

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

For the year ended June 30, 2025

Prepared by the Department of Finance
Penny Davis
Treasurer

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA

June 30, 2025

BOARD OF SUPERVISORS

Robert L. Akers, Jr., Chair
Ronnie G. Gill, Vice-Chair
Joseph A. Henry
J. Calvin Haile
John C. Magruder

SCHOOL BOARD

Jaime Gomes, Chair
Butch Gross, Vice-Chair
Garlyn Bundy
Christopher Hundley
Charmaine Young-Waddy
Sharon Saunders

DEPARTMENT OF SOCIAL SERVICES BOARD

Robert Akers, Chair
Ella Harris Johnson, Vice-Chair
Dr. William Ryan
Denise Hammond
Mary Alice Parrish Passagaluppi

OTHER OFFICIALS

Judge of the Circuit Court	Victoria A. B. Willis
Clerk of the Circuit Court	Christina A. Ambrose
Judge of the General District Court	Hugh S. Campbell
Judge of the Juvenile and Domestic Relations Court	Andrea M. Stewart
Commonwealth's Attorney	James M. Sitton, II
Commissioner of the Revenue	Kristen Andrews Foster
Treasurer	Penny Davis
Sheriff	Walter Holmes
Superintendent of Schools	Marvin Jones
Director of Social Services	Candace Mickelborough
County Administrator	April Rounds
County Attorney	Max Hlavin

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA

TABLE OF CONTENTS

	Page(s)
<hr/> FINANCIAL SECTION <hr/>	
Independent auditor's report	1 - 4
Management's discussion and analysis (required supplementary information)	5 - 10
Basic financial statements:	
Government-wide statements:	
Statement of net position	11
Statement of activities	12
Governmental fund financial statements:	
Balance sheet	13
Reconciliation of total governmental fund balance to net position of governmental activities	14
Statement of revenues, expenditures and changes in fund balance	15
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	16
Statement of fiduciary net position	17
Statement of changes in fiduciary net position	18
Notes to financial statements	19 - 91
Required supplementary information:	
Budgetary comparison schedule - General fund	92
Budgetary comparison schedule - Special revenue fund	93
Pension	
Schedule of changes in net pension liability (asset) and related ratios - Primary government	94
Schedule of changes in net pension liability (asset) and related ratios - Component unit school board (nonprofessional)	95
Schedule of employer's share of net pension liability VRS teacher retirement plan	96
Schedule of employer contributions	97
Notes to the supplemental pension schedule	98
Other post-employment benefits	
Group life insurance (GLI)	
Schedule of employer's share of net GLI OPEB liability	99
Schedule of employer contributions	100
Notes to the required supplementary information GLI schedule	101

COUNTY OF ESSEX, VIRGINIA

TABLE OF CONTENTS

	Page(s)
<hr/> FINANCIAL SECTION (continued) <hr/>	
Required supplementary information (continued):	
Health insurance credit (HIC)	
Schedule of changes in the net OPEB liability (asset) and related ratios - Primary government	102
Schedule of changes in the net OPEB liability (asset) and ratios - School board (nonprofessional)	103
Schedule of employer contributions	104
Notes to the required supplementary information HIC schedule	105
Schedule of employer's share of net OPEB liability and related ratios - Teacher employee HIC plan	106
Schedule of employer contributions - Teacher employee HIC plan	107
Notes to the required supplementary teacher employee HIC schedules	108
Other supplementary information:	
Budgetary comparison schedule - Capital projects	109
Budgetary comparison schedule - Debt service	110
Combining statement of fiduciary net position	111
Combining statement of changes in fiduciary net position	112
Discretely presented component unit - School board:	
Combining balance sheet	113
Reconciliation of total governmental fund balance to net position of governmental activities	114
Combining statement of revenues, expenditures, and changes in fund balances - Governmental funds	115
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	116
Budgetary comparison schedule - School operating fund	117
Budgetary comparison schedule - School cafeteria fund	118
Discretely presented component unit - Economic Development Authority:	
Statement of net position	119
Statement of revenues, expenses, and changes in net position	120
Statement of cash flows	121
Supporting schedules:	
Budgetary comparison schedule - governmental fund revenues	122 - 128
Budgetary comparison schedule - governmental fund expenditures	129 - 134

COUNTY OF ESSEX, VIRGINIA

TABLE OF CONTENTS

Page(s)

STATISTICAL SECTION

Government-wide expenses by function - Last ten fiscal years	135
Government-wide revenues - Last ten fiscal years	136
Governmental expenditures by function - Last ten fiscal years	137
Governmental revenues by source - Last ten fiscal years	138
Property tax levies and collections - Last ten fiscal years	139
Assessed value of taxable property - Last ten fiscal years	140
Property tax rates - Last ten fiscal years	141
Ratio of net bonded debt to assessed value and net bonded debt per capita	142

COMPLIANCE SECTION

Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>governmental auditing standards</i>	143 - 144
Schedule of findings and questioned costs	145 - 156
Summary schedule of prior audit findings	157



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors
County of Essex
Essex, Virginia

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County 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.

Emphasis of Matter Change in Accounting Principle

As described in Note 1 to the financial statements, in 2025, the County adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. The adoption of this standard required a restatement of beginning net position as discussed in Note 21. Our opinion is 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 the County'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.

Auditor's 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 auditor's 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 the County'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 the County'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 and required supplementary information ("RSI"), 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is 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 other supplementary information, as listed in the table of contents, 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 sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026 on our consideration of the County'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 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 the County'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 the County's internal control over financial reporting and compliance.

WHY LLP

Columbia, Maryland
March 30, 2026

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2025

As management of the County of Essex, Virginia (the “County”) 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 Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,563,692 (net position).
- The combined long-term obligations decreased by \$4,718,885 during the current fiscal year.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$1,822,282 after making contributions totaling \$6,148,791 to the School Board.

- As of the close of the current fiscal year; the County’s funds reported ending fund balances of \$13,511,589, an increase of \$2,307,553 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,583,973, or 41% 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 similar to a private-sector business.

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

COUNTY OF ESSEX, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

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 county doesn't have any business-type activities.

The Government-wide financial statements include not only the County of Essex, Virginia itself (known as the primary government), but also all legally separate component units. The County has the following discretely presented component units: School district of Essex County, Virginia, Essex County Economic Development Authority (the "EDA"), and Essex County Airport. Financial information for these component units 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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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 four major governmental funds – the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund.

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

COUNTY OF ESSEX, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$27,563,692 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

COUNTY OF ESSEX, VIRGINIA'S NET POSITION		
	Governmental Activities	
	2025	2024 As restated
Current and other assets	\$ 30,119,670	\$ 27,608,876
Capital assets	17,748,592	17,611,609
Total assets	47,868,262	45,220,485
Deferred outflows of resources	664,319	404,873
Current liabilities	2,717,350	3,121,423
Noncurrent liabilities	10,351,132	12,729,093
Total liabilities	13,068,482	15,850,516
Deferred inflows of resources	9,289,187	9,034,143
Net investment in capital assets	8,172,810	6,693,162
Restricted	4,830,537	3,968,687
Unrestricted	13,171,565	10,078,850
Total net position	\$ 26,174,912	\$ 20,740,699

COUNTY OF ESSEX, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

Governmental activities increased the County’s net position by \$6,822,993 during the current fiscal year. The following table summarizes the County’s Statement of Activities:

<u>COUNTY OF ESSEX, VIRGINIA'S CHANGES IN NET POSITION</u>		
	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u> As restated
Revenues		
Program revenues		
Charges for services	\$ 772,216	\$ 719,151
Operating grants & contributions	6,631,974	5,771,956
Capital grants & contributions	1,165,792	-
General revenues		
Property taxes	16,956,462	16,721,440
Other local taxes	3,370,888	3,429,307
Grants and other contributions not restricted	1,492,391	1,422,928
Other general revenues	631,390	587,520
Total revenues	31,021,113	28,652,302
Expenses		
General government administration	4,178,901	2,607,492
Judicial administration	1,003,000	1,031,309
Public safety	5,838,500	5,242,414
Public works	2,562,698	3,054,626
Health and welfare	3,998,858	4,012,579
Education	6,634,816	9,229,188
Parks, recreation, and culture	441,476	486,424
Community development	218,998	247,390
Interest and other fiscal charges	709,653	633,004
Total expenses	25,586,900	26,544,426
Increase (decrease) in net position before transfers	5,434,213	2,107,876
Transfers in (out)	-	-
Change in net position	5,434,213	2,107,876
Net position - beginning, as restated	20,740,699	18,632,823
Net position - ending	\$ 26,174,912	\$ 20,740,699

COUNTY OF ESSEX, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, 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 \$13,511,589, an increase of \$2,307,553. Approximately 86% 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, budgetary estimates of the General Fund exceeded revenues and other financing sources in the amount of \$147,863. Expenditures and other financing uses did not exceed budgetary estimates by \$6,991,983, resulting in a positive variance of \$6,844,120.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental activities as of June 30, 2025, amounted to \$17,748,592 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and intangible assets.

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 bonded debt outstanding of \$9,030,726. Of this amount, \$7,410,726 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).

The County's bonded debt decreased by \$2,227,353 during the current fiscal year.

Additional information on the County of Essex, 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 favorably to national indices.

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

The fiscal year 2026 budget increased approximately 1.00% compared to the prior year. The County's tax rates remained unchanged, with the exception of the real estate and mobile home tax rate, which decreased from \$0.73 to \$0.55 per \$100 of assessed value.

COUNTY OF ESSEX, VIRGINIA
MANAGEMENT DISCUSSION AND ANALYSIS
For the year ended June 30, 2025

Requests for Information

This financial report is designed to provide a general overview of the County of Essex, 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, 202 S. Church Lane, Post Office Box 1079, Tappahannock, Virginia 22560.

THIS PAGE IS INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2025

Exhibit 1

	Primary Government	Component Units		
	Governmental Activities	School Board	Economic Development Authority	Airport Authority
ASSETS				
Cash and cash equivalents	\$ 10,876,149	\$ 1,761,447	\$ 18,362	483,053
Investments	3,155,073	-	16,508	-
Receivables (net of allowance for uncollectibles)				
Taxes receivable	10,646,691	-	-	-
Accounts receivable	127,924	60,771	7,322	6,592
Lease receivable	-	-	-	-
Other receivables, net	-	-	-	41
Due from other governmental units	1,190,548	673,542	-	-
Due from component units	902,122	-	-	-
Inventories	-	-	-	49,103
Prepaid items and other assets	34,317	59,670	-	6,769
Net pension asset	3,161,775	-	-	-
Net OPEB asset	25,071	-	-	-
Capital assets				
Nondepreciable assets	2,361,750	57,477	-	4,949,630
Depreciable and intangible assets, net	15,386,842	21,231,647	-	2,887,808
Total assets	47,868,262	23,844,554	42,192	8,382,996
DEFERRED OUTFLOWS OF RESOURCES				
Pension benefits	584,332	2,653,644	-	-
Other post-employment benefits	79,987	254,493	-	-
Total deferred outflow of resources	664,319	2,908,137	-	-
LIABILITIES				
Accounts payable	732,171	899,054	-	35,633
Accrued liabilities	252,825	478,787	-	8,746
Due to primary government	-	902,122	-	-
Accrued interest payable	107,828	-	-	-
Unearned revenue	1,624,526	-	-	-
Noncurrent liabilities				
Due within one year	1,827,781	167,549	-	33,354
Due in more than one year	8,523,351	9,529,790	-	451,914
Total liabilities	13,068,482	11,977,302	-	529,647
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	8,519,940	-	-	-
Pension benefits	694,390	2,449,044	-	-
Other post-employment benefits	74,857	434,820	-	-
Total deferred inflows of resources	9,289,187	2,883,864	-	-
NET POSITION				
Net investment in capital assets	8,172,810	21,198,472	-	7,352,170
Restricted for:				
Pension plans	3,161,775	-	-	-
OPEB plans	25,071	-	-	-
Glebe fund	27,750	-	-	-
Asset forfeiture - Sheriff	51,948	-	-	-
Law library	7,328	-	-	-
Asset forfeiture - Comm. Atty	2,892	-	-	-
Poor house park	2,369	-	-	-
Animal shelter	350,819	-	-	-
EMS donations	5,945	-	-	-
Reading program donations	1,300	-	-	-
Capital projects	1,193,340	-	-	-
Unrestricted	13,171,565	(9,306,947)	42,192	501,179
Total net position	\$ 26,174,912	\$ 11,891,525	\$ 42,192	\$ 7,853,349

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

COUNTY OF ESSEX, VIRGINIA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

Exhibit 2

Functions/Programs	Program Revenues					Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						School Board	Economic Development Authority	Airport Authority
PRIMARY GOVERNMENT								
Governmental activities								
General government administration	\$ 4,178,901	\$ -	\$ 1,714,362	\$ -	\$ (2,464,539)			
Judicial administration	1,003,000	25,258	588,245	-	(389,497)			
Public safety	5,838,500	681,623	1,383,947	-	(3,772,930)			
Public works	2,562,698	-	20,000	-	(2,542,698)			
Health and welfare	3,998,858	38,370	2,524,645	-	(1,435,843)			
Education	6,634,816	-	-	1,165,792	(5,469,024)			
Parks, recreation, and cultural	441,476	26,965	-	-	(414,511)			
Community development	218,998	-	-	-	(218,998)			
Interest on long-term debt	709,653	-	400,775	-	(308,878)			
Total governmental activities	25,586,900	772,216	6,631,974	1,165,792	(17,016,918)			
Total primary government	\$ 25,586,900	\$ 772,216	\$ 6,631,974	\$ 1,165,792				
COMPONENT UNITS								
School board	\$ 21,818,492	\$ 64,450	\$ 12,765,927	\$ -	\$ (8,988,115)	\$ -	\$ -	\$ -
Economic development authority	43,182	2,896	-	-	-	(40,286)	-	-
Airport authority	938,090	396,951	161,693	-	-	-	-	(379,446)
Total component units	\$ 22,799,764	\$ 464,297	\$ 12,927,620	\$ -	\$ (8,988,115)	\$ (40,286)	\$ (379,446)	
General revenues:								
Property taxes					\$ 16,956,462	\$ -	\$ -	\$ -
Other local taxes								
Local sales and use tax					2,603,087	-	-	-
Consumers' utility taxes					229,721	-	-	-
Motor vehicle licenses					415,057	-	-	-
Other					123,023	-	-	-
Unrestricted revenues from use of money and property					543,698	10,496	598	12,882
Miscellaneous					87,692	637,432	-	-
Payments from Essex County					-	6,148,791	-	41,387
Grants and Contributions not restricted to specific programs					1,492,391	-	-	-
Total general revenues					22,451,131	6,796,719	598	54,269
Change in net position					5,434,213	(2,191,396)	(39,688)	(325,177)
Net position - beginning, as originally reported					20,808,907	15,022,388	81,880	8,178,526
Change in accounting principle (See Note 21)					(68,208)	(939,467)	-	-
Net Position - beginning, as restated					20,740,699	14,082,921	81,880	8,178,526
Net position - ending					\$ 26,174,912	\$ 11,891,525	\$ 42,192	\$ 7,853,349

