ 101,580</u>
Total HIC OPEB Liability - beginning	44,788	100,756	113,364	101,580	-
Total HIC OPEB Liability - ending (a)	<u>\$ 44,388</u>	<u>\$ 44,788</u>	<u>\$ 100,756</u>	<u>\$ 113,364</u>	<u>\$ 101,580</u>
Plan fiduciary net position					
Contributions - employer	\$ 18,563	\$ 16,520	\$ 10,040	\$ 9,534	\$ -
Net investment income	4,139	1,720	(188)	1,215	-
Benefit payments	(2,592)	(2,592)	(2,686)	-	-
Administrator charges	(64)	(49)	(33)	(42)	-
Other	-	5	113	-	-
Net change in plan fiduciary net position	<u>\$ 20,046</u>	<u>\$ 15,604</u>	<u>\$ 7,246</u>	<u>\$ 10,707</u>	<u>\$ -</u>
Plan fiduciary net position - beginning	33,557	17,953	10,707	-	-
Plan fiduciary net position - ending (b)	<u>\$ 53,603</u>	<u>\$ 33,557</u>	<u>\$ 17,953</u>	<u>\$ 10,707</u>	<u>\$ -</u>
School Board's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (9,215)	\$ 11,231	\$ 82,803	\$ 102,657	\$ 101,580
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	120.76%	74.92%	17.82%	9.44%	0.00%
Covered payroll	\$ 697,850	\$ 621,049	\$ 492,153	\$ 467,334	\$ -
School Board's net HIC OPEB liability (asset) as a percentage of covered payroll	-1.32%	1.81%	16.82%	21.97%	0.00%

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

County of Middlesex, Virginia
Schedule of Employer Contributions
Health Insurance Credit (HIC) Plan
For the Years Ended June 30, 2021 through June 30, 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)
2025	\$ 2,007	\$ 2,007	-	\$ 743,448	0.27%
2024	18,563	18,563	-	697,850	2.66%
2023	16,520	16,520	-	621,049	2.66%
2022	10,040	10,040	-	492,153	2.04%
2021	9,534	9,534	-	467,334	2.04%

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

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

Non-Largest Ten Locality Employers - General Employees

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

County of Middlesex, Virginia
 Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Measurement Dates of June 30, 2017 through June 30, 2024

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2024	0.10306% \$	1,191,011 \$	11,041,746	10.79%	21.82%
2023	0.10480%	1,269,323	10,447,792	12.15%	17.90%
2022	0.10157%	1,268,657	9,466,830	13.40%	15.08%
2021	0.10480%	1,319,894	9,094,465	14.51%	13.15%
2020	0.10280%	1,367,133	9,187,353	14.88%	9.95%
2019	0.10695%	1,400,079	8,970,888	15.61%	8.97%
2018	0.09652%	1,225,000	7,805,956	15.69%	8.08%
2017	0.09321%	1,182,000	7,356,335	16.07%	7.04%

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

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

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2025	\$ 138,142	\$ 138,142	\$ -	\$ 11,416,688	1.21%
2024	133,605	133,605	-	11,041,746	1.21%
2023	126,418	126,418	-	10,447,792	1.21%
2022	114,549	114,549	-	9,466,830	1.21%
2021	110,043	110,043	-	9,094,465	1.21%
2020	110,248	110,248	-	9,187,353	1.20%
2019	107,651	107,651	-	8,970,888	1.20%
2018	96,014	96,014	-	7,805,956	1.23%
2017	81,655	81,655	-	7,356,335	1.11%
2016	76,174	76,174	-	7,186,194	1.06%

County of Middlesex, Virginia
Notes to Required Supplementary Information
Health Insurance Credit (HIC) Plan
For the 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:

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

County of Middlesex, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios - Healthcare Plan
 Component Unit School Board
 For the Measurement Dates of June 30, 2018 through June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 12,490	\$ 12,126	\$ 11,773	\$ 11,430	\$ 11,097	\$ 10,774	\$ 10,460	\$ 10,155
Interest	13,161	14,828	13,867	7,286	8,760	9,772	10,444	10,215
Changes in assumptions	(19,057)	(2,986)	(4,537)	(62,140)	15,463	19,494	12,210	-
Differences between expected and actual experience	-	(67,769)	-	55,713	-	14,282	-	-
Benefit payments	(9,790)	(11,555)	(16,658)	(16,004)	(11,474)	(7,147)	(12,250)	(16,442)
Net change in total OPEB liability	\$ (3,196)	\$ (55,356)	\$ 4,445	\$ (3,715)	\$ 23,846	\$ 47,175	\$ 20,864	\$ 3,928
Total OPEB liability - beginning	321,382	376,738	372,293	376,008	352,162	304,987	284,123	280,195
Total OPEB liability - ending	\$ 318,186	\$ 321,382	\$ 376,738	\$ 372,293	\$ 376,008	\$ 352,162	\$ 304,987	\$ 284,123
Covered-employee payroll	\$ 9,876,072	\$ 11,959,450	\$ 10,443,428	\$ 10,442,153	\$ 9,586,739	\$ 9,662,613	\$ 9,464,520	\$ 8,224,832
School's total OPEB liability (asset) as a percentage of covered-employee payroll	3.22%	2.69%	3.61%	3.57%	3.92%	3.64%	3.22%	3.45%

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

County of Middlesex, Virginia
 Notes to Required Supplementary Information - School OPEB - Healthcare Plan
 For the Year Ended June 30, 2025

Valuation Date: 1/1/2024

Measurement Date: 6/30/2025

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	4.81%
Payroll increases	3.00%
Inflation	2.50% per year
Medical Trend Rate	The medical trend rate assumption starts at 6.00%, grading down to 4.00% (or 4.25%) ultimate

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 130,482	\$ 130,482
Miscellaneous	-	-	984	984
Intergovernmental:				
Commonwealth	-	-	2,135,472	2,135,472
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,266,938</u>	<u>\$ 2,266,938</u>
EXPENDITURES				
Capital projects	\$ 2,915,528	\$ 8,574,456	\$ 8,749,801	\$ (175,345)
Debt service:				
Principal retirement	-	-	155,881	(155,881)
Interest and other fiscal charges	-	-	106,293	(106,293)
Total expenditures	<u>\$ 2,915,528</u>	<u>\$ 8,574,456</u>	<u>\$ 9,011,975</u>	<u>\$ (437,519)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,915,528)</u>	<u>\$ (8,574,456)</u>	<u>\$ (6,745,037)</u>	<u>\$ 1,829,419</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,915,528	\$ 3,377,148	\$ 434,193	\$ (2,942,955)
Issuance of local lease acquisition agreement	-	989,343	561,966	(427,377)
Issuance of bonds	-	4,207,965	3,995,000	(212,965)
Bond issuance costs	-	-	(186,173)	(186,173)
Bond premiums	-	-	212,966	212,966
Total other financing sources (uses)	<u>\$ 2,915,528</u>	<u>\$ 8,574,456</u>	<u>\$ 5,017,952</u>	<u>\$ (3,556,504)</u>
Net change in fund balances	\$ -	\$ -	\$ (1,727,085)	\$ (1,727,085)
Fund balance - beginning	-	-	(305,374)	(305,374)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,032,459)</u>	<u>\$ (2,032,459)</u>