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

FUND FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Exhibit 3

	General	Capital Projects	Special Revenue	Debt Service	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,931,871	\$ 1,184,597	\$ 485,073	\$ 274,608	\$ 10,876,149
Investments	3,155,073	-	-	-	3,155,073
Receivables (net of allowance for uncollectibles)					
Taxes receivable	10,646,691	-	-	-	10,646,691
Accounts receivable	127,924	-	-	-	127,924
Due from other governmental units	1,190,548	-	-	-	1,190,548
Due from component units	902,122	-	-	-	902,122
Prepaid items and other assets	9,317	25,000	-	-	34,317
Total assets	24,963,546	1,209,597	485,073	274,608	26,932,824
LIABILITIES					
Accounts payable	715,290	16,257	624	-	732,171
Accrued liabilities	252,825	-	-	-	252,825
Unearned revenue	1,590,428	-	34,098	-	1,624,526
Total liabilities	2,558,543	16,257	34,722	-	2,609,522
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	10,668,038	-	-	-	10,668,038
Unavailable revenue - opioid settlement	143,675	-	-	-	143,675
Total deferred inflows of resources	10,811,713	-	-	-	10,811,713
FUND BALANCES					
Nonspendable	9,317	25,000	-	-	34,317
Restricted	-	1,168,340	450,351	-	1,618,691
Committed:					
Debt service funds	-	-	-	274,608	274,608
Unassigned	11,583,973	-	-	-	11,583,973
Total fund balance	11,593,290	1,193,340	450,351	274,608	13,511,589
Total liabilities, deferred inflows of resources and fund balance	\$ 24,963,546	\$ 1,209,597	\$ 485,073	\$ 274,608	\$ 26,932,824

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

COUNTY OF ESSEX, VIRGINIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2025

Exhibit 4

Total governmental fund balance \$ 13,511,589

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

Capital and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details are as follows:

Capital assets, cost	37,685,213	
Accumulated depreciation and amortization	(19,936,621)	17,748,592

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. Details are as follows:

Unavailable revenue - property taxes	2,148,098	
Unavailable revenue - opioid settlement	143,675	
Net OPEB Asset	25,071	
Net pension asset	3,161,775	5,478,619

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

Pension related items	584,332	
OPEB related items	79,987	664,319

Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds. Details are as follows:

Lease revenue bonds	(1,620,000)	
General obligation bonds	(7,410,726)	
Bond premiums	(307,576)	
Capital financing	(123,005)	
Accrued interest payable	(107,828)	
Compensated absences	(547,925)	
Lease liabilities	(114,475)	
Net OPEB liabilities	(227,425)	(10,458,960)

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

Pension related items	(694,390)	
OPEB related items	(74,857)	(769,247)

Net position of governmental activities	\$	26,174,912
---	----	------------

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

COUNTY OF ESSEX, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2025

Exhibit 5

	General	Capital Projects	Special Revenue	Debt Service	Total Governmental Funds
REVENUES					
Property taxes	\$ 16,978,626	\$ -	\$ -	\$ -	\$ 16,978,626
Other local taxes	3,370,888	-	-	-	3,370,888
Permits, privilege fees, and regulatory licenses	107,091	-	-	-	107,091
Fines and forfeitures	16,628	-	-	-	16,628
Revenue from the use of money and property	582,065	-	4,503	-	586,568
Charges for services	605,627	-	-	-	605,627
Miscellaneous	73,476	-	14,216	-	87,692
Recovered costs	18,200	-	-	-	18,200
Intergovernmental:					
School Board	-	1,165,792	-	-	1,165,792
Commonwealth	6,589,979	-	-	-	6,589,979
Federal	1,588,274	-	-	-	1,588,274
Total revenues	29,930,854	1,165,792	18,719	-	31,115,365
EXPENDITURES					
Current:					
General government administration	3,870,101	-	-	-	3,870,101
Judicial administration	939,138	-	-	-	939,138
Public safety	6,111,511	-	3,696	-	6,115,207
Public works	2,850,663	-	-	51,638	2,902,301
Health and welfare	4,007,151	-	-	-	4,007,151
Education	6,237,058	-	-	-	6,237,058
Parks, recreation, and cultural	517,180	-	-	-	517,180
Community development	177,611	-	-	41,387	218,998
Capital projects	-	1,048,828	-	-	1,048,828
Debt service:					
Principal	31,696	-	-	2,265,846	2,297,542
Interest	1,479	-	-	728,327	729,806
Total expenditures	24,743,588	1,048,828	3,696	3,087,198	28,883,310
Excess (deficiency) of revenues over (under) expenditures	5,187,266	116,964	15,023	(3,087,198)	2,232,055
OTHER FINANCING SOURCES (USES)					
Transfers in	-	353,284	-	3,087,198	3,440,482
Transfers out	(3,440,482)	-	-	-	(3,440,482)
Leases	75,498	-	-	-	75,498
Total other financing sources (uses)	(3,364,984)	353,284	-	3,087,198	75,498
Net change in fund balance	1,822,282	470,248	15,023	-	2,307,553
Fund balance - beginning	9,771,008	723,092	435,328	274,608	11,204,036
Fund balance - ending	\$ 11,593,290	\$ 1,193,340	\$ 450,351	\$ 274,608	\$ 13,511,589

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

COUNTY OF ESSEX, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2025

Exhibit 6

Net change in fund balance - Governmental funds \$ 2,307,553

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization expense. Details are as follows:

Capital asset additions	1,512,748	
Capital asset disposals	(3,239)	
Depreciation expense	<u>(1,372,526)</u>	136,983

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

Opioid settlement	(53,888)	
Property taxes	<u>(22,164)</u>	(76,052)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details are as follows:

Issuance of lease	(75,498)	
Principal retired on lease revenue bonds	1,310,000	
Principal retired on capital financing	38,493	
Principal retired on lease liabilities	31,695	
Principal retired on school general obligation bonds	917,353	
Amortization of bond premium	<u>118,322</u>	2,340,365

Certain 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. Details are as follows:

Change in compensated absences	19,353	
Changed in accrued interest payable	20,153	
Pension expense	659,290	
OPEB expense	<u>26,568</u>	725,364

Change in net position of governmental activities \$ 5,434,213

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

COUNTY OF ESSEX, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

Exhibit 7

	<u>Custodial Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 80,381
<hr/>	
Total assets	80,381
<hr/>	
<u>NET POSITION</u>	
Restricted for:	
Individuals	28,276
Employees	52,105
<hr/>	
Total net position	<u>\$ 80,381</u>

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

COUNTY OF ESSEX, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended June 30, 2025

Exhibit 8

	<u>Custodial Funds</u>
<u>ADDITIONS</u>	
Contributions:	
Participant fees	\$ 60,569
Miscellaneous	8,381
	<hr/>
Total additions	68,950
	<hr/>
<u>DEDUCTIONS</u>	
Recipient payments	56,969
	<hr/>
Total deductions	56,969
	<hr/>
Change in net position	11,981
Net position - beginning	68,400
	<hr/>
Net position - end of year	\$ 80,381
	<hr/> <hr/>

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Essex, 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 Essex, 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.

Government-Wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

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.

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 Essex (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 substantially separate from the government.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the County of Essex. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board 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 Essex County Economic Development Authority (EDA) 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.

Essex County Airport Authority was created by legislation of the Commonwealth of Virginia's General Assembly in 1988 and is charged with providing an airport accessible to the County of Essex in the vicinity of the Town of Tappahannock. The 1988 legislation was amended by the General Assembly in 2012 to remove the Town of Tappahannock as a participating member of the Authority. Said amendments reduced the Authority's board members from 7 to 5, all of which are appointed by the County of Essex's Board of Supervisors. In addition, the name of the Authority was changed from Tappahannock-Essex Airport Authority to Essex County Airport Authority. The Authority issues a separate financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.).

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 statements.

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

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The following are the County's major governmental funds:

General Fund – The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial 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. The General Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Fund – The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for county and school capital outlays.

Debt Service Fund – The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County Special Revenue Fund reports the operations of the law library, forfeited assets, Glebe Fund, and debt service reserve transactions.

Fiduciary Funds

Trust and Custodial Funds – accounts for assets held by the County in a trustee capacity or as a custodian for individuals, private organizations, or other governmental units. These funds include Custodial Funds. Custodial Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements. The County's Custodial Funds include amounts held for others in a fiduciary capacity, which includes the following funds: Special Welfare Fund, County Flex Spending and Health Reimbursement Account Fund, and the School Flex Spending and Health Reimbursement Account Fund.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Component Unit

The Essex County School Board has the following funds:

Governmental Fund:

School Operating Fund – This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Essex, and state and federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

Special Revenue Funds:

School Cafeteria Fund – This fund is the operating fund of the school cafeteria and accounts for all revenues and expenditures applicable to the general operations of the school nutrition system. Revenues are derived primarily from charges for services and state and federal grants. The School Cafeteria Fund is considered a major fund of the School Board for financial reporting purposes.

School Activity Fund – School activity funds include all funds received from extracurricular school activities, such as entertainment, athletic contests, club dues, fundraisers, etc., and from all activities of the school involving personnel, students, or property. The School Activity Fund is considered a major fund of the School Board for financial reporting purposes.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposits (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “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., the noncurrent portions of the 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 \$301,550 at June 30, 2025 and is comprised solely of property taxes.

Real and Personal Property Tax Data

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	December 5 / June 5 (50% each date)	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

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 Component Unit School Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

As the County, Component Unit School Board, or Component Unit Airport Authority constructs or acquires 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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 units, are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	10 - 40
Furniture, vehicles, office and computer equipment	5 - 20
Buses	10
Infrastructure	10 - 20
Lease building	3 - 10
Lease equipment	3 - 5
Intangibles	20

Leases

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 Judgements

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 and subscription payments.

- The County uses the interest rate stated in lease or subscription contracts. When the interest rate is not provided or the implicit rate cannot be readily determined, the County uses its estimated incremental borrowing rate as the discount rate for leases and subscriptions.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

- 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 and subscriptions. The County will remeasure the lease receivable and deferred inflows of resource (lessor), 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.

Compensated Absences

The Board recognizes a liability for compensated absences that meets the criteria outlined in GASB Statement No. 101. A liability is recognized when leave is attributable to services already rendered, accumulates and carries forward, and it is more likely than not that the leave will be used or paid in the future. The measurement of the liability is based on the employees' pay rates at the end of the reporting period.

The County and School Board recognized a total compensated absence liability of \$547,925 and \$1,263,776, respectively, at June 30, 2025. The compensated absence liability is classified as a long term liability in the government-wide statements. Key factors influencing the assessment of the "more likely than not" criteria include the government's established leave policies, historical data regarding employee usage and forfeiture of leave, and retirement benefits.

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.

Fund Balance

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

Nonspendable fund balance – amounts that are 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);

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Restricted fund balance – amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;

Committed fund balance – amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;

Assigned fund balance – amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

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

The details of governmental fund balances, can be found on the balance sheet, as noted in the table in the contents.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Other Post Employment Benefits

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 Group Life Insurance (GLI), Health Insurance Credit (HIC), and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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

Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost. Prepaid expenditures in governmental funds are reported as nonspendable fund balance.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year or paid out within 60 days of year end. Loans and leases are recognized on the fund financial statements when due. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 two items that qualify 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 two types of 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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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 of accounting, second-half property tax installments levied during the fiscal year but due after June 30, along with any prepayments received for those installments, are reported as deferred inflows of resources. In addition, certain items related to pension, OPEB, leases, and opioid are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

Inventory

Inventory in the Component Unit Airport consists of fuel held for resale, which is valued at cost

New Accounting Policies

The County adopted Governmental Accounting Standards Board's Statement No. 101, *Compensated Absences* on July 1, 2024. This statement's objective is to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences.

The County adopted Governmental Accounting Standards Board's Statement No. 102, *Certain Risk Disclosures* on July 1, 2024. This statement's objective is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

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. The special revenue fund has no legally adopted budget.
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. The School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTING (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, the County Capital Improvements Fund and the Debt Service Fund of the primary government and the School Operating Fund and School Cafeteria 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 of expenditures over appropriations:

Expenditures exceeded appropriations in the Capital Projects fund at June 30, 2025. The School Board didn't adopt a budget for the Student Activity Fund for the year ended June 30, 2025, and therefore the expenditures of \$219,412 for the fiscal year exceeded appropriations.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and Investments

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

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 Standard & Poor's rating scale.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 3,155,073

Interest Rate Risk

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 3,155,073	\$ 3,155,073

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 4 – DUE FROM/TO OTHER GOVERNMENTS

As of June 30, 2025, the County has receivables from governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 479,321	\$ -
Rolling stock tax	35	-
Mobile home titling tax	21,154	-
State sales tax	-	305,414
Constitutional officer reimbursements	131,609	-
Domestic violence	3,462	-
Emergency management	13,316	-
Auto rental tax	66	-
Children's services act	176,214	-
Welfare	35,282	-
Opioid settlement	155,378	-
Communications tax	36,462	-
Victim witness	5,161	-
Wireless grant	43,606	-
Sustainable land grant	8,519	-
Federal Government:		
School education grants	-	354,822
School nutrition grants	-	13,306
Welfare	72,575	-
Victim witness	5,326	-
Refuge revenue sharing	3,062	-
Total due from other governments	\$ 1,190,548	\$ 673,542

As of June 30, 2025, the County has receivables from component units as follows:

	Primary Government	Component Unit School Board
Amounts due from component units are as follows:		
Essex County School Board	\$ 902,122	\$ -
Total due to other governments	\$ 902,122	\$ -

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 4 – DUE FROM/TO OTHER GOVERNMENTS (Continued)

As of June 30, 2025, the County has amounts due to the local governments as follows:

	Primary Government	Component Unit School Board
Amounts due to local governments are as follows:		
County of Essex, VA	\$ -	\$ 902,122
Total due to other governments	\$ -	\$ 902,122

NOTE 5 – INTERFUND TRANSFERS

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

Fund	Transfers In	Transfers Out
Primary Government:		
General	\$ -	\$ 3,440,482
Capital Projects	353,284	-
Debt Service	3,087,198	-

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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 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:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land and land improvements	\$ 1,149,371	\$ -	\$ (500)	\$ 1,148,871
Construction in progress	384,076	828,803	-	1,212,879
Total capital assets, not depreciated	1,533,447	828,803	(500)	2,361,750
Capital assets being depreciated and/or amortized:				
Buildings and improvements	4,398,767	77,958	(5,000)	4,471,725
Equipment	9,856,832	537,203	(50,189)	10,343,846
Lease building	307,037	60,491	(255,631)	111,897
Lease equipment	34,239	8,293	(4,837)	37,695
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	17,550,952	-	-	17,550,952
Total capital assets, depreciated or amortized	34,955,175	683,945	(315,657)	35,323,463
Less accumulated depreciation and amortization for:				
Buildings and improvements	(2,518,975)	(129,433)	4,000	(2,644,408)
Equipment	(6,853,372)	(762,358)	48,450	(7,567,280)
Lease building	(253,835)	(18,582)	255,631	(16,786)
Lease equipment	(16,943)	(7,582)	4,837	(19,688)
Intangibles	(1,813,115)	(56,813)	-	(1,869,928)
Jointly owned assets	(7,420,773)	(397,758)	-	(7,818,531)
Total accumulated depreciation and amortization	(18,877,013)	(1,372,526)	312,918	(19,936,621)
Net capital assets being depreciated and amortized	16,078,162	(688,581)	(2,739)	15,386,842
Governmental capital assets, net	\$17,611,609	\$ 140,222	\$ (3,239)	\$17,748,592

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 6 – CAPITAL ASSETS (Continued)

Component Unit-School Board:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Construction in progress	13,280	160,921	(159,546)	14,655
Total capital assets, not depreciated	56,102	160,921	(159,546)	57,477
Capital assets being depreciated and/or amortized:				
Buildings and improvements	1,921,359	-	-	1,921,359
Equipment	9,204,214	470,753	(19,000)	9,655,967
Lease equipment	201,582	-	-	201,582
Jointly owned assets	27,848,801	-	-	27,848,801
Total capital assets, depreciated or amortized	39,175,956	470,753	(19,000)	39,627,709
Less accumulated depreciation and amortization for:				
Buildings and improvements	(77,618)	(89,388)	-	(167,006)
Equipment	(4,704,523)	(1,031,429)	19,000	(5,716,952)
Lease equipment	(67,728)	(38,397)	-	(106,125)
Jointly owned assets	(11,774,840)	(631,139)	-	(12,405,979)
Total accumulated depreciation and amortization	(16,624,709)	(1,790,353)	19,000	(18,396,062)
Net capital assets being depreciated and amortized	22,551,247	(1,319,600)	-	21,231,647
Component unit school board capital assets, net	\$22,607,349	\$ (1,158,679)	\$ (159,546)	\$21,289,124

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 6 – CAPITAL ASSETS (Continued)

Component Unit-Airport	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land and land improvements	\$ 4,774,900	\$ -	\$ -	\$ 4,774,900
Construction in progress	15,849	158,881	-	174,730
Total capital assets, not depreciated	4,790,749	158,881	-	4,949,630
Capital assets being depreciated and/or amortized:				
Improvements other than buildings	576,503	-	-	576,503
Buildings	4,096,677	-	-	4,096,677
Infrastructure	6,651,863	-	-	6,651,863
Furniture	25,799	-	-	25,799
Equipment	25,803	-	-	25,803
Total capital assets, depreciated or amortized	11,376,645	-	-	11,376,645
Less accumulated depreciation and amortization for:				
Improvements other than buildings	(432,459)	(28,825)	-	(461,284)
Buildings	(1,959,072)	(136,556)	-	(2,095,628)
Infrastructure	(5,539,045)	(341,278)	-	(5,880,323)
Furniture	(25,799)	-	-	(25,799)
Equipment	(25,023)	(780)	-	(25,803)
Total accumulated depreciation and amortization	(7,981,398)	(507,439)	-	(8,488,837)
Net capital assets being depreciated and amortized	3,395,247	(507,439)	-	2,887,808
Component unit airport capital assets, net	\$ 8,185,996	\$ (348,558)	\$ -	\$ 7,837,438

Depreciation expense for the year ended June 30, 2025 was charged to the following functions/programs:

Primary Government:	
Governmental activities:	
General government administration	\$ 616,136
Judicial administration	63,862
Public safety	221,344
Public works	65,772
Education	397,758
Parks, recreation, and cultural	7,654
Total Governmental activities	\$ 1,372,526
Total Component Unit-School Board	\$ 1,790,353
Total Component Unit-Airport	\$ 507,439

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG-TERM OBLIGATIONS

Primary Government

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

	Balance at 30-Jun-24 (restated)	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 567,278	\$ -	\$ 19,353	\$ 547,925	\$ 54,800
Net OPEB liabilities	252,489	105,840	130,904	227,425	-
Capital financing activities	161,498	-	38,493	123,005	39,721
Lease liabilities	70,672	75,498	31,695	114,475	22,365
Direct borrowings and placements:					
Lease revenue bonds	1,127,901	-	476,786	651,115	317,519
Add deferred amounts:					
For issuance premium	117,725	-	39,242	78,483	-
Total incurred by County	2,297,563	181,338	736,473	1,742,428	434,405
Incurred by School Board:					
Direct borrowings and placements:					
General obligation bonds	8,328,079	-	917,353	7,410,726	920,895
Add deferred amounts:					
For issuance premium	308,173	-	79,080	229,093	-
Lease revenue bonds	1,802,099	-	833,214	968,885	472,481
Total incurred by School Board	10,438,351	-	1,829,647	8,608,704	1,393,376
Total Governmental Activities Obligations, Primary Government	\$ 12,735,914	\$ 181,338	\$ 2,566,120	\$ 10,351,132	\$ 1,827,781

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

Year Ending June 30	County Obligations				
	Direct Borrowings and Direct Placements				Capital Financing Activities
	Lease Revenue Bonds		Principal	Interest	
	Principal	Interest			
2026	\$ 317,519	\$ 25,233	\$ 39,721	\$ 3,924	
2027	333,596	8,548	40,988	2,657	
2028	-	-	42,296	1,349	
Total	\$ 651,115	\$ 33,781	\$ 123,005	\$ 7,930	

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 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	County Obligations	
	Lease Liabilities	
	Principal	Interest
2026	\$ 22,365	\$ 2,767
2027	22,411	2,130
2028	18,183	1,568
2029	19,018	1,092
2030	19,884	596
Thereafter	12,614	120
Total	\$ 114,475	\$ 8,273

School Obligations

Year Ending June 30	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 920,895	\$ 173,496	\$ 472,481	\$ 37,548
2027	924,621	154,769	496,404	12,720
2028	1,473,545	124,810	-	-
2029	1,125,555	89,870	-	-
2030	1,150,556	66,404	-	-
2031 - 2032	1,815,554	58,012	-	-
Total	\$ 7,410,726	\$ 667,361	\$ 968,885	\$ 50,268

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Primary Government (Continued)

Details of Long-term Obligations:

	Notes	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurred by the County:							
Compensated absences						\$ 547,925	\$54,800.00
Net OPEB liabilities						227,425	-
Lease liabilities:							
Office space - 318 S Church Lane		2.53%	3/1/2024	2/28/2027	51,406	96,552	15,738
Copier - County Administration		4.04%	7/1/2023	6/30/2027	17,727	9,189	4,502
Copier - Social Services		2.89%	7/10/2025	7/9/2030	8,293	8,147	1,538
Mailing equipment - County Administration		1.34%	7/1/2021	6/30/2026	3,628	587	587
Total lease liabilities						114,475	22,365
Direct borrowings and placements:							
<u>Lease Revenue Bonds:</u>							
Public facility lease revenue refunding bond \$651,115, plus unamortized premium of \$78,483	(a) (b)	5.125%	11/18/2020	10/1/2026	\$2,313,767	729,598	317,519
Other long-term debt							
<u>Capital Financing Activities:</u>							
EMS communications equipment		3.19%	9/1/2017	9/1/2027	\$ 368,716	123,005	39,721
Total long-term obligations incurred by the County						\$ 1,742,428	\$ 434,405
Incurred by the School Board:							
Direct borrowings and placements:							
<u>General Obligation Bonds:</u>							
VPSA Bond Outstanding	(c)	4.00%	11/1/2007	7/15/2027	\$6,919,103	\$ 1,107,393	\$ 365,339
VPSA Bond Outstanding	(d)	4.25%	12/15/2011	12/1/2030	10,000,000	3,333,333	555,556
VPSA Bond \$2,970,000, plus unamortized premium of \$99,308	(d)	4.26%	5/10/2012	7/15/2031	2,970,000	3,069,308	-
<u>Lease Revenue Bonds:</u>							
Public facility lease revenue refunding bond \$968,885, plus unamortized premium of \$129,785	(a) (b)	5.125%	11/18/2020	10/1/2026	\$3,826,233	1,098,670	472,481
Total general obligation and lease revenue bonds						8,608,704	1,393,376
Total direct borrowings and placements						8,608,704	1,393,376
Total long-term obligations incurred by School Board, payable from the General Fund						\$ 8,608,704	\$ 1,393,376
Total outstanding debt- governmental activities						\$ 10,351,132	\$ 1,827,781

- (a) Title to leased real estate and improvements are held by the County. E-911 communications and park land acquisition purchased.
- (b) In the event of default, VRA may declare all unpaid rental payments due and payable, may take possession of real estate and improvements and sell, lease or sublease property to satisfy the rental payments due to VRA. Bonds maturing on or after November 1, 2022, may be redeemed in whole or in part after November 1, 2021 without penalty.
- (c) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments on this bond are not subject to redemption or prepayment.
- (d) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments are not subject to prepayment prior to their stated maturities without the prior written consent of the VPSA.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Component Unit School Board

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

	Balance at 30-Jun-24 (restated)	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Component Unit-School Board					
Compensated absences	\$ 1,164,746	\$ 99,030	\$ -	\$ 1,263,776	\$ 126,400
Net pension liabilities	9,059,016	3,454,846	5,449,897	7,063,965	-
Net OPEB liabilities	1,611,354	382,178	714,586	1,278,946	-
Lease liabilities	130,652	-	40,000	90,652	41,149
Total Component Unit-School Board	\$ 11,965,768	\$ 3,936,054	\$ 6,204,483	\$ 9,697,339	\$ 167,549

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

Year Ending June 30	Component Unit - School Board	
	Lease Liabilities	
	Principal	Interest
2026	\$ 41,149	\$ 2,039
2027	42,331	857
2028	7,172	25
Total	\$ 90,652	\$ 2,921

Details of Long-Term Obligations

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurring by the Component Unit School Board						
Compensated absences					\$ 1,263,776	\$ 126,400
Net pension liability					7,063,965	-
Net OPEB liabilities					1,278,946	-
Lease liabilities:						
Copiers - Instruction	2.84%	9/26/2022	12/25/2027	\$ 181,424	81,587	37,034
Copiers - Administration	2.84%	9/26/2022	12/25/2027	20,158	9,065	4,115
Total lease liabilities					90,652	41,149
Total long-term obligations - Component Unit School Board					\$ 9,697,339	\$ 167,549

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Component Unit Airport

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

	Balance at June 30, 2024	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2025	Amounts Due Within One Year
Component Unit-Airport					
Direct borrowing and placement revenue bond	\$ 551,392	\$ -	\$ 66,124	\$ 485,268	\$ 33,354
Total Component Unit-Airport	\$ 551,392	\$ -	\$ 66,124	\$ 485,268	\$ 33,354

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

Year Ending June 30	Component Unit - Airport	
	Revenue Bond	
	Principal	Interest
2026	\$ 33,354	\$ 2,665
2027	67,299	5,129
2028	68,094	4,334
2029	68,898	3,530
2030	69,713	\$ 2,715
2031 - 2032	177,910	3,160
Total	\$ 485,268	\$ 21,533

Details of Long-Term Obligations

\$1,272,000 taxable revenue bond dated March 21, 2007, originally at 4.54% interest reset to 1.18% on November 16, 2020, due in semi-annual combined principal and interest installments of \$72,428 beginning January 1, 2021 through July 1, 2032. In the event of default, the principal of this bond may be declared immediately due and payable by the registered owner of the bond by written notice to the Airport Authority. Outstanding balance as of June 30, 2025 is \$485,268.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 8 – LEASES RECEIVABLE

The Component Unit Airport leases land to a tenant under a lease contract. In fiscal year 2025, the Airport recognized principal and interest revenue in the amount of \$1,098 and \$92, respectively. A description of the lease is as follows:

Lease Description	Interest Rate	Annual Installments	Start Date	End Date	Payment Frequency	Ending Balance
Farmland	1.77%	\$ 1,200	2021	2029	Annual	\$ 4,593

There are no variable payments for the lease receivable above.

Expected future payments at June 30, 2025 are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$ 1,118	\$ 82	\$ 1,200
2027	1,138	62	1,200
2028	1,158	42	1,200
2029	1,179	20	1,199
Total	\$ 4,593	\$ 206	\$ 4,799

NOTE 9 – DEFERRED/UNAVAILABLE REVENUE

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, assessments for future periods are deferred. At June 30, 2025, deferred and unavailable revenue are reported as follows:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for funding of current expenditures	\$ -	\$ 2,148,098
2nd half assessments due in December 2025	8,179,956	8,179,956
Prepaid property taxes due in December 2025 but paid in advance by June 30, 2025	339,984	339,984
	\$ 8,519,940	\$ 10,668,038

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

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

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

NOTE 11 – LITIGATION

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

NOTE 12 – RISK MANAGEMENT

The County and Component Units are exposed to various risks of loss related to torts; theft of and or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County, Component Unit School Board, and Component Units EDA and Airport Authority participate with other localities in a public entity risk pool for their coverage of worker's compensation public officials' liability with VACORP. The County, Component Unit School Board, and Component Units EDA and Airport Authority pay an annual premium to the pool for general insurance through member premiums. The County, Component Unit School Board, and Component Units EDA and Airport Authority continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 – PENSION PLANS

POLITICAL SUBDIVISION

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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Benefit Structures

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

- a. Employees with a membership date before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees with a membership date from July 1, 2010, to December 31, 2013, that have not taken a refund or employees with a membership date prior to July 1, 2010, and not vested before January 1, 2013, are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees with a membership date on or after January 1, 2014, are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 –April 30, 2014, with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit 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.