County of Middlesex, Virginia
 Combining Statement of Fiduciary Net Position - Custodial Funds
 As of June 30, 2025

	Custodial Funds		
	Chesapeake		
	Bay		
	Special	Governor's	
	<u>Welfare</u>	<u>School</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 26,749	\$ 187,582	\$ 214,331
NET POSITION			
Restricted for:			
Education/students	\$ -	\$ 187,582	\$ 187,582
Social services clients	26,749	-	26,749
Total net position	\$ 26,749	\$ 187,582	\$ 214,331

County of Middlesex, Virginia
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
For the Year Ended June 30, 2025

	Custodial Funds		
	Special Welfare <u>Fund</u>	Chesapeake Bay Governor's School <u>Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Donations and contributions	\$ 60,827	\$ -	\$ 60,827
Participant fees and grants	-	2,102,809	2,102,809
Total additions	<u>\$ 60,827</u>	<u>\$ 2,102,809</u>	<u>\$ 2,163,636</u>
DEDUCTIONS			
Recipient payments	\$ 58,683	\$ -	\$ 58,683
Operating expenses	-	1,987,861	1,987,861
Total deductions	<u>\$ 58,683</u>	<u>\$ 1,987,861</u>	<u>\$ 2,046,544</u>
Net increase (decrease) in fiduciary net position	<u>\$ 2,144</u>	<u>\$ 114,948</u>	<u>\$ 117,092</u>
Net position - beginning	<u>\$ 24,605</u>	<u>\$ 72,634</u>	<u>\$ 97,239</u>
Net position - ending	<u><u>\$ 26,749</u></u>	<u><u>\$ 187,582</u></u>	<u><u>\$ 214,331</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Middlesex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2025

	School Operating Fund	School Special Revenue Fund	School Activity Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,151,330	\$ -	\$ 223,558	\$ 2,374,888
Due from other governmental units	497,661	104,671	-	602,332
Prepaid items	-	134,465	-	134,465
Total assets	<u>\$ 2,648,991</u>	<u>\$ 239,136</u>	<u>\$ 223,558</u>	<u>\$ 3,111,685</u>
LIABILITIES				
Accounts payable	\$ -	\$ 74	\$ -	\$ 74
Accrued liabilities	1,841,819	-	-	1,841,819
Reconciled overdraft payable	-	40,239	-	40,239
Total liabilities	<u>\$ 1,841,819</u>	<u>\$ 40,313</u>	<u>\$ -</u>	<u>\$ 1,882,132</u>
FUND BALANCES				
Committed	\$ 807,172	\$ 198,823	\$ 223,558	\$ 1,229,553
Total fund balances	<u>\$ 807,172</u>	<u>\$ 198,823</u>	<u>\$ 223,558</u>	<u>\$ 1,229,553</u>

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

Total fund balances per above		\$ 1,229,553
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets cost	\$ 30,857,720	
Accumulated depreciation	<u>(17,022,194)</u>	13,835,526
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Net OPEB asset		9,215
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Pension related items	\$ 3,746,057	
OPEB related items	<u>444,042</u>	4,190,099
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	\$ (2,137,665)	
Lease liabilities	(278,092)	
Net pension liability	(9,787,537)	
Net OPEB liabilities	<u>(2,019,396)</u>	(14,222,690)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (1,859,730)	
OPEB related items	<u>(361,245)</u>	(2,220,975)
Net position of governmental activities		<u>\$ 2,820,728</u>

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

	School Operating Fund	School Special Revenue Fund	School Activity Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 17,176	\$ -	\$ -	\$ 17,176
Charges for services	28,750	87,103	-	115,853
Miscellaneous	248,981	-	281,142	530,123
Intergovernmental:				
Local government	12,147,941	-	-	12,147,941
Commonwealth	7,820,741	91,484	-	7,912,225
Federal	1,394,941	1,013,581	-	2,408,522
Total revenues	<u>\$ 21,658,530</u>	<u>\$ 1,192,168</u>	<u>\$ 281,142</u>	<u>\$ 23,131,840</u>
EXPENDITURES				
Current:				
Education	\$ 21,745,939	\$ 1,190,441	\$ 263,857	\$ 23,200,237
Capital projects	230,808	-	-	230,808
Debt service:				
Principal retirement	42,701	-	-	42,701
Interest and other fiscal charges	5,091	-	-	5,091
Total expenditures	<u>\$ 22,024,539</u>	<u>\$ 1,190,441</u>	<u>\$ 263,857</u>	<u>\$ 23,478,837</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (366,009)	\$ 1,727	\$ 17,285	\$ (346,997)
OTHER FINANCING SOURCES (USES)				
Issuance of leases	\$ 318,613	\$ -	\$ -	\$ 318,613
Total other financing sources and uses	<u>\$ 318,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,613</u>
Net change in fund balances	\$ (47,396)	\$ 1,727	\$ 17,285	\$ (28,384)
Fund balances - beginning	854,568	197,096	206,273	1,257,937
Fund balances - ending	<u>\$ 807,172</u>	<u>\$ 198,823</u>	<u>\$ 223,558</u>	<u>\$ 1,229,553</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 \$ (28,384)

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

Capital outlay	\$ 1,700,766	
Depreciation expense	(1,627,916)	
Activity related to joint tenancy assets of Component Unit and Primary Government	<u>849,642</u>	1,657,035

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

Principal retired on lease liabilities	\$ 42,701	
Issuance of leases	<u>(318,613)</u>	(275,912)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

Change in pension related items	\$ 750,643	
Change in OPEB related items	84,392	
Changes in compensated absences	<u>195,488</u>	1,030,523