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Average Final Compensation

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

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

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	69	45
Inactive members:		
Vested inactive members	19	7
Non-vested inactive members	41	18
Inactive members active elsewhere in VRS	65	7
Total inactive members	194	77
Active members	93	35
Total covered employees	287	112

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2025 was 6.83% 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 \$382,324 and \$309,501 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 7.46% 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 \$61,147 and \$55,696 for the years ended June 30, 2025 and June 30, 2024, respectively.

Net Pension Liability (Asset)

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

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.35%
Investment Rate of Return	6.75%, net of pension plan investment expenses, including inflation

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Actuarial Assumptions – 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 as a result of the experience study and VRS Board action are shown in the chart below:

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

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

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

**Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits
 (Continued)**

Post-Retirement:

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

Post-Disablement:

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

Beneficiaries and Survivors:

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

Mortality Improvement:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Long-term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2024	\$ 19,073,472	\$ 21,883,739	\$ (2,810,267)
Changes for the year:			
Service cost	679,852	-	679,852
Interest	1,291,637	-	1,291,637
Changes of assumptions	-	-	-
Differences between expected and actual experience	314,234	-	314,234
Contributions - employer	-	309,502	(309,502)
Contributions - employee	-	243,031	(243,031)
Net investment income	-	2,098,663	(2,098,663)
Benefit payments, including refunds of employee contributions	(1,235,936)	(1,235,936)	-
Administrative expenses	-	(14,377)	14,377
Other changes	-	412	(412)
Net changes	1,049,787	1,401,295	(351,508)
Balances at June 30, 2025	\$ 20,123,259	\$ 23,285,034	\$ (3,161,775)

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

Changes in Net Pension Liability (Asset) (Continued)

	<u>Component Unit-School Board (Nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2024	\$ 4,936,726	\$ 4,882,219	\$ 54,507
Changes for the year:			
Service cost	68,419	-	68,419
Interest	325,106	-	325,106
Changes of assumptions	-	-	-
Differences between expected and actual experience	126,362	-	126,362
Contributions - employer	-	58,541	(58,541)
Contributions - employee	-	35,982	(35,982)
Net investment income	-	463,045	(463,045)
Benefit payments, including refunds of employee contributions	(377,531)	(377,531)	-
Administrative expenses	-	(3,272)	3,272
Other changes	-	90	(90)
Net changes	142,356	176,855	(34,499)
Balances at June 30, 2025	\$ 5,079,082	\$ 5,059,074	\$ 20,008

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:

	<u>Rate</u>		
	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
County's			
Net Pension Liability (Asset)	\$ (667,575)	\$ (3,161,775)	\$ (5,205,748)
Component Unit School Board's (Nonprofessional)			
Net Pension Liability (Asset)	\$ 507,100	\$ 20,008	\$ (398,298)

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

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

For the year ended June 30, 2025, the County and Component Unit School Board (nonprofessional) recognized pension (gain)/expense of (\$276,965) and \$23,382, 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	\$ 202,008	\$ 87,856	\$ 60,889	\$ -
Net difference between projected and actual earnings	-	606,534	-	140,227
Employer contributions subsequent to measurement date	382,324	-	61,147	-
Total	\$ 584,332	\$ 694,390	\$ 122,036	\$ 140,227

\$382,324 and \$61,147 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 (increase) of the Net Pension Liability (Asset) in the subsequent fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2026	\$ (504,444)	\$ (67,053)
2027	259,734	41,873
2028	(118,661)	(25,528)
2029	(129,011)	(28,630)
Total	\$ (492,382)	\$ (79,338)

**COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025**

NOTE 13 – PENSION PLANS (Continued)

POLITICAL SUBDIVISION (CONTINUED)

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)

Pensions

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the VRS Teacher Retirement Plan’s fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, 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.

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer contribution rate for the year ended June 30, 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 \$1,135,964 and \$1,265,691 for the years ended June 30, 2025 and June 30, 2024, respectively.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL) (Continued)

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

At June 30, 2025, the school division reported a liability of \$7,043,956 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 as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division's proportion was 0.07504% as compared to 0.08909% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized pension expense of \$23,382. 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, 2023 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2025, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,222,027	\$ 145,040
Change in assumptions	127,857	-
Net difference between projected and actual earnings	-	969,605
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,760	1,194,172
Employer contributions subsequent to measurement date	1,135,964	-
Total	\$ 2,531,608	\$ 2,308,817

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL) (Continued)

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

\$1,135,964 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the subsequent fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30	
2026	\$ (745,452)
2027	274,121
2028	(172,182)
2029	(269,660)
Total	\$ (913,173)

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

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

NOTE 13 – PENSION PLANS (Continued)

COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL) (Continued)

Actuarial Assumptions (Continued)

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

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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL) (Continued)

Net Pension Liability

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

	Teacher Employee Retirement Plan (In thousands)
Total Pension Liability	\$ 60,622,260
Plan Fiduciary Net Position	51,235,326
Employer’s Net Pension Liability	\$ 9,386,934
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 information previously described also apply to this plan.

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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 112% of the actuarially determined contribution rate. From July 1, 2024, on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 13 – PENSION PLANS (Continued)

PRIMARY GOVERNMENT AND COMPONENT UNIT SCHOOL BOARD

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

	Rate		
	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 13,086,289	\$ 7,043,956	\$ 2,095,477

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			
	Net Pension Asset	Deferred Outflow s	Deferred Inflow s	Pension (Gain)/Expense	Net Pension Liability	Deferred Outflow s	Deferred Inflow s	Pension (Gain)/Expense
VRS Pension Plans:								
Primary Government	\$ 3,161,775	\$ 584,332	\$ 694,390	\$ (276,965)	\$ -	\$ -	\$ -	\$ -
School Board (Nonprofessional)	-	-	-	-	20,008	122,036	140,227	23,382
School Board (Professional)	-	-	-	-	7,043,956	2,531,608	2,308,817	279,755
Totals:	\$ 3,161,775	\$ 584,332	\$ 694,390	\$ (276,965)	\$ 7,063,964	\$ 2,653,644	\$ 2,449,044	\$ 303,137

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) OPEB PLAN

Group Life Insurance

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. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's 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.

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS 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 Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured 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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) OPEB PLAN (CONTINUED)

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 the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the County were \$26,309 and \$28,252 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 \$37,572 and \$43,382 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$3,880 and \$4,495 for the years ended June 30, 2025 and June 30, 2024, respectively.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) 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

At June 30, 2025, the County reported a liability of \$227,425 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$349,172 and \$36,156, 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 GLI Plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the County's proportion was 0.02038% as compared to 0.02161% at June 30, 2023. At June 30, 2024, the Component Unit School Board professional and nonprofessional groups' proportions were 0.03129% and 0.00324%, respectively as compared to 0.03769% and 0.00347%, respectively at June 30, 2023.

For the year ended June 30, 2025, the County recognized GLI OPEB expense of \$5,742. For the year ended June 30, 2025, the Component Unit School Board professional group recognized GLI OPEB expense (gain) of \$(15,458). For the year ended June 30, 2025, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$426. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) 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)

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

	Primary Government		Component Unit School Board (Nonprofessional)		Component Unit School Board (Professional)	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience	\$ 35,870	\$ 5,555	\$ 5,703	\$ 883	\$ 55,072	\$ 8,529
Net difference between projected and actual earnings	-	19,170	-	3,048	-	29,432
Change in assumptions	1,296	11,271	206	1,792	1,990	17,304
Changes in proportionate share	14,491	21,012	6,485	4,174	3,829	81,481
Employer contributions subsequent to the measurement date	26,309	-	3,880	-	37,572	-
Total	\$ 77,966	\$ 57,008	\$ 16,274	\$ 9,897	\$ 98,463	\$ 136,746

\$26,309, \$37,572, and \$3,880 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, respectively, will be recognized as a reduction of the Net GLI OPEB Liability in the subsequent 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 (Nonprofessional)	Component Unit School Board (Professional)
2026	\$ (8,946)	\$ (1,479)	\$ (34,925)
2027	6,064	1,484	(8,855)
2028	(2,023)	926	(15,165)
2029	(1,749)	1,422	(10,746)
2030	1,303	144	(6,164)
Total	\$ (5,351)	\$ 2,497	\$ (75,855)

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) 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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) OPEB PLAN (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

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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) OPEB PLAN (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
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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) OPEB PLAN (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. 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):

	Plan (In thousands)
Total GLI OPEB Liability	\$ 4,196,055
Plan Fiduciary Net Position	3,080,133
Employer's Net GLI OPEB Liability	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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) 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 return of 7.07% (includes 2.50% inflation assumptions). 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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 14 – GROUP LIFE INSURANCE (GLI) 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		
	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 353,672	\$ 227,425	\$ 125,431
Component Unit School Board (Nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 56,227	\$ 36,156	\$ 19,941
Component Unit School Board (Professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 543,008	\$ 349,172	\$ 192,578

GLI Program Fiduciary Net Position

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB

Health Insurance Credit Program

The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to § 51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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 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 per month.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (CONTINUED)

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under the Line of Duty Act (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.

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

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 County and School Board’s contractually required employer contribution rate for the year ended June 30, 2025 was .03% and 1.93% of covered employee compensation, respectively. 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 County to the HIC Plan were \$691 and \$10,517 for the years ended June 30, 2025 and June 30, 2024, respectively. Contributions from the School Board to the HIC Plan were \$15,819 and \$15,787 for the years ended June 30, 2025 and June 30, 2024, respectively.

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive members or their beneficiaries currently receiving benefits	6	9
Vested inactive members	2	-
Inactive members active elsewhere in VRS	39	7
Active members	35	35
Total covered employees	82	51

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (CONTINUED)

Net HIC OPEB Liability

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

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.

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (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
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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (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. 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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (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 ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (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)

	Primary Government		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2024	\$ 50,591	\$ 57,274	\$ (6,683)
Changes for the year:			
Service cost	1,464	-	1,464
Interest	3,442	-	3,442
Differences between expected and actual experience	(6,847)	-	(6,847)
Contributions - employer	-	10,517	(10,517)
Contributions - employee	-	-	-
Net investment income	-	6,015	(6,015)
Benefit payments, including refunds of employee contributions	(2,133)	(2,133)	-
Administrative expenses	-	(85)	85
Net changes	(4,074)	14,314	(18,388)
Balances at June 30, 2025	\$ 46,517	\$ 71,588	\$ (25,071)

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (CONTINUED)

Changes in Net HIC OPEB Liability (Asset) (Continued)

	Component Unit-School Board (Nonprofessional)		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 69,746	\$ 29,827	\$ 39,919
Changes for the year:			
Service cost	1,009	-	1,009
Interest	4,629	-	4,629
Changes of assumptions	-	-	-
Differences between expected and actual experience	2,665	-	2,665
Contributions - employer	-	15,787	(15,787)
Contributions - employee	-	-	-
Net investment income	-	3,641	(3,641)
Benefit payments, including refunds of employee contributions	(4,353)	(4,353)	-
Administrative expenses	-	(53)	53
Net changes	3,950	15,022	(11,072)
Balances at June 30, 2025	\$ 73,696	\$ 44,849	\$ 28,847

Sensitivity of the County and School Board’s HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the County and School Board’s HIC Plan net HIC OPEB liability (asset) using the discount rate of 6.75%, as well as what the County and School Board’s net HIC OPEB 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		
	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Primary Government:			
Net HIC OPEB Liability (Asset)	\$ (19,860)	\$ (25,071)	\$ (29,457)
Component Unit School Board (Nonprofessional)			
Net HIC OPEB Liability	\$ 35,878	\$ 28,847	\$ 22,779

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (CONTINUED)

HIC OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2025, the County and School Board recognized HIC Program OPEB expense (gain) of (\$5,312) and (\$15,426). At June 30, 2025, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board’s HIC Plan 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	\$ 546	\$ 12,908	\$ 3,169	\$ 49,734
Net difference between projected and actual earnings	-	952	-	688
Change in assumptions	784	3,989	1,433	-
Employer contributions subsequent to measurement date	691	-	15,819	-
Total	\$ 2,021	\$ 17,849	\$ 20,421	\$ 50,422

\$691 and \$15,819 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board’s contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the Net HIC OPEB Liability in the subsequent 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	Primary Government	Component Unit School Board (Nonprofessional)
2026	\$ (7,898)	\$ (22,697)
2027	(4,153)	(23,334)
2028	(3,265)	418
2029	(1,203)	(207)
Total	\$ (16,519)	\$ (45,820)

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 15 – POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT (HIC) OPEB - (CONTINUED)

HIC Program 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 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) OPEB PLAN

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to § 51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (CONTINUED)

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides 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 as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2025 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was the final approved General Assembly rate, which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$96,729 and \$97,003 for the years ended June 30, 2025 and June 30, 2024, respectively.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (CONTINUED)

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

At June 30, 2025, the school division reported a liability of \$864,771 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC 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 Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the measurement date of June 30, 2024. The school division’s proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the school division’s proportion of the VRS Teacher Employee HIC Program was 0.07483% as compared to 0.08900% at June 30, 2023.