Change in net position of governmental activities \$ 2,383,262

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

	School Operating Fund				School Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ -	\$ -	\$ 17,176	\$ 17,176	\$ -	\$ -	\$ -	\$ -
Charges for services	25,000	28,750	28,750	-	20,000	81,220	87,103	5,883
Miscellaneous	145,804	186,451	248,981	62,530	-	-	-	-
Intergovernmental:								
Local government	12,557,037	12,676,479	12,147,941	(528,538)	118,684	118,336	-	(118,336)
Commonwealth	7,589,290	7,782,084	7,820,741	38,657	89,373	91,484	91,484	-
Federal	876,853	1,471,208	1,394,941	(76,267)	783,028	952,683	1,013,581	60,898
Total revenues	\$ 21,193,984	\$ 22,144,972	\$ 21,658,530	\$ (486,442)	\$ 1,011,085	\$ 1,243,723	\$ 1,192,168	\$ (51,555)
EXPENDITURES								
Current:								
Education	\$ 21,057,522	\$ 22,009,139	\$ 21,745,939	\$ 263,200	\$ 1,011,085	\$ 1,518,493	\$ 1,190,441	\$ 328,052
Capital projects	136,462	1,422,348	230,808	1,191,540	-	-	-	-
Debt service:								
Principal retirement	-	-	42,701	(42,701)	-	-	-	-
Interest and other fiscal charges	-	-	5,091	(5,091)	-	-	-	-
Total expenditures	\$ 21,193,984	\$ 23,431,487	\$ 22,024,539	\$ 1,406,948	\$ 1,011,085	\$ 1,518,493	\$ 1,190,441	\$ 328,052
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,286,515)	\$ (366,009)	\$ 920,506	\$ -	\$ (274,770)	\$ 1,727	\$ 276,497
OTHER FINANCING SOURCES (USES)								
Issuance of leases	\$ -	\$ -	\$ 318,613	\$ 318,613	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ 318,613	\$ 318,613	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ (1,286,515)	\$ (47,396)	\$ 1,239,119	\$ -	\$ (274,770)	\$ 1,727	\$ 276,497
Fund balances - beginning	-	1,286,515	854,568	(431,947)	-	274,770	197,096	(77,674)
Fund balances - ending	\$ -	\$ -	\$ 807,172	\$ 807,172	\$ -	\$ -	\$ 198,823	\$ 198,823

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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

ASSETS

Current assets:

Cash and cash equivalents	\$	247,743
Investments		300,000
Due from primary government		109,785
Total current assets	\$	<u>657,528</u>

Noncurrent assets:

Note receivable		85,200
Total assets	\$	<u>742,728</u>

NET POSITION

Unrestricted	\$	<u>742,728</u>
Total net position	\$	<u><u>742,728</u></u>

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

OPERATING REVENUES

Charges for services:

Bond fees	\$	7,765
Miscellaneous		10,320
Operating grants		<u>9,000</u>
Total operating revenues	\$	<u>27,085</u>

OPERATING EXPENSES

Personal services and benefits	\$	66,283
Contractual services		35,000
Grants		61,665
Other charges		<u>29,813</u>
Total operating expenses	\$	<u>192,761</u>
Operating income (loss)	\$	<u>(165,676)</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	\$	20,404
Taxes		161,342
Contribution from County of Middlesex		<u>48,986</u>
Total nonoperating revenues (expenses)	\$	<u>230,732</u>
Change in net position	\$	65,056

Total net position - beginning		<u>677,672</u>
Total net position - ending	\$	<u>742,728</u>

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 18,085
Payments for operating activities	(302,546)
Other receipts (payments)	9,000
Net cash provided by (used for) operating activities	<u>\$ (275,461)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Tax revenue funds from County of Middlesex	\$ 161,342
Net cash provided by (used for) noncapital financing activities	<u>\$ 161,342</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Issuance of note receivable	\$ (5,200)
Contribution from County of Middlesex	48,986
Net cash provided by (used for) capital and related financing activities	<u>\$ 43,786</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (4,608)
Interest income	20,404
Net cash provided by (used for) investing activities	<u>\$ 15,796</u>
 Net increase (decrease) in cash and cash equivalents	 \$ (54,537)
 Cash and cash equivalents - beginning	 302,280
Cash and cash equivalents - ending	<u><u>\$ 247,743</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (165,676)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in due from primary government	(109,785)
Total adjustments	<u>\$ (109,785)</u>
Net cash provided (used) by operating activities	<u><u>\$ (275,461)</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
MIDDLESEX BROADBAND AUTHORITY*

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County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Middlesex Broadband Authority
As of June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ <u>33,586</u>
Total assets	\$ <u><u>33,586</u></u>

NET POSITION

Unrestricted	\$ <u>33,586</u>
Total net position	\$ <u><u>33,586</u></u>

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Middlesex Broadband Authority
For the Year Ended June 30, 2025

OPERATING EXPENSES

Administrative		\$	16,127
			(16,127)
Operating income (loss)		\$	(16,127)

NONOPERATING REVENUES (EXPENSES)

Interest income		\$	88
			88
Total nonoperating revenues (expenses)		\$	88

Change in net position		\$	(16,039)
------------------------	--	----	----------

Total net position - beginning			49,625
			33,586
Total net position - ending		\$	33,586

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Middlesex Broadband Authority
For the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for operating activities	\$ (16,127)
Net cash provided by (used for) operating activities	<u>\$ (16,127)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 88
Net cash provided by (used for) investing activities	<u>\$ 88</u>

Net increase (decrease) in cash and cash equivalents	\$ (16,039)
--	-------------

Cash and cash equivalents - beginning	<u>49,625</u>
Cash and cash equivalents - ending	<u><u>\$ 33,586</u></u>

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

Operating income (loss)	\$ (16,127)
Net cash provided (used) by operating activities	<u><u>\$ (16,127)</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
MIDDLESEX WATER AUTHORITY*

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County of Middlesex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Middlesex Water Authority
As of June 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 450,426
Accounts receivable, net of allowance for uncollectibles	69,849
Connection fees receivable	7,300
Prepaid expenses	21,382
Total current assets	<u>\$ 548,957</u>

Capital assets:

Land and land rights	\$ 454,163
Utility plant	28,392,860
Less accumulated depreciation	<u>(1,703,572)</u>
Total capital assets	<u>\$ 27,143,451</u>
Total noncurrent assets	<u>\$ 27,143,451</u>
Total assets	<u>\$ 27,692,408</u>

LIABILITIES

Current liabilities:

Accounts payable	\$ 20,555
Interest payable	10,731
Unearned connection assistance	72,658
Bonds payable - current portion	494,691
Total current liabilities	<u>\$ 598,635</u>

Noncurrent liabilities:

Notes payable	\$ 80,000
Bonds payable - net of current portion	21,276,309
Total noncurrent liabilities	<u>\$ 21,356,309</u>
Total liabilities	<u>\$ 21,954,944</u>

NET POSITION

Net investment in capital assets	\$ 5,212,451
Unrestricted (deficit)	525,013
Total net position	<u>\$ 5,737,464</u>

County of Middlesex, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Middlesex Water Authority
For the Year Ended June 30, 2025

OPERATING REVENUES

Charges for services:

Charges and fees	\$ 803,540
Miscellaneous	7,625
Total operating revenues	<u>\$ 811,165</u>

OPERATING EXPENSES

Administrative	\$ 54,251
Legal	24,052
Maintenance	176,281
Connections	73,822
Water supplies	23,618
Electricity	21,173
Other charges	14,679
Office	1,615
Insurance	23,275
Professional fees	7,875
Bank fees	1,991
Information technology	3,622
Depreciation	567,858
Total operating expenses	<u>\$ 994,112</u>
Operating income (loss)	\$ (182,947)

NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 11,381
Availability fees	257,000
Interest expense	(248,491)
Total nonoperating revenues (expenses)	<u>\$ 19,890</u>
Change in net position	\$ (163,057)
Total net position - beginning	5,900,521
Total net position - ending	<u><u>\$ 5,737,464</u></u>