For the year ended June 30, 2025, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$11,901. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 40,971
Net difference between projected and actual earnings	-	3,079
Change in assumptions	14,898	-
Changes in proportionate share	7,708	193,705
Employer contributions subsequent to the measurement date	96,729	-
Total	\$ 119,335	\$ 237,755

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) 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)

\$96,729 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 subsequent 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:

Year Ended June 30		
2026	\$	(51,117)
2027		(39,947)
2028		(36,065)
2029		(35,282)
2030		(29,983)
Thereafter		(22,755)
Total	\$	(215,149)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Inflation	2.50%
Salary Increases, including inflation	3.50% - 5.95%
Investment Rate of Return	6.75%, net of pension plan 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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (CONTINUED)

Actuarial Assumptions (CONTINUED)

Mortality Rates – Teachers (CONTINUED)

Post-Disablement:

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

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement Scale:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) 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 (In thousands)
Total Teacher Employee HIC OPEB Liability	\$ 1,478,105
Plan Fiduciary Net Position	322,457
<u>Employer's Net HIC OPEB Liability</u>	<u>\$ 1,155,648</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	21.82%

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) 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 return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 For The Year Ended June 30, 2025**

NOTE 16 – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) OPEB PLAN (Continued)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2024, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2024 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

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

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

	Rate		
	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 983,461	\$ 864,771	\$ 764,171

Teacher Employee HIC Program Plan Data

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 <https://www.varetire.org/media/shared/pdf/publications/archive/2024-popular-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218- 2500.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 17 – SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT PLANS

PRIMARY GOVERNMENT AND COMPONENT UNIT SCHOOL BOARD

	Primary Government				Component Unit School Board			
	Net OPEB Liability (Asset)	Deferred Outflow s	Deferred Inflow s	OPEB Expense (Gain)	Net OPEB Liability	Deferred Outflow s	Deferred Inflow s	OPEB Expense (Gain)
VRS OPEB Plans:								
GLI Program (Note 14):								
County	\$ 227,425	\$ 77,966	\$ 57,008	\$ 5,742	\$ -	\$ -	\$ -	\$ -
School Board (Professional)	-	-	-	-	349,172	98,463	136,746	(15,458)
School Board (Nonprofessional)	-	-	-	-	36,156	16,274	9,897	426
County HIC Program (Note 15)	(25,071)	2,021	17,849	(5,312)	-	-	-	-
Teacher Nonprofessional HIC Program (Note 15)	-	-	-	-	28,847	20,421	50,422	(15,426)
Teacher HIC Program (Note 16)	-	-	-	-	864,771	119,335	237,755	11,901
Totals:	\$ 202,354	\$ 79,987	\$ 74,857	\$ 430	\$ 1,278,946	\$ 254,493	\$ 434,820	\$ (18,557)

NOTE 18 – SURETY BONDS

	<u>Amount</u>
Commonwealth of Virginia - Department of General Services, Division of Risk Management-Faithful Performance Bond:	
Christina A. Ambrose, Clerk of the Circuit Court	\$ 103,000
B. A. "Penny" Davis, Treasurer	400,000
Kristen Andrews Foster, Commissioner of the Revenue	3,000
Walter Holmes, Sherriff	30,000
U.S. Fidelity and Guaranty Company - Surety:	
Social Services Employees - Blanket Bonds	100,000
Commonwealth of Virginia, Division of Risk Management:	
County and Component Unit - School Board Employees	1,000,000

NOTE 19 – LINE OF DUTY ACT (LODA) (OPEB BENEFITS)

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

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 19 – LINE OF DUTY ACT (LODA) (OPEB BENEFITS) (Continued)

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 \$12,650.

NOTE 20 – UNEARNED REVENUE

The County and Component Unit School Board had the following unearned revenue balances as of June 30, 2025:

	Governmental Activities	
	General Fund	Special Revenue Fund
ARPA Grant	\$ 1,590,428	\$ -
FEMA Grant	-	34,098
Total	\$ 1,590,428	\$ 34,098

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year ended June 30, 2025, the County adopted GASB Statement No. 101, Compensated Absences. This adoption represents a change in accounting principle in accordance with GASB Statement No. 100, Accounting Changes and Error Corrections. The new standard requires updated recognition and measurement criteria for compensated absences liabilities and has been applied retrospectively by restating beginning balances for the earliest period presented as if the new principle had always been used. The effects of this change in accounting principle are as follows:

	Governmental Financial Statements	
	Governmental Activities	School Board
Net Position at June 30, 2024, as previously reported	\$ 20,808,907	\$ 15,022,388
Change in accounting principle relating to GASB 101	(68,208)	(939,467)
Net Position at June 30, 2024, as restated	<u>\$ 20,740,699</u>	<u>\$ 14,082,921</u>

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2025

NOTE 22 – SUBSEQUENT EVENTS

The County has evaluated events and transactions for potential recognition or disclosure through March 30, 2026, the date that the financial statements were available to be issued.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2025

Exhibit 9

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Property taxes	\$ 17,054,103	\$ 17,054,103	\$ 16,978,626	\$ (75,477)
Other local taxes	3,713,883	3,727,383	3,370,888	(356,495)
Permits, privilege fees, and regulatory licenses	178,050	178,050	107,091	(70,959)
Fines and forfeitures	35,000	35,000	16,628	(18,372)
Revenue from the use of money and property	457,000	457,000	582,065	125,065
Charges for services	557,200	557,200	605,627	48,427
Miscellaneous	145,975	150,395	73,476	(76,919)
Recovered costs	17,700	17,700	18,200	500
Intergovernmental:				
Commonwealth	5,544,366	6,467,764	6,589,979	122,215
Federal	1,509,620	1,509,620	1,588,274	78,654
Total revenues	29,212,897	30,154,215	29,930,854	(223,361)
EXPENDITURES				
General government administration	2,678,625	5,986,614	3,870,101	2,116,513
Judicial administration	1,087,005	1,094,918	939,138	155,780
Public safety	5,973,662	6,408,543	6,111,511	297,032
Public works	2,745,692	2,935,936	2,850,663	85,273
Health and welfare	5,219,485	5,219,485	4,007,151	1,212,334
Education	7,657,884	8,116,967	6,237,058	1,879,909
Parks, recreation, and cultural	573,798	564,816	517,180	47,636
Community development	180,126	192,403	177,611	14,792
Debt service:				
Principal retirement	31,696	31,696	31,696	-
Interest and other fiscal charges	-	-	1,479	(1,479)
Total expenditures	26,147,973	30,551,378	24,743,588	5,807,790
Excess (deficiency) of revenues over (under) expenditures	3,064,924	(397,163)	5,187,266	5,584,429
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,351,484)	(4,624,675)	(3,440,482)	1,184,193
Leases	-	-	75,498	75,498
Total other financing sources (uses)	(4,351,484)	(4,624,675)	(3,364,984)	1,259,691
Net change in fund balances	\$ (1,286,560)	\$ (5,021,838)	\$ 1,822,282	\$ 6,844,120
Fund balances - beginning	1,286,560	5,021,838	9,771,008	4,749,170
Fund balances - ending	\$ -	\$ -	\$ 11,593,290	\$ 11,593,290

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For The Year Ended June 30, 2025

Exhibit 10

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Revenue from the use of money and property	\$ -	\$ -	\$ 4,503	\$ 4,503
Miscellaneous	3,973	3,973	14,216	10,243
Total revenues	3,973	3,973	18,719	14,746
<u>EXPENDITURES</u>				
Public safety	4,196	4,196	3,696	500
Total expenditures	4,196	4,196	3,696	500
Excess (deficiency) of revenues over (under) expenditures	(223)	(223)	15,023	15,246
Net change in fund balances	\$ (223)	\$ (223)	\$ 15,023	\$ 15,246
Fund balances - beginning	223	223	435,328	435,105
Fund balances - ending	\$ -	\$ -	\$ 450,351	\$ 450,351

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PRIMARY GOVERNMENT
For The Measurement Dates Of June 30, 2015 Through June 30, 2024

Exhibit 11

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	\$ 679,852	\$ 637,155	\$ 557,762	\$ 483,333	\$ 493,214	\$ 503,727	\$ 508,171	\$ 526,189	\$ 491,937	\$ 453,060
Interest	1,291,637	1,249,663	1,227,750	1,114,619	1,120,160	1,079,088	1,056,949	1,029,933	974,990	909,667
Differences between expected and actual experience	314,234	(261,557)	(674,969)	(93,391)	(757,273)	18,877	(363,682)	(310,607)	(67,129)	203,064
Changes of assumptions	-	-	-	526,181	-	459,815	-	(72,213)	-	-
Benefit payments	(1,235,936)	(856,321)	(874,289)	(950,682)	(925,694)	(838,476)	(931,853)	(642,858)	(586,951)	(678,261)
Net change in total pension liability	1,049,787	768,940	236,254	1,080,060	(69,593)	1,223,031	269,585	530,444	812,847	887,530
Total pension liability - beginning	19,073,472	18,304,532	18,068,278	16,988,218	17,057,811	15,834,780	15,565,195	15,034,751	14,221,904	13,334,374
Total pension liability - ending (a)	\$ 20,123,259	\$ 19,073,472	\$ 18,304,532	\$ 18,068,278	\$ 16,988,218	\$ 17,057,811	\$ 15,834,780	\$ 15,565,195	\$ 15,034,751	\$ 14,221,904
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 309,502	\$ 301,545	\$ 310,549	\$ 294,839	\$ 315,987	\$ 313,261	\$ 350,265	\$ 349,601	\$ 363,638	\$ 339,491
Contributions - employee	243,031	249,620	227,382	213,742	198,819	188,624	187,734	187,550	188,815	176,928
Net investment income	2,098,663	1,345,325	(21,983)	4,629,487	324,455	1,084,332	1,149,759	1,716,731	244,353	612,807
Benefit payments	(1,235,936)	(856,321)	(874,289)	(950,682)	(925,694)	(838,476)	(931,853)	(642,858)	(586,951)	(678,261)
Administrator charges	(14,377)	(13,332)	(13,187)	(11,642)	(11,176)	(10,804)	(10,054)	(9,823)	(8,532)	(8,433)
Other	412	542	490	436	(384)	(685)	(1,019)	(1,531)	(103)	(129)
Net change in total plan fiduciary net position	1,401,295	1,027,379	(371,038)	4,176,180	(97,993)	736,252	744,832	1,599,670	201,220	442,403
Plan fiduciary net position - beginning	21,883,739	20,856,360	21,227,398	17,051,218	17,149,211	16,412,959	15,668,127	14,068,457	13,867,237	13,424,834
Plan fiduciary net position - ending (b)	\$ 23,285,034	\$ 21,883,739	\$ 20,856,360	\$ 21,227,398	\$ 17,051,218	\$ 17,149,211	\$ 16,412,959	\$ 15,668,127	\$ 14,068,457	\$ 13,867,237
County's net pension liability (asset) - ending (a) - (b)	\$ (3,161,775)	\$ (2,810,267)	\$ (2,551,828)	\$ (3,159,120)	\$ (63,000)	\$ (91,400)	\$ (578,179)	\$ (102,932)	\$ 966,294	\$ 354,667
Plan fiduciary net position as a percentage of the total pension liability (Asset)	115.71%	114.73%	113.94%	117.48%	100.37%	100.54%	103.65%	100.66%	93.57%	97.51%
Covered payroll	\$ 5,215,210	\$ 5,065,428	\$ 4,836,403	\$ 4,478,914	\$ 4,065,224	\$ 3,942,893	\$ 3,869,587	\$ 3,832,357	\$ 3,832,457	\$ 3,571,499
County's net pension liability (asset) as a percentage of covered payroll	-60.63%	-55.48%	-52.76%	-70.53%	-1.55%	-2.32%	-14.94%	-2.69%	25.21%	9.93%

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)
For The Measurement Dates Of June 30, 2015 Through June 30, 2024

Exhibit 12

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	\$ 68,419	\$ 53,123	\$ 51,947	\$ 53,259	\$ 57,828	\$ 61,356	\$ 58,143	\$ 58,467	\$ 61,703	\$ 93,039
Interest	325,106	322,817	325,132	304,906	304,898	300,904	291,893	301,663	302,496	302,607
Differences between expected and actual experience	126,362	10,354	(70,725)	47,858	(37,574)	54,016	57,694	(201,154)	(82,927)	(85,304)
Changes of assumptions	-	-	-	163,561	-	106,342	-	(16,304)	-	-
Benefit payments	(377,531)	(357,851)	(325,802)	(317,964)	(332,094)	(276,384)	(281,623)	(282,863)	(303,484)	(320,380)
Net change in total pension liability	142,356	28,443	(19,448)	251,620	(6,942)	246,234	126,107	(140,191)	(22,212)	(10,038)
Total pension liability - beginning	4,936,726	4,908,283	4,927,731	4,676,111	4,683,053	4,436,819	4,310,712	4,450,903	4,473,115	4,483,153
Total pension liability - ending (a)	\$ 5,079,082	\$ 4,936,726	\$ 4,908,283	\$ 4,927,731	\$ 4,676,111	\$ 4,683,053	\$ 4,436,819	\$ 4,310,712	\$ 4,450,903	\$ 4,473,115
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 58,541	\$ 56,189	\$ 45,467	\$ 45,118	\$ 38,985	\$ 40,539	\$ 49,459	\$ 49,936	\$ 69,993	\$ 67,266
Contributions - employee	35,982	35,913	26,437	26,526	26,477	27,282	29,579	29,524	30,098	29,178
Net investment income	463,045	302,669	(987)	1,126,148	83,521	281,596	308,427	472,233	67,292	183,178
Benefit payments	(377,531)	(357,851)	(325,802)	(317,964)	(332,094)	(276,384)	(281,623)	(282,863)	(303,484)	(320,380)
Administrator charges	(3,272)	(3,174)	(3,239)	(2,962)	(2,992)	(2,945)	(2,779)	(2,866)	(2,626)	(2,695)
Other	90	121	114	105	(95)	(176)	(270)	(415)	(29)	(39)
Net change in total plan fiduciary net position	176,855	33,867	(258,010)	876,971	(186,198)	69,912	102,793	265,549	(138,756)	(43,492)
Plan fiduciary net position - beginning	4,882,219	4,848,352	5,106,362	4,229,391	4,415,589	4,345,677	4,242,884	3,977,335	4,116,091	4,159,583
Plan fiduciary net position - ending (b)	\$ 5,059,074	\$ 4,882,219	\$ 4,848,352	\$ 5,106,362	\$ 4,229,391	\$ 4,415,589	\$ 4,345,677	\$ 4,242,884	\$ 3,977,335	\$ 4,116,091
School Board's net pension liability (asset) - ending (a) - (b)	\$ 20,008	\$ 54,507	\$ 59,931	\$ (178,631)	\$ 446,720	\$ 267,464	\$ 91,142	\$ 67,828	\$ 473,568	\$ 357,024
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.61%	98.90%	98.78%	103.63%	90.45%	94.29%	97.95%	98.43%	89.36%	92.02%
Covered payroll	\$ 817,983	\$ 816,860	\$ 586,730	\$ 591,544	\$ 579,033	\$ 597,045	\$ 640,606	\$ 634,849	\$ 643,497	\$ 618,647
School Board's net pension liability (asset) as a percentage of covered payroll	2.45%	6.67%	10.21%	-30.20%	77.15%	44.80%	14.23%	10.68%	73.59%	57.71%

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
For The Measurement Dates Of June 30, 2015 Through June 30, 2024