County of Middlesex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Middlesex Water Authority
For the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 779,979
Payments for operating activities	(469,479)
Net cash provided by (used for) operating activities	<u>\$ 310,500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on debt	\$ (489,160)
Interest payments	(248,491)
Availability fees	<u>257,000</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (480,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ <u>11,381</u>
Net cash provided by (used for) investing activities	<u>\$ 11,381</u>
Net increase (decrease) in cash and cash equivalents	\$ (158,770)
Cash and cash equivalents - beginning	<u>609,196</u>
Cash and cash equivalents - ending	<u><u>\$ 450,426</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (182,947)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	567,858
(Increase) decrease in accounts receivable	(6,927)
(Increase) decrease in connection fees receivables	10,063
(Increase) decrease in prepaid expenses	(21,382)
Increase (decrease) in accounts payable	(22,417)
Increase (decrease) in accrued interest payable	574
Increase (decrease) in unearned connection assistance	<u>(34,322)</u>
Total adjustments	<u>\$ 493,447</u>
Net cash provided (used) by operating activities	<u><u>\$ 310,500</u></u>

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SUPPORTING SCHEDULES

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County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 15,355,437	\$ 15,355,437	\$ 15,124,235	\$ (231,202)
Real and personal public service corporation taxes	673,613	673,613	1,445,669	772,056
Personal property taxes	5,866,997	5,866,997	5,658,747	(208,250)
Airplane taxes	25,638	25,638	26,765	1,127
Penalties	175,000	175,000	245,894	70,894
Interest	125,000	125,000	155,710	30,710
Total general property taxes	<u>\$ 22,221,685</u>	<u>\$ 22,221,685</u>	<u>\$ 22,657,020</u>	<u>\$ 435,335</u>
Other local taxes:				
Local sales and use taxes	\$ 1,750,000	\$ 1,750,000	\$ 1,719,163	\$ (30,837)
Consumers' utility taxes	200,000	200,000	224,884	24,884
Consumption taxes	40,000	40,000	46,839	6,839
Business license taxes	435,029	435,029	487,212	52,183
Motor vehicle licenses	303,600	303,600	293,828	(9,772)
Bank stock taxes	151,040	151,040	148,444	(2,596)
Taxes on recordation and wills	299,000	299,000	253,877	(45,123)
Transient occupancy taxes	242,812	242,812	220,189	(22,623)
Tobacco taxes	180,000	180,000	166,720	(13,280)
Meals tax	443,946	443,946	560,305	116,359
Total other local taxes	<u>\$ 4,045,427</u>	<u>\$ 4,045,427</u>	<u>\$ 4,121,461</u>	<u>\$ 76,034</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 2,564	\$ (2,436)
Building permits	108,700	108,700	142,691	33,991
Permits and other licenses	47,800	47,800	52,820	5,020
Total permits, privilege fees, and regulatory licenses	<u>\$ 161,500</u>	<u>\$ 161,500</u>	<u>\$ 198,075</u>	<u>\$ 36,575</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 34,641	\$ 4,641
Revenue from use of money and property:				
Revenue from use of money	\$ 503,114	\$ 503,114	\$ 529,712	\$ 26,598
Revenue from use of property	106,990	106,990	80,534	(26,456)
Total revenue from use of money and property	<u>\$ 610,104</u>	<u>\$ 610,104</u>	<u>\$ 610,246</u>	<u>\$ 142</u>
Charges for services:				
Charges for court services	\$ 21,000	\$ 21,000	\$ 28,368	\$ 7,368
Charges for Commonwealth's Attorney	1,000	1,000	843	(157)
Charges for other protection	10,600	10,600	19,355	8,755
Charges for planning and community development	23,400	23,400	21,217	(2,183)
Charges for parks and recreation	5,400	5,400	14,100	8,700
Total charges for services	<u>\$ 61,400</u>	<u>\$ 61,400</u>	<u>\$ 83,883</u>	<u>\$ 22,483</u>

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 86,033	\$ 172,614	\$ 254,925	\$ 82,311
Recovered costs:				
Sheriff	\$ -	\$ -	\$ 9,484	\$ 9,484
Economic development	93,146	93,146	67,858	(25,288)
EMS fee for service	189,000	189,000	298,998	109,998
Middlesex Water Authority	65,468	65,468	56,954	(8,514)
Total recovered costs	<u>\$ 347,614</u>	<u>\$ 347,614</u>	<u>\$ 433,294</u>	<u>\$ 85,680</u>
Total revenue from local sources	<u>\$ 27,563,763</u>	<u>\$ 27,650,344</u>	<u>\$ 28,393,545</u>	<u>\$ 743,201</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ 2,000	\$ 2,000	\$ 10,573	\$ 8,573
Rolling stock tax	500	500	18	(482)
Mobile home titling tax	57,500	57,500	26,948	(30,552)
Communications tax	360,000	360,000	284,877	(75,123)
Personal property tax relief funds	709,635	709,635	709,636	1
Total noncategorical aid	<u>\$ 1,129,635</u>	<u>\$ 1,129,635</u>	<u>\$ 1,032,052</u>	<u>\$ (97,583)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 213,989	\$ 213,989	\$ 294,520	\$ 80,531
Sheriff	975,160	975,160	979,875	4,715
Commissioner of revenue	141,412	141,412	139,229	(2,183)
Treasurer	138,933	138,933	138,793	(140)
Registrar/electoral board	92,331	92,331	72,779	(19,552)
Clerk of the circuit court	265,244	265,244	292,007	26,763
Total shared expenses	<u>\$ 1,827,069</u>	<u>\$ 1,827,069</u>	<u>\$ 1,917,203</u>	<u>\$ 90,134</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,712,049	\$ 1,712,049	\$ 492,646	\$ (1,219,403)
Fire programs fund	42,430	94,361	51,931	(42,430)
Children's services act	450,000	450,000	561,665	111,665
Wireless funds	45,000	45,000	58,745	13,745
Emergency medical services	13,860	27,673	28,064	391
Victim-witness grant	65,100	65,100	27,134	(37,966)
Clerk grant	54,901	71,595	48,420	(23,175)
PSAP grant	-	-	26,083	26,083
Arts commission grant	4,500	4,500	4,500	-
Airport grant	-	88,322	-	(88,322)

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Broadband technology	\$ -	\$ 1,622,864	\$ 431,540	\$ (1,191,324)
Litter control	6,200	6,200	11,033	4,833
Other grants	-	105,740	65,147	(40,593)
Total other categorical aid	<u>\$ 2,394,040</u>	<u>\$ 4,293,404</u>	<u>\$ 1,806,908</u>	<u>\$ (2,486,496)</u>
Total categorical aid	<u>\$ 4,221,109</u>	<u>\$ 6,120,473</u>	<u>\$ 3,724,111</u>	<u>\$ (2,396,362)</u>
Total revenue from the Commonwealth	<u>\$ 5,350,744</u>	<u>\$ 7,250,108</u>	<u>\$ 4,756,163</u>	<u>\$ (2,493,945)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 982,511	\$ 982,511
COVID-19 American Rescue Plan Act	90,000	90,000	1,871,193	1,781,193
Victim-witness grant	-	-	42,866	42,866
Emergency services grants	-	-	7,500	7,500
Total categorical aid	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 2,904,070</u>	<u>\$ 2,814,070</u>
Total revenue from the federal government	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 2,904,070</u>	<u>\$ 2,814,070</u>
Total General Fund	<u>\$ 33,004,507</u>	<u>\$ 34,990,452</u>	<u>\$ 36,053,778</u>	<u>\$ 1,063,326</u>
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 130,482	\$ 130,482
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 984	\$ 984
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,466</u>	<u>\$ 131,466</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Port authority grant	\$ -	\$ -	\$ 2,135,472	\$ 2,135,472
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,135,472</u>	<u>\$ 2,135,472</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,135,472</u>	<u>\$ 2,135,472</u>
Total County Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,266,938</u>	<u>\$ 2,266,938</u>
Total Primary Government	<u>33,004,507</u>	<u>34,990,452</u>	<u>38,320,716</u>	<u>3,330,264</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 17,176	\$ 17,176

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 25,000	\$ 28,750	\$ 28,750	\$ -
Miscellaneous:				
Miscellaneous	\$ 145,804	\$ 186,451	\$ 248,981	\$ 62,530
Total miscellaneous	\$ 145,804	\$ 186,451	\$ 248,981	\$ 62,530
Total revenue from local sources	\$ 170,804	\$ 215,201	\$ 294,907	\$ 79,706
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex	\$ 12,557,037	\$ 12,676,479	\$ 12,147,941	\$ (528,538)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,574,647	\$ 1,520,931	\$ 1,558,034	\$ 37,103
Basic school aid	2,883,970	2,892,997	2,892,997	-
GED funding	8,203	8,027	8,027	-
English as a second language	13,295	25,972	25,972	-
Gifted and talented	26,808	26,729	26,729	-
Special education	376,736	347,843	348,061	218
Remedial education	-	4,846	4,846	-
Vocational education	184,853	183,809	183,809	-
Early reading intervention	23,058	19,984	19,984	-
School fringes	528,202	526,655	526,655	-
At risk payments	918,167	916,780	916,780	-
Primary class size	136,989	132,264	132,264	-
Project graduation	3,214	3,214	3,214	-
SQL algebra readiness	12,576	12,577	12,577	-
School technology grant	128,000	128,000	128,000	-
Supplemental lottery	-	-	200,000	200,000
Compensation supplement	115,075	115,091	115,091	-
Regional program	-	50,243	50,243	-
Special education - jails	1,500	1,500	-	(1,500)
Other state funds	653,132	864,622	667,458	(197,164)
Total categorical aid	\$ 7,589,290	\$ 7,782,084	\$ 7,820,741	\$ 38,657
Total revenue from the Commonwealth	\$ 7,589,290	\$ 7,782,084	\$ 7,820,741	\$ 38,657

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 375,470	\$ 408,092	\$ 371,863	\$ (36,229)
Title VI-B, special education flow-through	337,848	461,597	429,984	(31,613)
Vocational education	28,697	31,473	31,473	-
Title VI-B, special education pre-school	11,192	11,210	11,210	-
Title III - part A	2,729	4,836	3,717	(1,119)
Title V-rural	37,015	37,015	37,015	-
COVID-19 Education Stabilization Fund	-	260,886	260,886	-
Literacy development	-	14,000	14,000	-
COVID-19 American Rescue Plan Act	-	47,821	47,821	-
Legal services	-	7,306	-	(7,306)
Title IV	29,412	128,674	128,674	-
Title II, part A	54,490	58,298	58,298	-
Total categorical aid	<u>\$ 876,853</u>	<u>\$ 1,471,208</u>	<u>\$ 1,394,941</u>	<u>\$ (76,267)</u>
Total revenue from the federal government	<u>\$ 876,853</u>	<u>\$ 1,471,208</u>	<u>\$ 1,394,941</u>	<u>\$ (76,267)</u>
Total School Operating Fund	<u>\$ 21,193,984</u>	<u>\$ 22,144,972</u>	<u>\$ 21,658,530</u>	<u>\$ (486,442)</u>
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 20,000	\$ 81,220	\$ 87,103	\$ 5,883
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Middlesex, Virginia	\$ 118,684	\$ 118,336	\$ -	\$ (118,336)
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 22,294	\$ 24,602	\$ 24,602	\$ -
Textbook payments	67,079	66,882	66,882	-
Total categorical aid	<u>\$ 89,373</u>	<u>\$ 91,484</u>	<u>\$ 91,484</u>	<u>\$ -</u>
Total revenue from the Commonwealth	<u>\$ 89,373</u>	<u>\$ 91,484</u>	<u>\$ 91,484</u>	<u>\$ -</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 783,028	\$ 879,112	\$ 940,010	\$ 60,898
Commodities	-	73,571	73,571	-
Total categorical aid	<u>\$ 783,028</u>	<u>\$ 952,683</u>	<u>\$ 1,013,581</u>	<u>\$ 60,898</u>
Total revenue from the federal government	<u>\$ 783,028</u>	<u>\$ 952,683</u>	<u>\$ 1,013,581</u>	<u>\$ 60,898</u>
Total School Special Revenue Fund	<u>\$ 1,011,085</u>	<u>\$ 1,243,723</u>	<u>\$ 1,192,168</u>	<u>\$ (51,555)</u>

County of Middlesex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Activity Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 281,142	\$ 281,142
Total Discretely Presented Component Unit - School Board	<u>\$ 22,205,069</u>	<u>\$ 23,388,695</u>	<u>\$ 23,131,840</u>	<u>\$ (256,855)</u>

County of Middlesex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2025

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 171,240	\$ 171,240	\$ 121,043	\$ 50,197
General and financial administration:				
County administrator	\$ 581,014	\$ 581,014	\$ 538,859	\$ 42,155
Legal services	247,070	247,070	223,879	23,191
Commissioner of revenue	331,779	331,779	308,858	22,921
Treasurer	400,302	400,302	380,217	20,085
Assessor	25,000	25,000	6,570	18,430
Data processing	550,288	550,288	556,264	(5,976)
Other general and financial administration	220,433	220,433	200,738	19,695
Total general and financial administration	\$ 2,355,886	\$ 2,355,886	\$ 2,215,385	\$ 140,501
Board of elections:				
Registrar, electoral board and officials	\$ 343,835	\$ 343,835	\$ 292,887	\$ 50,948
Total general government administration	\$ 2,870,961	\$ 2,870,961	\$ 2,629,315	\$ 241,646
Judicial administration:				
Courts:				
General district court	\$ 12,150	\$ 12,150	\$ 7,111	\$ 5,039
Juvenile court	4,600	4,600	3,050	1,550
Sheriff	278,198	321,048	301,040	20,008
Court services unit	31,545	31,545	25,821	5,724
Special Magistrates	3,500	3,500	2,064	1,436
Victim Witness	75,903	75,903	81,486	(5,583)
Clerk of the circuit court	430,810	447,505	435,886	11,619
Total courts	\$ 836,706	\$ 896,251	\$ 856,458	\$ 39,793
Commonwealth's attorney:				
Commonwealth's attorney	\$ 398,429	\$ 398,429	\$ 400,947	\$ (2,518)
Total judicial administration	\$ 1,235,135	\$ 1,294,680	\$ 1,257,405	\$ 37,275
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,780,089	\$ 2,780,089	\$ 2,746,839	\$ 33,250
School resource officers	218,589	218,589	228,184	(9,595)
Total law enforcement and traffic control	\$ 2,998,678	\$ 2,998,678	\$ 2,975,023	\$ 23,655
Fire and rescue services:				
Volunteer fire departments	\$ 462,000	\$ 521,431	\$ 538,912	\$ (17,481)
Volunteer rescue squads	256,500	277,813	283,266	(5,453)
Total fire and rescue services	\$ 718,500	\$ 799,244	\$ 822,178	\$ (22,934)