Exhibit 13

Entity Fiscal Year	Employer's Proportion of the Net Pension Liability (Asset) (a)	Employer's Proportionate Share of the Net Pension Liability (Asset) (b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (b) / (c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) (d)
2024	0.07504%	\$ 7,043,956	\$ 7,994,119	88.11%	84.52%
2023	0.08909%	9,004,509	8,871,649	101.50%	82.45%
2022	0.08987%	8,556,162	8,316,918	102.88%	82.61%
2021	0.08055%	7,029,485	8,009,452	87.76%	85.46%
2020	0.08888%	12,934,374	7,821,613	165.37%	71.47%
2019	0.09328%	12,276,178	7,959,196	154.24%	73.51%
2018	0.09591%	11,279,000	7,821,155	144.21%	74.81%
2017	0.10282%	12,644,000	7,968,458	158.68%	72.92%
2016	0.10711%	15,011,000	8,378,364	179.16%	68.28%
2015	0.10692%	13,457,000	7,706,572	174.62%	70.68%

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLANS
For The Years Ended June 30, 2016 through June 30, 2025

Exhibit 14

Entity Fiscal Year	Contractually Required Contribution (a)*	Contributions in Relation to Contractually Required Contribution (b)*	Contribution Deficiency (Excess) (a) - (b)	Employer's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b) / (c)
PRIMARY GOVERNMENT					
2025	\$ 382,324	\$ 382,324	\$ -	\$ 5,597,714	6.83%
2024	309,501	309,501	-	5,215,210	5.93%
2023	301,572	301,572	-	5,065,428	5.95%
2022	310,549	310,549	-	4,836,403	6.42%
2021	294,838	294,838	-	4,478,914	6.58%
2020	335,788	335,788	-	4,065,224	8.26%
2019	313,245	313,245	-	3,942,893	7.94%
2018	350,264	350,264	-	3,869,587	9.05%
2017	356,409	356,409	-	3,832,357	9.30%
2016	367,533	367,533	-	3,832,457	9.59%
COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)					
2025	\$ 61,147	\$ 61,147	\$ -	\$ 819,660	7.46%
2024	55,696	55,696	-	817,983	6.81%
2023	56,195	56,195	-	816,860	6.88%
2022	45,915	45,915	-	586,730	7.83%
2021	45,118	45,118	-	591,544	7.63%
2020	43,659	43,659	-	579,033	7.54%
2019	40,538	40,538	-	597,045	6.79%
2018	49,454	49,454	-	640,606	7.72%
2017	53,137	53,137	-	634,849	8.37%
2016	72,072	72,072	-	643,497	11.20%
COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL)					
2025	\$ 1,135,964	\$ 1,135,964	\$ -	\$ 7,994,119	14.21%
2024	1,265,691	1,265,691	-	8,016,787	15.79%
2023	1,406,402	1,406,402	-	8,871,649	15.85%
2022	1,335,118	1,335,118	-	8,316,918	16.05%
2021	1,281,054	1,281,054	-	8,009,452	15.99%
2020	1,226,429	1,226,429	-	7,821,613	15.68%
2019	1,211,635	1,211,635	-	7,959,196	15.22%
2018	1,247,323	1,247,323	-	7,821,155	15.95%
2017	1,168,176	1,168,176	-	7,968,458	14.66%
2016	1,177,998	1,177,998	-	8,378,364	14.06%

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GROUP LIFE INSURANCE (GLI) PLAN
For The Year Ended June 30, 2025

Exhibit 15

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 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

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 ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
GROUP LIFE INSURANCE (GLI) PLAN
For The Measurement Dates Of June 30, 2017 Through June 30, 2024

Exhibit 16

Entity Fiscal Year	Employer's Proportion of the Net GLI OPEB Liability (Asset) (a)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll (b) / (c)	Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability (Asset) (d)
PRIMARY GOVERNMENT					
2024	0.02038%	\$ 227,425	\$ 5,231,783	4.35%	73.41%
2023	0.02161%	259,172	5,090,504	5.09%	69.30%
2022	0.02240%	270,079	4,878,558	5.54%	67.21%
2021	0.02170%	252,530	4,478,914	5.64%	67.45%
2020	0.01980%	330,430	4,075,628	8.11%	52.64%
2019	0.02010%	327,243	3,942,893	8.30%	52.00%
2018	0.02051%	312,000	3,900,226	8.00%	51.22%
2017	0.02078%	312,000	3,832,357	8.14%	48.86%
COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)					
2024	0.00324%	\$ 36,156	\$ 817,983	4.42%	73.41%
2023	0.00347%	41,616	816,860	5.09%	69.30%
2022	0.00270%	33,113	598,671	5.53%	67.21%
2021	0.00290%	33,415	593,190	5.63%	67.45%
2020	0.00280%	47,061	580,679	8.10%	52.64%
2019	0.00310%	49,631	597,045	8.31%	52.00%
2018	0.00339%	52,000	643,780	8.08%	51.22%
2017	0.00346%	52,000	637,921	8.15%	48.86%
COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL)					
2024	0.03129%	\$ 349,172	\$ 8,016,787	4.36%	73.41%
2023	0.03769%	452,021	8,877,604	5.09%	69.30%
2022	0.03830%	461,289	8,333,087	5.54%	67.21%
2021	0.03890%	453,251	8,037,921	5.64%	67.45%
2020	0.03820%	636,661	7,852,517	8.11%	52.64%
2019	0.04010%	653,022	7,866,058	8.30%	52.00%
2018	0.04092%	621,000	7,779,905	7.98%	51.22%
2017	0.04403%	663,000	8,122,504	8.16%	48.86%

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

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE (GLI) PLAN
For The Years Ended June 30, 2016 through June 30, 2025

Exhibit 17

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Employer's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b) / (c)
PRIMARY GOVERNMENT					
2025	\$ 26,309	\$ 26,309	\$ -	\$ 5,597,714	0.47%
2024	28,252	28,252	-	5,231,783	0.54%
2023	27,489	27,489	-	5,090,504	0.54%
2022	26,344	26,344	-	4,878,558	0.54%
2021	24,186	24,186	-	4,478,914	0.54%
2020	21,193	21,193	-	4,075,628	0.52%
2019	20,503	20,503	-	3,942,893	0.52%
2018	20,281	20,281	-	3,900,226	0.52%
2017	19,928	19,928	-	3,832,357	0.52%
2016	18,489	18,489	-	3,851,850	0.48%
COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)					
2025	\$ 3,880	\$ 3,880	\$ -	\$ 825,633	0.47%
2024	4,495	4,495	-	832,426	0.54%
2023	4,411	4,411	-	816,860	0.54%
2022	3,233	3,233	-	598,671	0.54%
2021	3,203	3,203	-	593,190	0.54%
2020	3,020	3,020	-	580,679	0.52%
2019	3,105	3,105	-	597,045	0.52%
2018	3,348	3,348	-	643,780	0.52%
2017	3,317	3,317	-	637,921	0.52%
2016	3,096	3,096	-	645,003	0.48%
COMPONENT UNIT SCHOOL BOARD (PROFESSIONAL)					
2025	\$ 37,572	\$ 37,572	\$ -	\$ 7,994,119	0.47%
2024	43,382	43,382	-	8,033,763	0.54%
2023	47,939	47,939	-	8,877,604	0.54%
2022	44,999	44,999	-	8,333,087	0.54%
2021	43,405	43,405	-	8,037,921	0.54%
2020	40,833	40,833	-	7,852,517	0.52%
2019	40,904	40,904	-	7,866,058	0.52%
2018	40,456	40,456	-	7,779,905	0.52%
2017	42,237	42,237	-	8,122,504	0.52%
2016	39,200	39,200	-	8,166,626	0.48%

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GROUP LIFE INSURANCE (GLI) PLAN
For The Year Ended June 30, 2025

Exhibit 18

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. 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 for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

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

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
HEALTH INSURANCE CREDIT (HIC) PLAN
PRIMARY GOVERNMENT
For The Measurement Dates Of June 30, 2017 Through June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY								
Service cost	\$ 1,464	\$ 1,374	\$ 2,339	\$ 1,954	\$ 1,959	\$ 3,943	\$ 4,588	\$ 4,427
Interest	3,442	4,238	4,667	4,201	4,290	3,329	3,184	2,941
Differences between expected and actual experience	(6,847)	(15,473)	(1,531)	523	(3,197)	11,331	(2,474)	-
Changes of assumptions	-	-	(7,886)	2,116	-	1,370	-	(1,414)
Benefit payments	(2,133)	(1,913)	(4,042)	(4,447)	(4,278)	(3,666)	(2,786)	(2,195)
Net change in total HIC OPEB liability	(4,074)	(11,774)	(6,453)	4,347	(1,226)	16,307	2,512	3,759
Total HIC OPEB liability - beginning	50,591	62,365	68,818	64,471	65,697	49,390	46,878	43,119
Total HIC OPEB liability - ending (a)	\$ 46,517	\$ 50,591	\$ 62,365	\$ 68,818	\$ 64,471	\$ 65,697	\$ 49,390	\$ 46,878
PLAN FIDUCIARY NET POSITION								
Contributions - employer	\$ 10,517	\$ 9,270	\$ 9,789	\$ 9,070	\$ 8,093	\$ 7,610	\$ 7,299	\$ 6,959
Net investment income	6,015	2,784	(100)	6,612	401	1,066	756	704
Benefit payments	(2,133)	(1,913)	(4,042)	(4,447)	(4,278)	(3,666)	(2,786)	(2,195)
Administrator charges	(85)	(63)	(82)	(93)	(44)	(26)	(22)	(17)
Other	-	363	6,795	-	-	(1)	(18)	18
Net change in total plan fiduciary net position	14,314	10,441	12,360	11,142	4,172	4,983	5,229	5,469
Plan fiduciary net position - beginning	57,274	46,833	34,473	23,331	19,159	14,176	8,947	3,478
Plan fiduciary net position - ending (b)	\$ 71,588	\$ 57,274	\$ 46,833	\$ 34,473	\$ 23,331	\$ 19,159	\$ 14,176	\$ 8,947
County's net HIC OPEB liability (asset) - ending (a) - (b)	\$ (25,071)	\$ (6,683)	\$ 15,532	\$ 34,345	\$ 41,140	\$ 46,538	\$ 35,214	\$ 37,931
Plan fiduciary net position as a percentage of the total HIC OPEB liability (asset)	153.90%	113.21%	75.10%	50.09%	36.19%	29.16%	28.70%	19.09%
Covered payroll	\$ 2,191,134	\$ 2,029,981	\$ 2,039,264	\$ 1,889,483	\$ 1,685,973	\$ 1,585,300	\$ 1,553,040	\$ 1,480,662
County's net HIC OPEB liability as a percentage of covered payroll	-1.14%	-0.33%	0.76%	1.82%	2.44%	2.94%	2.27%	2.56%

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 ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
HEALTH INSURANCE CREDIT (HIC) PLAN
SCHOOL BOARD (NONPROFESSIONAL)
For The Measurement Dates Of June 30, 2020 Through June 30, 2024

Exhibit 20

	2024	2023	2022	2021	2020
TOTAL HIC OPEB LIABILITY					
Service cost	\$ 1,009	\$ 925	\$ 1,238	\$ 1,139	\$ -
Interest	4,629	10,946	9,169	8,303	-
Changes of benefit terms	-	-	-	-	123,010
Differences between expected and actual experience	2,665	(101,270)	9,062	(1)	-
Changes of assumptions	-	-	11,204	4,092	-
Benefit payments	(4,353)	(4,187)	(3,884)	-	-
Net change in total HIC OPEB liability	3,950	(93,586)	26,789	13,533	123,010
Total HIC OPEB liability - beginning	69,746	163,332	136,543	123,010	-
Total HIC OPEB liability - ending (a)	\$ 73,696	\$ 69,746	\$ 163,332	\$ 136,543	\$ 123,010
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 15,787	\$ 15,766	\$ 9,857	\$ 9,938	\$ -
Net investment income	3,641	1,466	(125)	1,113	-
Benefit payments	(4,353)	(4,187)	(3,884)	-	-
Administrator charges	(53)	(44)	(30)	(43)	-
Net change in total plan fiduciary net position	15,022	13,001	5,818	11,008	-
Plan fiduciary net position - beginning	29,827	16,826	11,008	-	-
Plan fiduciary net position - ending (b)	\$ 44,849	\$ 29,827	\$ 16,826	\$ 11,008	\$ -
County's net HIC OPEB liability (asset) - ending (a) - (b)	\$ 28,847	\$ 39,919	\$ 146,506	\$ 125,535	\$ 123,010
Plan fiduciary net position as a percentage of the total HIC OPEB liability	60.86%	42.77%	10.30%	8.06%	0.00%
Covered payroll	\$ 1,195,987	\$ 816,860	\$ 586,730	\$ 591,544	\$ -
County's net HIC OPEB liability as a percentage of covered payroll	2.41%	4.89%	24.97%	21.22%	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 ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
HEALTH INSURANCE CREDIT (HIC) PLAN
For The Years Ended June 30, 2016 through June 30, 2025

Exhibit 21

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Employer's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b) / (c)
<u>PRIMARY GOVERNMENT</u>					
2025	\$ 691	\$ 691	\$ -	\$ 2,302,472	0.03%
2024	10,517	10,517	-	2,191,134	0.48%
2023	9,744	9,744	-	2,029,981	0.48%
2022	9,788	9,788	-	2,039,264	0.48%
2021	9,070	9,070	-	1,889,483	0.48%
2020	8,093	8,093	-	1,685,973	0.48%
2019	7,609	7,609	-	1,585,300	0.48%
2018	7,299	7,299	-	1,553,040	0.47%
2017	6,959	6,959	-	1,480,662	0.47%
2016	3,680	3,680	-	1,533,415	0.24%
<u>COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)</u>					
2025	\$ 15,819	\$ 15,819	\$ -	\$ 819,660	1.93%
2024	15,787	15,787	-	817,983	1.93%
2023	15,765	15,765	-	816,860	1.93%
2022	9,857	9,857	-	586,730	1.68%
2021	9,938	9,938	-	591,544	1.68%

Schedule is intended to show information for 10 years. Information prior to the 2021 valuation for the component unit school board is not available. However, additional years will be included as they become available.