County of Middlesex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Regional jail	\$ 1,252,971	\$ 1,252,971	\$ 1,158,142	\$ 94,829
Juvenile probation and detention	89,583	89,583	84,440	5,143
Total correction and detention	<u>\$ 1,342,554</u>	<u>\$ 1,342,554</u>	<u>\$ 1,242,582</u>	<u>\$ 99,972</u>
Inspections:				
Building	\$ 205,104	\$ 205,104	\$ 202,723	\$ 2,381
Other protection:				
Animal control	\$ 148,309	\$ 148,309	\$ 184,835	\$ (36,526)
Gloucester-Mathews Humane Society	5,000	5,000	5,000	-
Emergency services	1,197,397	1,327,397	1,675,758	(348,361)
Medical examiner	1,404	1,404	60	1,344
E-911 communications	110,130	110,130	145,503	(35,373)
Total other protection	<u>\$ 1,462,240</u>	<u>\$ 1,592,240</u>	<u>\$ 2,011,156</u>	<u>\$ (418,916)</u>
Total public safety	<u>\$ 6,727,076</u>	<u>\$ 6,937,820</u>	<u>\$ 7,253,662</u>	<u>\$ (315,842)</u>
Public works:				
Sanitation and waste removal:				
Convenience centers	\$ 181,639	\$ 181,639	\$ 170,486	\$ 11,153
Litter	11,500	12,250	895	11,355
Landfill maintenance	3,826	3,826	2,492	1,334
VPPSA	1,049,765	1,049,765	1,027,640	22,125
Contribution to MWA	257,000	257,000	-	257,000
Total sanitation and waste removal	<u>\$ 1,503,730</u>	<u>\$ 1,504,480</u>	<u>\$ 1,201,513</u>	<u>\$ 302,967</u>
Maintenance of general buildings and grounds:				
General properties	\$ 936,813	\$ 936,813	\$ 770,481	\$ 166,332
Purchase of water	-	-	257,000	(257,000)
Custodial services	118,272	118,272	109,317	8,955
Capital outlay reserve	227,623	1,850,487	1,687,854	162,633
Total maintenance of general buildings and grounds	<u>\$ 1,282,708</u>	<u>\$ 2,905,572</u>	<u>\$ 2,824,652</u>	<u>\$ 80,920</u>
Total public works	<u>\$ 2,786,438</u>	<u>\$ 4,410,052</u>	<u>\$ 4,026,165</u>	<u>\$ 383,887</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 237,586	\$ 237,586	\$ 237,586	\$ -
Other health contributions	25,000	25,000	25,000	-
Total health	<u>\$ 262,586</u>	<u>\$ 262,586</u>	<u>\$ 262,586</u>	<u>\$ -</u>
Mental health:				
Community services board	\$ 42,000	\$ 42,000	\$ 42,000	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,991,054	\$ 1,991,054	\$ 1,806,361	\$ 184,693
Area agency on aging	97,649	97,649	97,864	(215)
Workforce development	2,695	2,695	2,695	-
Children's services act	744,000	744,000	1,002,352	(258,352)
Housing office	2,432	2,432	2,432	-

County of Middlesex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Vocational rehab center	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Other welfare contributions	5,000	5,000	9,802	(4,802)
Total welfare	<u>\$ 2,847,830</u>	<u>\$ 2,847,830</u>	<u>\$ 2,926,506</u>	<u>\$ (78,676)</u>
Total health and welfare	<u>\$ 3,152,416</u>	<u>\$ 3,152,416</u>	<u>\$ 3,231,092</u>	<u>\$ (78,676)</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 7,390	\$ 7,390	\$ 7,390	\$ -
Contribution to County School Board	12,675,721	12,794,815	12,147,941	646,874
Total education	<u>\$ 12,683,111</u>	<u>\$ 12,802,205</u>	<u>\$ 12,155,331</u>	<u>\$ 646,874</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 91,084	\$ 91,084	\$ 84,606	\$ 6,478
Sports complex	28,300	29,300	29,368	(68)
YMCA	47,500	47,500	47,500	-
Total parks and recreation	<u>\$ 166,884</u>	<u>\$ 167,884</u>	<u>\$ 161,474</u>	<u>\$ 6,410</u>
Cultural enrichment:				
Museum	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Total cultural enrichment	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ -</u>
Library:				
Contribution to library	\$ 145,000	\$ 145,000	\$ 145,000	\$ -
Total parks, recreation, and cultural	<u>\$ 356,884</u>	<u>\$ 357,884</u>	<u>\$ 351,474</u>	<u>\$ 6,410</u>
Community development:				
Planning and community development:				
Planning	\$ 248,901	\$ 248,901	\$ 244,146	\$ 4,755
Zoning administration	83,820	83,820	70,763	13,057
Board of zoning appeals	4,452	4,452	1,839	2,613
Economic development	342,817	342,817	313,131	29,686
Contribution to airport	-	98,136	98,862	(726)
Total planning and community development	<u>\$ 679,990</u>	<u>\$ 778,126</u>	<u>\$ 728,741</u>	<u>\$ 49,385</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 4,750	\$ 4,750	\$ 4,750	\$ -
Wetlands	14,118	14,118	13,709	409
Forestry	3,693	3,693	3,957	(264)
Total environmental management	<u>\$ 22,561</u>	<u>\$ 22,561</u>	<u>\$ 22,416</u>	<u>\$ 145</u>

County of Middlesex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 52,009	\$ 52,009	\$ 43,131	\$ 8,878
Total community development	\$ 754,560	\$ 852,696	\$ 794,288	\$ 58,408
Debt service:				
Principal retirement	\$ 2,279,124	\$ 2,413,306	\$ 2,152,489	\$ 260,817
Interest and other fiscal charges	-	-	586,498	(586,498)
Total debt service	\$ 2,279,124	\$ 2,413,306	\$ 2,738,987	\$ (325,681)
Total General Fund	\$ 32,845,705	\$ 35,092,020	\$ 34,437,719	\$ 654,301
County Capital Projects Fund:				
Public works:				
Capital projects:				
Children's park	\$ 250,000	\$ 250,000	\$ 311,000	\$ (61,000)
Enterprise software	-	-	33,689	(33,689)
Broadband project	1,150,000	1,150,000	1,204,544	(54,544)
HRSD sewer project	-	-	559,306	(559,306)
RCE Building improvements	200,000	200,000	-	200,000
Basketball and pickleball court	165,000	165,000	7,845	157,155
Voice over ip system	223,028	223,028	99,526	123,502
Boat ramp	-	395,000	2,099,470	(1,704,470)
Whiting Creek	-	66,620	5,807	60,813
Puller center renovations	-	5,197,308	4,152,102	1,045,206
Water access property acquisition	500,000	500,000	400	499,600
Multi-purpose path	117,500	117,500	-	117,500
Courthouse renovations	50,000	50,000	40,375	9,625
Sports lighting	75,000	75,000	75,000	-
Animal shelter improvements	50,000	50,000	12,305	37,695
IT upgrades	135,000	135,000	148,432	(13,432)
Total capital projects	\$ 2,915,528	\$ 8,574,456	\$ 8,749,801	\$ (175,345)
Debt service:				
Principal retirement	\$ -	\$ -	\$ 155,881	\$ (155,881)
Interest and other fiscal charges	-	-	106,293	(106,293)
Total debt service	\$ -	\$ -	\$ 262,174	\$ (262,174)
Total County Capital Projects Fund	\$ 2,915,528	\$ 8,574,456	\$ 9,011,975	\$ (437,519)
Total Primary Government	\$ 35,761,233	\$ 43,666,476	\$ 43,449,694	\$ 216,782
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Operating Costs:				
Administration, health, and attendance	\$ 1,563,017	\$ 1,587,011	\$ 1,585,700	\$ 1,311
Instruction costs	15,034,596	15,672,317	15,528,456	143,861
District wide technology	1,115,328	1,169,020	1,115,182	53,838
Pupil transportation	1,747,089	1,661,124	1,672,686	(11,562)
Operation and maintenance of school plant	1,597,492	1,919,667	1,843,915	75,752
Total operating costs	\$ 21,057,522	\$ 22,009,139	\$ 21,745,939	\$ 263,200
Total education	\$ 21,057,522	\$ 22,009,139	\$ 21,745,939	\$ 263,200
Capital projects:				
Other school capital projects	\$ 136,462	\$ 1,422,348	\$ 230,808	\$ 1,191,540
Debt service:				
Principal retirement	\$ -	\$ -	\$ 42,701	\$ (42,701)
Interest and other fiscal charges	-	-	5,091	(5,091)
Total debt service	\$ -	\$ -	\$ 47,792	\$ (47,792)
Total School Operating Fund	\$ 21,193,984	\$ 23,431,487	\$ 22,024,539	\$ 1,406,948

County of Middlesex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2025

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund:				
Education:				
Operating Costs:				
Instruction costs	\$ 185,762	\$ 248,859	\$ 83,324	\$ 165,535
School food services	825,323	1,196,063	1,033,546	162,517
Commodities	-	73,571	73,571	-
	<hr/>			
Total School Special Revenue Fund	\$ 1,011,085	\$ 1,518,493	\$ 1,190,441	\$ 328,052
	<hr/>			
School Activity Fund:				
Education:				
Instructional services:				
School activity funds	\$ -	\$ -	\$ 263,857	\$ (263,857)
	<hr/>			
Total School Activity Fund	\$ -	\$ -	\$ 263,857	\$ (263,857)
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Total Discretely Presented Component Unit - School Board	\$ 22,205,069	\$ 24,949,980	\$ 23,478,837	\$ 1,471,143
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OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2016	\$ 1,464,481	\$ 860,162	\$ 3,618,446	\$ 1,366,155	\$ 1,857,896	\$ 9,040,534	\$ 243,763	\$ 528,592	\$ 1,038,037	\$ 20,018,066
2017	1,797,748	946,838	3,577,456	1,406,880	2,064,446	8,870,247	240,168	501,940	881,384	20,287,107
2018	1,733,324	975,887	4,143,619	1,423,763	2,278,175	9,423,629	207,669	576,281	622,266	21,384,613
2019	1,905,557	1,018,531	3,838,704	3,114,624	2,419,854	11,038,834	250,640	613,121	683,153	24,883,018
2020	2,088,093	1,088,721	4,487,862	1,838,319	2,679,413	11,252,505	257,793	669,348	546,893	24,908,947
2021	2,869,886	1,027,263	5,113,969	2,180,131	2,628,650	11,416,021	272,220	793,015	1,063,702	27,364,857
2022	2,545,308	1,035,773	6,797,582	2,127,437	2,682,959	10,609,339	380,570	664,104	532,783	27,375,855
2023	1,965,902	1,169,222	6,018,394	4,503,598	2,677,925	12,378,057	317,354	2,400,713	417,628	31,848,793
2024	2,603,283	1,363,451	6,501,876	4,630,374	3,105,619	13,351,603	413,548	716,663	449,100	33,135,517
2025	3,208,811	1,179,679	7,001,370	5,759,563	3,183,425	13,282,632	431,670	669,071	744,539	35,460,760

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2016	\$ 391,148	\$ 3,052,274	\$ 14,303,096	\$ 2,382,127	\$ 105,421	\$ 107,161	\$ 1,187,823	\$ 21,529,050			
2017	411,078	3,104,050	14,644,982	2,472,290	109,596	255,409	1,186,316	22,183,721			
2018	422,690	3,229,377	15,794,570	2,589,685	135,321	169,472	1,205,153	23,546,268			
2019	482,958	3,385,147	16,739,818	2,823,035	194,317	118,444	1,141,057	24,884,776			
2020	356,709	3,319,757	17,621,392	2,993,537	211,528	230,724	1,147,089	25,880,736			
2021	343,764	5,063,124	17,415,593	3,582,284	189,826	279,653	1,079,161	27,953,405			
2022	593,254	4,304,184	19,227,348	3,476,378	15,724	382,154	1,101,790	29,100,832			
2023	569,573	4,628,975	21,574,333	3,872,105	103,550	395,951	2,759,072	33,903,559			
2024	525,545	4,716,443	21,913,154	4,116,237	597,065	245,836	1,035,394	33,149,674			
2025	445,100	8,811,620	23,030,386	4,121,461	660,194	207,942	1,032,052	38,308,755			