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
HEALTH INSURANCE CREDIT (HIC) PLAN
For The Year Ended June 30, 2025

Exhibit 22

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees:

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

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER'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

Exhibit 23

Entity Fiscal Year	Employer's Proportion of the Net HIC OPEB Liability (Asset) (a)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll (b) / (c)	Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability (d)
2024	0.07483%	\$ 864,771	\$ 8,016,787	10.79%	21.82%
2023	0.08900%	1,077,798	8,871,649	12.15%	17.90%
2022	0.08924%	1,114,649	8,316,918	13.40%	15.08%
2021	0.09056%	1,162,400	8,009,452	14.51%	13.15%
2020	0.08922%	1,163,889	7,821,613	14.88%	9.95%
2019	0.09380%	1,227,671	7,866,058	15.61%	8.97%
2018	0.09608%	1,220,000	7,770,745	15.70%	8.08%
2017	0.10284%	1,304,000	8,115,970	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 ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN
For The Years Ended June 30, 2016 through June 30, 2025

Exhibit 24

Entity Fiscal Year	Contractually Required Contribution (a)	Contributions in Relation to Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Employer's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b) / (c)
2025	\$ 96,729	\$ 96,729	\$ -	\$ 7,994,119	1.21%
2024	97,003	97,003	-	8,016,787	1.21%
2023	107,347	107,347	-	8,871,649	1.21%
2022	100,635	100,635	-	8,316,918	1.21%
2021	96,914	96,914	-	8,009,452	1.21%
2020	93,859	93,859	-	7,821,613	1.20%
2019	94,393	94,393	-	7,866,058	1.20%
2018	95,580	95,580	-	7,770,745	1.23%
2017	90,087	90,087	-	8,115,970	1.11%
2016	86,566	86,566	-	8,166,626	1.06%

COUNTY OF ESSEX, VIRGINIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN
For The Year Ended June 30, 2025

Exhibit 25

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

THIS PAGE IS INTENTIONALLY LEFT BLANK

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For The Year Ended June 30, 2025

Exhibit 26

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Intergovernmental:				
School board	\$ 1,254,865	\$ 1,785,511	\$ 1,165,792	\$ (619,719)
Federal	-	105,000	-	(105,000)
Total revenues	1,254,865	1,890,511	1,165,792	(724,719)
<u>EXPENDITURES</u>				
Capital projects	-	-	1,048,828	(1,048,828)
Total expenditures	-	-	1,048,828	(1,048,828)
Excess (deficiency) of revenues over (under) expenditures	1,254,865	1,890,511	116,964	(1,773,547)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	-	-	353,284	353,284
Transfers out	(4,351,484)	(4,624,675)	-	4,624,675
Total other financing sources (uses)	(4,351,484)	(4,624,675)	353,284	4,977,959
Net change in fund balances	(3,096,619)	(2,734,164)	470,248	3,204,412
Fund balances - beginning	3,096,619	2,734,164	723,092	(2,011,072)
Fund balances - ending	\$ -	\$ -	\$ 1,193,340	\$ 1,193,340

COUNTY OF ESSEX, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For The Year Ended June 30, 2025

Exhibit 27

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>EXPENDITURES</u>				
Public works	\$ 51,638	\$ 51,638	\$ 51,638	\$ -
Community development	50,032	50,032	41,387	8,645
Debt service:				
Principal retirement	2,951,304	2,951,304	2,265,846	685,458
Interest and other fiscal charges	43,645	43,645	728,327	(684,682)
Total expenditures	3,096,619	3,096,619	3,087,198	9,421
Excess (deficiency) of revenues over (under) expenditures	(3,096,619)	(3,096,619)	(3,087,198)	(9,421)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	3,096,619	3,096,619	3,087,198	(9,421)
Total other financing sources (uses)	3,096,619	3,096,619	3,087,198	(9,421)
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	274,608	(274,608)
Fund balances - ending	\$ -	\$ -	\$ 274,608	\$ (274,608)

COUNTY OF ESSEX, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

Exhibit 28

	Custodial Funds			Totals
	Special Welfare	County Flex Spending and Health Reimbursement	School Flex Spending and Health Reimbursement	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 28,276	\$ 30,085	\$ 22,020	\$ 80,381
Total assets	28,276	30,085	22,020	80,381
<u>NET POSITION</u>				
Restricted for:				
Individuals	28,276	-	-	28,276
Employees	-	30,085	22,020	52,105
Total net position	\$ 28,276	\$ 30,085	\$ 22,020	\$ 80,381

COUNTY OF ESSEX, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended June 30, 2025

Exhibit 29

	Custodial Funds			Totals
	Special Welfare	County Flex Spending and Health Reimbursement	School Flex Spending and Health Reimbursement	
ADDITIONS				
Contributions:				
Participant fees	\$ -	\$ 46,570	\$ 13,999	\$ 60,569
Miscellaneous	8,381	-	-	8,381
Total additions	8,381	46,570	13,999	68,950
DEDUCTIONS				
Recipient payments	1,717	47,681	7,571	56,969
Total deductions	1,717	47,681	7,571	56,969
Change in net position	6,664	(1,111)	6,428	11,981
Net position - beginning	21,612	31,196	15,592	68,400
Net position - end of year	\$ 28,276	\$ 30,085	\$ 22,020	\$ 80,381

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2025

Exhibit 30

	School Operating Fund	School Cafeteria Fund	School Activity Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,474,463	\$ 136,463	\$ 150,521	\$ 1,761,447
Receivables (net of allowance for uncollectibles)				
Accounts receivable	60,771	-	-	60,771
Due from other governmental units	660,236	13,306	-	673,542
Prepaid items	59,670	-	-	59,670
Total assets	2,255,140	149,769	150,521	2,555,430
LIABILITIES				
Accounts payable	895,541	3,513	-	899,054
Accrued liabilities	457,477	21,310	-	478,787
Due to County of Essex, VA	902,122	-	-	902,122
Total liabilities	2,255,140	24,823	-	2,279,963
FUND BALANCES				
Nonspendable	59,670	-	-	59,670
Committed	-	124,946	150,521	275,467
Unassigned	(59,670)	-	-	(59,670)
Total fund balance	-	124,946	150,521	275,467
Total liabilities and fund balance	\$ 2,255,140	\$ 149,769	\$ 150,521	\$ 2,555,430

COUNTY OF ESSEX, VIRGINIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2025

Exhibit 31

Total governmental fund balance		\$ 275,467
Amounts reported for governmental activities in the statement of net position are different because:		
Capital and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Details are as follows:		
Capital assets, cost	39,685,186	
Accumulated depreciation	<u>(18,396,062)</u>	21,289,124
Deferred outflows of resources are not available to pay for current period expenditures and, therefore, are not reported in the funds. Details are as follows:		
Pension related items	2,653,644	
OPEB related items	<u>254,493</u>	2,908,137
Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore not reported in the funds. Details are as follows:		
Net pension liabilities	(7,063,965)	
Net OPEB liabilities	(1,278,946)	
Lease liabilities	(90,652)	
Compensated absences	<u>(1,263,776)</u>	(9,697,339)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Details are as follows:		
Pension related items	(2,449,044)	
OPEB related items	<u>(434,820)</u>	(2,883,864)
<hr/>		
Net position of governmental activities		<u>\$ 11,891,525</u>

COUNTY OF ESSEX, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For The Year Ended June 30, 2025

Exhibit 32

	School Operating Fund	School Cafeteria Fund	School Activity Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 10,485	\$ 11	\$ -	\$ 10,496
Charges for services	-	64,450	-	64,450
Miscellaneous	431,849	-	205,583	637,432
Intergovernmental:				
Local government	6,148,791	-	-	6,148,791
Commonwealth	10,544,776	24,119	-	10,568,895
Federal	1,403,794	793,238	-	2,197,032
Total revenues	18,539,695	881,818	205,583	19,627,096
EXPENDITURES				
Education	20,231,280	1,016,727	219,412	21,467,419
Debt service:				
Principal retirement	40,000	-	-	40,000
Interest and other fiscal charges	3,188	-	-	3,188
Total expenditures	20,274,468	1,016,727	219,412	21,510,607
Excess (deficiency) of revenues over (under) expenditures	(1,734,773)	(134,909)	(13,829)	(1,883,511)
Net change in fund balance	(1,734,773)	(134,909)	(13,829)	(1,883,511)
Fund balances - beginning	1,734,773	259,855	164,350	2,158,978
Fund balance - ending	\$ -	\$ 124,946	\$ 150,521	\$ 275,467

COUNTY OF ESSEX, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2025

Exhibit 33

Net change in fund balance - Governmental funds \$ (1,883,511)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. Details are as follows:

Capital asset additions	472,128	
Depreciation expense	<u>(1,790,353)</u>	(1,318,225)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Details are as follows:

Principal retired on lease liabilities	<u>40,000</u>	40,000
--	---------------	--------

Certain 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. Details are as follows:

Pension expense	896,818	
OPEB expense	172,552	
Change in compensated absence	<u>(99,030)</u>	970,340

Change in net position of governmental activities \$ (2,191,396)

COUNTY OF ESSEX, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SCHOOL OPERATING FUND
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For The Year Ended June 30, 2025

Exhibit 34

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Revenue from the use of money and property	\$ 14,000	\$ 14,000	\$ 10,485	\$ (3,515)
Miscellaneous	187,328	214,337	431,849	217,512
Intergovernmental:				
Local government	7,533,908	7,533,908	6,148,791	(1,385,117)
Commonwealth	13,039,185	13,147,344	10,544,776	(2,602,568)
Federal	2,111,377	1,588,662	1,403,794	(184,868)
Total revenues	22,885,798	22,498,251	18,539,695	(3,958,556)
<u>EXPENDITURES</u>				
Education	19,001,688	22,566,712	20,231,280	2,335,432
Debt service:				
Principal retirement	-	-	40,000	(40,000)
Interest and other fiscal charges	-	-	3,188	(3,188)
Total expenditures	19,001,688	22,566,712	20,274,468	2,292,244
Excess (deficiency) of revenues over (under) expenditures	3,884,110	(68,461)	(1,734,773)	(1,666,312)
Net change in fund balances	\$ 3,884,110	\$ (68,461)	\$ (1,734,773)	\$ (1,666,312)

COUNTY OF ESSEX, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SCHOOL CAFETERIA FUND
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For The Year Ended June 30, 2025

Exhibit 35

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Revenue from the use of money and property	\$ 11	\$ 11	\$ 11	\$ -
Charges for services	64,450	64,450	64,450	-
Intergovernmental:				
Commonwealth	24,119	24,119	24,119	-
Federal	793,238	793,238	793,238	-
Total revenues	881,818	881,818	881,818	-
EXPENDITURES				
Education	1,016,727	1,016,727	1,016,727	-
Total expenditures	1,016,727	1,016,727	1,016,727	-
Excess (deficiency) of revenues over (under) expenditures	(134,909)	(134,909)	(134,909)	-
Net change in fund balances	\$ (134,909)	\$ (134,909)	\$ (134,909)	\$ -

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA

Exhibit 36

STATEMENT OF NET POSITION

DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY

June 30, 2025

ASSETS

Cash and cash equivalents	\$	18,362
Investments		16,508
Accounts receivable		7,322

Total assets 42,192

NET POSITION

Unrestricted 42,192

Total net position \$ 42,192

COUNTY OF ESSEX, VIRGINIA

Exhibit 37

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

Bond issue fees \$ 2,896

Total operating revenues 2,896

Operating income 2,896

NONOPERATING REVENUES (EXPENSES)

Interest income 598

Contribution to industries (43,182)

Total nonoperating revenues (expenses) (42,584)

Change in net position (39,688)

Net position - beginning 81,880

Net position - ending \$ 42,192

COUNTY OF ESSEX, VIRGINIA

Exhibit 38

STATEMENT OF CASH FLOWS**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY**

For The Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,120
------------------------------	----------

Net cash provided by operating activities	1,120
---	-------

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions to industries	(43,182)
-----------------------------	----------

Net cash provided by noncapital financing activities	(43,182)
--	----------

Net decrease in cash and cash equivalents	(42,062)
---	----------

Cash and cash equivalents, beginning of year	60,424
--	--------

Cash and cash equivalents, end of year	\$ 18,362
--	-----------

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 2,896
------------------	----------

(Increase) in accounts receivable	(1,776)
-----------------------------------	---------

Net cash provided by operating activities	\$ 1,120
---	----------

THIS PAGE IS INTENTIONALLY LEFT BLANK

SUPPORTING SCHEDULES

THIS PAGE IS INTENTIONALLY LEFT BLANK

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

Schedule 1
Page 1 of 7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
GENERAL FUND				
Revenue from local sources:				
Property taxes:				
Real property taxes	\$ 11,694,829	\$ 11,694,829	\$ 11,434,650	\$ (260,179)
Real and personal public service corporation taxes	400,000	400,000	291,229	(108,771)
Personal property taxes	4,337,702	4,337,702	4,580,028	242,326
Mobile home taxes	48,272	48,272	41,790	(6,482)
Machinery and tools taxes	125,000	125,000	149,956	24,956
Merchant's capital taxes	95,700	95,700	91,838	(3,862)
Penalties	197,600	197,600	213,194	15,594
Interest	155,000	155,000	175,941	20,941
Total property taxes	17,054,103	17,054,103	16,978,626	(75,477)
Other local taxes:				
Local sales and use taxes	2,911,883	2,911,883	2,603,087	(308,796)
Consumers' utility taxes	250,000	250,000	229,721	(20,279)
Business license taxes	8,500	8,500	8,100	(400)
Motor vehicle licenses	412,000	412,000	415,057	3,057
Transient occupancy tax	10,000	23,500	29,048	5,548
Tobacco tax	72,000	72,000	32,768	(39,232)
Taxes on recordation and wills	49,500	49,500	53,107	3,607
Total other taxes	3,713,883	3,727,383	3,370,888	(356,495)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	9,600	9,600	6,515	(3,085)
Transfer fees	600	600	508	(92)
Permits and other licenses	167,850	167,850	100,068	(67,782)
Total permits, privilege fees, and regulatory licenses:	178,050	178,050	107,091	(70,959)
Fines and forfeitures:				
Court fines and forfeitures	35,000	35,000	16,628	(18,372)
Total fines and forfeitures	35,000	35,000	16,628	(18,372)
Revenue from use of money and property:				
Revenue from use of money	425,000	425,000	543,695	118,695
Revenue from use of property	32,000	32,000	38,370	6,370
Total revenue from use of money and property	457,000	457,000	582,065	125,065

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

Schedule 1
Page 2 of 7

(Continued)