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2016	\$ 1,704,376	\$ 696,202	\$ 3,672,460	\$ 1,350,772	\$ 1,922,103	\$ 13,361,378	\$ 239,761	\$ 570,747	\$ 10,842,992	\$ 34,360,791
2017	1,642,283	763,391	3,633,593	1,370,717	2,114,163	14,008,388	235,035	554,697	10,425,475	34,747,742
2018	1,563,121	809,357	3,975,770	1,997,054	2,311,942	14,637,866	203,470	600,602	2,628,475	28,727,657
2019	1,629,217	867,493	4,039,782	2,053,212	2,479,942	16,560,907	247,699	667,918	2,738,873	31,285,043
2020	1,672,592	889,991	4,126,582	1,456,000	2,663,999	16,502,971	280,075	601,135	2,719,398	30,912,743
2021	2,593,780	792,438	4,601,870	2,024,283	2,574,670	18,448,854	244,972	765,365	14,267,173	46,313,405
2022	2,487,275	913,735	5,049,051	2,186,557	2,720,419	19,899,821	276,684	687,551	2,809,590	37,030,683
2023	2,676,342	1,003,215	5,816,266	3,204,712	2,742,170	22,025,794	312,277	2,375,489	2,630,478	42,786,743
2024	2,616,943	1,248,976	6,508,933	2,316,278	3,238,459	22,824,837	410,310	850,285	2,698,855	42,713,876
2025	2,629,315	1,257,405	7,253,662	4,026,165	3,231,092	23,207,627	351,474	794,288	3,001,161	45,752,189

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

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

(3) Excludes capital project expenditures

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2016	\$ 14,226,581	\$ 2,382,127	\$ 131,186	\$ 13,042	\$ 130,957	\$ 440,126	\$ 189,990	\$ 147,682	\$ 8,928,986	\$ 26,590,677
2017	14,657,260	2,472,290	110,733	23,339	136,876	479,223	466,307	130,076	10,011,574	28,487,678
2018	15,742,745	2,589,685	140,759	20,121	141,859	437,277	353,376	192,427	10,349,299	29,967,548
2019	16,644,483	2,823,035	150,331	12,504	177,281	490,580	731,408	193,114	10,949,449	32,172,185
2020	17,418,932	2,993,537	157,283	7,479	224,156	326,419	414,891	297,944	10,922,747	32,763,388
2021	17,462,807	3,582,284	116,312	27,341	200,443	263,617	624,487	1,854,994	13,935,359	38,067,644
2022	19,250,708	3,914,273	186,065	35,895	182,114	265,121	990,598	187,009	15,133,369	40,145,152
2023	21,205,634	3,872,105	200,541	20,701	252,781	282,945	1,371,770	248,027	19,184,925	46,639,429
2024	22,193,757	4,116,237	210,279	31,725	726,775	224,947	849,317	425,258	16,219,545	44,997,840
2025	22,657,020	4,121,461	198,075	34,641	627,422	199,736	785,048	433,294	17,980,980	47,037,677

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

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

(3) Excludes Capital Projects funds.

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2,3)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2,3)		
2016	\$ 14,684,785	\$ 13,771,342	93.78%	\$ 947,863	\$ 14,719,205	100.23%	\$ 1,279,733	8.71%	
2017	15,456,814	14,137,344	91.46%	979,136	15,116,480	97.80%	1,011,338	6.54%	
2018	16,765,947	15,268,276	91.07%	937,647	16,205,923	96.66%	1,032,380	6.16%	
2019	17,394,537	16,092,676	92.52%	1,002,403	17,095,079	98.28%	1,399,618	8.05%	
2020	18,016,795	16,841,174	93.47%	978,102	17,819,276	98.90%	1,399,618	7.77%	
2021	18,453,571	17,119,848	92.77%	724,482	17,844,330	96.70%	1,422,233	7.71%	
2022	20,961,828	18,622,191	88.84%	1,046,349	19,668,540	93.83%	1,621,960	7.74%	
2023	22,171,066	21,034,278	94.87%	557,275	21,591,553	97.39%	1,775,431	8.01%	
2024	22,555,584	21,725,031	96.32%	732,625	22,457,656	99.57%	1,564,987	6.94%	
2025	23,244,846	21,751,326	93.57%	1,213,726	22,965,052	98.80%	1,868,974	8.04%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal		Machinery and Tools	Airplane	Watercraft	Public Service (2)		Total
		Real Estate (1)	Property and Mobile Homes				Service (2)	Service (2)	
2016	\$ 2,149,138,406	\$ 96,238,818	\$ -	\$ -	242,229	\$ -	45,486,553	\$ 2,291,106,006	
2017	2,179,327,400	70,867,986	-	-	264,939	99,355,563	50,115,575	2,399,931,463	
2018	2,185,941,200	134,907,015	-	-	257,088	94,510,070	52,816,875	2,468,432,248	
2019	2,192,832,479	174,541,523	-	-	-	50,769,687	54,506,634	2,472,650,323	
2020	2,215,209,879	187,557,578	-	-	602,892	52,044,898	54,234,590	2,509,649,837	
2021	2,212,507,435	191,834,205	-	-	563,351	52,828,181	55,098,470	2,512,831,642	
2022	2,509,525,121	211,911,043	-	-	1,015,879	58,319,962	56,426,013	2,837,198,018	
2023	2,515,560,748	277,179,827	-	-	1,220,894	66,081,585	124,861,943	2,984,904,997	
2024	2,544,946,800	264,387,517	-	-	1,099,128	70,556,006	114,917,365	2,995,906,816	
2025	2,550,355,810	264,255,320	-	-	1,348,538	72,327,832	117,874,721	3,006,162,221	

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

County of Middlesex, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Airplane	Watercraft	Public Utility	
							Real Estate	Personal Property
2016	\$ 0.53	\$ 3.50	\$ 0.48	\$ -	\$ 3.50	\$ -	\$ 0.53	\$ 3.50
2017	0.53	3.50	0.53	-	3.50	-	0.53	3.50
2018	0.56	3.50	0.56	-	3.50	0.98	0.56	3.50
2019	0.62	3.50	0.61	-	-	0.98	0.61	3.50
2020	0.62	3.50	0.62	-	2.10	0.98	0.62	2.10
2021	0.62	3.50	0.62	-	2.10	0.98	0.62	2.10
2022	0.61	2.60	0.62	-	2.10	0.98	0.62	2.60
2023	0.61	2.60	0.62	-	2.10	0.98	0.62	2.60
2024	0.61	2.60	0.62	-	2.10	0.98	0.62	2.60
2025	0.61	2.00	0.61	-	2.10	0.98	0.61	2.60

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016	10,959	\$ 2,291,106,006	\$ 26,539,479	0.012	\$ 2,422
2017	10,959	2,399,931,463	24,982,170	0.010	2,280
2018	10,959	2,468,432,248	23,031,500	0.009	2,102
2019	10,959	2,472,650,323	21,121,800	0.009	1,927
2020	10,959	2,509,649,837	19,159,100	0.008	1,748
2021	10,617	2,512,831,642	18,226,900	0.007	1,717
2022	10,586	2,837,198,018	15,724,483	0.006	1,485
2023	10,779	2,984,904,997	14,716,263	0.005	1,365
2024	10,753	2,995,906,816	15,375,919	0.005	1,430
2025	10,883	3,006,162,221	15,375,919	0.005	1,413

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

(2) From Table 6

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

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Middlesex Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise County of Middlesex, Virginia's basic financial statements, and have issued our report thereon dated November 10, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 10, 2025