	Original <u>Actual</u>	Final <u>Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>GENERAL FUND (Continued)</u>				
Revenue from local sources (continued):				
Charges for services:				
Charges for courthouse maintenance	\$ 7,500	\$ 7,500	\$ 6,101	\$ (1,399)
Criminal/traffic cases fees-security	4,000	4,000	1,800	(2,200)
Charges for correction and detention	90,950	90,950	74,858	(16,092)
Charges for Commonwealth's Attorney	750	750	729	(21)
Charges for EMS	385,000	385,000	487,237	102,237
Charges for selective enforcement	40,000	40,000	7,937	(32,063)
Charges for parks and recreation	29,000	29,000	26,965	(2,035)
Total charges for services	557,200	557,200	605,627	48,427
Miscellaneous:				
Miscellaneous	145,975	150,395	73,476	(76,919)
Total miscellaneous	145,975	150,395	73,476	(76,919)
Recovered costs:				
VPSA credit	15,700	15,700	15,700	-
Town's erosion and sediment control	2,000	2,000	2,500	500
Total recovered costs:	17,700	17,700	18,200	500
Total revenue from local sources	22,158,911	22,176,831	21,752,601	(424,230)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	305,000	305,000	228,485	(76,515)
Mobile home titling tax	26,500	26,500	38,246	11,746
Rolling stock tax	1,750	1,750	35	(1,715)
Auto rental tax	20,000	20,000	1,754	(18,246)
State recordation tax	145,000	145,000	169,700	24,700
Personal property tax relief funds	1,054,171	1,054,171	1,054,171	-
Total noncategorical aid	1,552,421	1,552,421	1,492,391	(60,030)

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

Schedule 1
Page 3 of 7

(Continued)

	Original <u>Actual</u>	Final <u>Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>GENERAL FUND (Continued)</u>				
Intergovernmental (Continued):				
Revenue from the Commonwealth (Continued):				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 273,749	\$ 273,749	\$ 279,802	\$ 6,053
Sheriff	872,594	872,594	885,046	12,452
Commissioner of revenue	137,288	137,288	130,500	(6,788)
Treasurer	100,363	100,363	123,772	23,409
Registrar / electoral board	75,135	75,135	72,779	(2,356)
Clerk of the circuit court	218,796	218,796	249,044	30,248
Total shared expenses	1,677,925	1,677,925	1,740,943	63,018
Other categorical aid:				
Public assistance and welfare administration	823,190	823,190	472,748	(350,442)
Children's services act	1,235,640	1,235,640	1,088,258	(147,382)
Litter control	8,402	8,402	-	(8,402)
Wireless funds	48,821	48,821	87,332	38,511
Victim-witness grant	10,279	10,279	13,282	3,003
Domestic violence grant	45,000	45,000	39,404	(5,596)
School resource officer	41,872	41,872	-	(41,872)
Fire programs fund	37,848	43,080	43,080	-
Other state funds	32,968	32,968	13,425	(19,543)
VATI grant	-	918,166	1,384,249	466,083
Opioid settlement	-	-	30,987	30,987
Emergency management	-	-	137,605	137,605
Forest sustainable grant	-	-	26,280	26,280
Clerk records grant	30,000	30,000	19,995	(10,005)
Total categorical aid	2,314,020	3,237,418	3,356,645	119,227
Total revenue from the Commonwealth	5,544,366	6,467,764	6,589,979	122,215
Revenue from the federal government:				
Noncategorical aid:				
COVID 19 - American Rescue Plan Act	-	-	230,803	230,803
Total noncategorical aid	-	-	230,803	230,803

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

Schedule 1
Page 4 of 7

(Continued)

	<u>Original</u> <u>Actual</u>	<u>Final</u> <u>Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>GENERAL FUND (Continued)</u>				
Intergovernmental (Continued):				
Revenue from the federal government (continued):				
Categorical aid:				
Public assistance and welfare administration	\$ 1,087,258	\$ 1,087,258	\$ 932,652	\$ (154,606)
Crime victim assistance	21,587	21,587	20,982	(605)
Refugee	-	-	3,062	3,062
QSCB interest subsidy	400,775	400,775	400,775	-
Total categorical aid	1,509,620	1,509,620	1,357,471	(152,149)
Total revenue from the federal government	1,509,620	1,509,620	1,588,274	78,654
Total General Fund	\$ 29,212,897	\$ 30,154,215	\$ 29,930,854	\$ (223,361)
<u>SPECIAL REVENUE FUND</u>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 3	\$ 3
Revenue from use of property	-	-	4,500	4,500
Total revenue from use of money and property	-	-	4,503	4,503
Miscellaneous:				
Miscellaneous	3,973	3,973	14,216	10,243
Total miscellaneous	3,973	3,973	14,216	10,243
Total revenue from local sources	3,973	3,973	18,719	14,746
Total County Special Revenue Fund	\$ 3,973	\$ 3,973	\$ 18,719	\$ 14,746
<u>CAPITAL PROJECTS FUND</u>				
Intergovernmental:				
Revenues from local governments:				
Contribution from Essex County School Board	1,254,865	1,785,511	1,165,792	(619,719)
Total revenues from local governments	1,254,865	1,785,511	1,165,792	(619,719)

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

Schedule 1
Page 5 of 7

(Continued)

	Original Actual	Final Actual	Actual	Variance With Final Budget
<u>CAPITAL PROJECTS FUND (Continued)</u>				
Intergovernmental (Continued):				
Revenue from the federal government:				
Categorical aid:				
Homeland security	\$ -	\$ 105,000	\$ -	\$ (105,000)
Total categorical aid	-	105,000	-	(105,000)
Total revenue from the federal government	-	105,000	-	(105,000)
Total Capital Projects Fund	\$ -	\$ 105,000	\$ -	\$ (105,000)
Total Primary Government	\$ 29,216,870	\$ 30,263,188	\$ 29,949,573	\$ (313,615)
<u>DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD (SCHOOL OPERATING FUND)</u>				
Revenue from local sources:				
Revenue from the use of money and property:				
Revenue from use of property	\$ 14,000	\$ 14,000	\$ 10,485	\$ (3,515)
Total revenue from use of money and property	14,000	14,000	10,485	(3,515)
Miscellaneous:				
Miscellaneous	187,328	214,337	431,849	217,512
Total miscellaneous	187,328	214,337	431,849	217,512
Total revenue from local sources	201,328	228,337	442,334	213,997
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	7,533,908	7,533,908	6,148,791	(1,385,117)
Total revenues from local governments	7,533,908	7,533,908	6,148,791	(1,385,117)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	1,749,488	1,749,488	1,805,337	55,849
Basic school aid	4,400,099	4,400,098	3,852,754	(547,344)
Remedial summer education	45,620	45,620	63,167	17,547
Gifted and talented	42,769	42,769	38,777	(3,992)
Special education	588,741	588,741	533,977	(54,764)
Textbook payment	219,602	219,602	97,028	(122,574)
GED funding	8,203	8,203	8,027	(176)
Vocational education	127,916	165,416	149,689	(15,727)
School fringes	815,284	815,284	862,991	47,707
Security grant	128,000	198,660	-	(198,660)
State lottery payments - no loss	276,168	276,168	270,404	(5,764)
Early reading intervention	51,949	51,949	37,106	(14,843)
Homebound	2,453	2,453	1,261	(1,192)

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

(Continued)

	Original Actual	Final Actual	Actual	Variance With Final Budget
<u>DISCRETELY PRESENTED COMPONENT UNIT -</u>				
<u>SCHOOL BOARD (SCHOOL OPERATING FUND) (CONTINUED)</u>				
Intergovernmental (Continued):				
Revenue from the Commonwealth (Continued):				
Categorical aid (continued):				
At risk payments	\$ 1,913,177	\$ 1,913,177	\$ 1,743,827	\$ (169,350)
Primary class size reduction	328,847	328,847	319,875	(8,972)
SOL Algebra readiness	27,910	27,910	20,240	(7,670)
Career switcher mentor grant	1,314	1,314	3,669	2,355
Industry certification	-	-	998	998
Project graduation	3,568	3,568	3,568	-
English as a second language	48,289	48,289	41,299	(6,990)
Preschool initiative	243,281	243,281	214,319	(28,962)
Miscellaneous state	-	-	34,740	34,740
Compensation supplement	179,747	179,747	163,028	(16,719)
In lieu of sales tax	1,836,760	1,836,760	278,695	(1,558,065)
Total categorical aid	13,039,185	13,147,344	10,544,776	(2,602,568)
Total revenue from the Commonwealth	13,039,185	13,147,344	10,544,776	(2,602,568)
Revenue from the federal government:				
Categorical aid:				
Title I	914,537	956,380	954,125	(2,255)
Title IV-A	1,130,316	1,130,316	26,127	(1,104,189)
Title VI-B Special Education	-	-	265,137	265,137
Preschool grant	20,140	20,140	-	(20,140)
Vocational education	-	-	7,601	7,601
Title III	3,871	3,871	5,215	1,344
1003 G School Improvement	15,924	15,924	-	(15,924)
Rural education	-	43,691	19,706	(23,985)
ESSER	(3,792)	(642,659)	3,865	646,524
ARPA	-	-	37,500	37,500
B-WET	(30,618)	-	31,200	31,200
Title II-A	60,999	60,999	53,318	(7,681)
Total categorical aid	2,111,377	1,588,662	1,403,794	(184,868)
Total revenue from the federal government:	2,111,377	1,588,662	1,403,794	(184,868)
Total School Operating Fund	\$ 22,885,798	\$ 22,498,251	\$ 18,539,695	\$ (3,958,556)

DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD (SCHOOL CAFETERIA FUND)

Revenue from local sources:				
Revenue from the use of money and property:				
Revenue from use of money	\$ 11	\$ 11	\$ 11	\$ -
Total revenue from use of money and property	11	11	11	-

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUND REVENUES
For The Year Ended June 30, 2025

(Continued)

	Original Actual	Final Actual	Actual	Variance With Final Budget
<u>DISCRETELY PRESENTED COMPONENT UNIT -</u>				
<u>SCHOOL BOARD (SCHOOL CAFETERIA FUND) (CONTINUED)</u>				
Revenue from local sources (Continued):				
Charges for services:				
Cafeteria sales	\$ 64,450	\$ 64,450	\$ 64,450	\$ -
Total charges for services	64,450	64,450	64,450	-
Total revenue from local sources	64,461	64,461	64,461	-
Intergovernmental:				
Revenue from the Commonwealth				
Categorical aid:				
School food program grant	24,119	24,119	24,119	-
Total categorical aid	24,119	24,119	24,119	-
Total revenue from the Commonwealth	24,119	24,119	24,119	-
Revenue from the federal government:				
Categorical aid:				
School food program grants	724,629	724,629	724,629	-
Commodities	68,609	68,609	68,609	-
Total categorical aid	793,238	793,238	793,238	-
Total revenue from the federal government	793,238	793,238	793,238	-
Total School Cafeteria Fund	\$ 881,818	\$ 881,818	\$ 881,818	\$ -
<u>DISCRETELY PRESENTED COMPONENT UNIT -</u>				
<u>SCHOOL BOARD (SCHOOL ACTIVITY FUND)</u>				
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 205,583	\$ 205,583
Total miscellaneous	-	-	205,583	205,583
Total School Activity Fund	\$ -	\$ -	\$ 205,583	\$ 205,583
Total Discretely Presented Component Unit				
- School Board	\$ 23,767,616	\$ 23,380,069	\$ 19,627,096	\$ (3,752,973)

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUND EXPENDITURES
For The Year Ended June 30, 2025

Schedule 2
Page 1 of 6

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
GENERAL FUND				
General government administration:				
Legislative:				
Board of supervisors	\$ 427,138	\$ 468,880	\$ 439,101	\$ 29,779
Total legislative	427,138	468,880	439,101	29,779
General and financial administration:				
County administrator	864,517	3,965,834	1,908,104	2,057,730
Legal services	220,000	264,387	264,387	-
Commissioner of revenue	541,965	657,000	646,030	10,970
Independent auditor	52,273	52,273	46,500	5,773
Treasurer	313,603	317,345	315,948	1,397
Director of finance	-	-	9,759	(9,759)
Assessor	4,500	4,500	-	4,500
Total general and financial administration	1,996,858	5,261,339	3,190,728	2,070,611
Board of elections:				
Electoral board and officials	81,847	65,495	53,512	11,983
Registrar	172,782	190,900	186,760	4,140
Total board of elections	254,629	256,395	240,272	16,123
Total general government administration	2,678,625	5,986,614	3,870,101	2,116,513
Judicial administration:				
Courts:				
Circuit court	18,575	18,575	5,970	12,605
General district court	2,040	2,040	760	1,280
Sheriff	235,723	238,935	166,666	72,269
Juvenile and domestic relations court	48,313	48,313	46,176	2,137
Office of the youth	6,337	6,337	6,337	-
Clerk of the circuit court	367,832	370,227	341,054	29,173
Total courts	678,820	684,427	566,963	117,464
Commonwealth's attorney:				
Commonwealth's attorney	408,185	410,491	372,175	38,316
Total Commonwealth's attorney	408,185	410,491	372,175	38,316
Total judicial administration	1,087,005	1,094,918	939,138	38,316

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUND EXPENDITURES
For The Year Ended June 30, 2025

Schedule 2
Page 2 of 6

(Continued)

	<u>Original</u> <u>Actual</u>	<u>Final</u> <u>Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>GENERAL FUND (Continued)</u>				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,711,327	\$ 1,741,461	\$ 1,715,174	\$ 26,287
Total law enforcement and traffic control	1,711,327	1,741,461	1,715,174	26,287
Fire and rescue services:				
Fire department	241,848	247,080	247,080	-
Ambulance and rescue services	1,841,178	1,976,205	1,832,910	143,295
Forestry service	6,776	6,776	6,776	-
Total fire and rescue services	2,089,802	2,230,061	2,086,766	143,295
Correction and detention:				
Sheriff	1,372,343	1,621,153	1,579,649	41,504
Total correction and detention	1,372,343	1,621,153	1,579,649	41,504
Inspections:				
Building	336,144	298,287	242,939	55,348
Total inspections	336,144	298,287	242,939	55,348
Other protection:				
Animal control	218,610	220,999	191,378	29,621
ARPA Act	245,186	296,332	295,425	907
Medical examiner	250	250	180	70
Total other protection:	464,046	517,581	486,983	30,598
Total public safety:	5,973,662	6,408,543	6,111,511	297,032
Public works:				
Sanitation and waste removal:				
Refuse disposal	1,175,067	1,190,158	1,247,122	(56,964)
Total sanitation and waste removal	1,175,067	1,190,158	1,247,122	(56,964)
Maintenance of general buildings and grounds:				
General properties	682,174	736,754	706,092	30,662
Communication	259,219	373,786	296,927	76,859
Technology	629,232	635,238	600,522	34,716
Total maintenance of general buildings and grounds:	1,570,625	1,745,778	1,603,541	142,237
Total public works	2,745,692	2,935,936	2,850,663	85,273

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUND EXPENDITURES
For The Year Ended June 30, 2025

(Continued)

	<u>Original</u> <u>Actual</u>	<u>Final</u> <u>Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>GENERAL FUND (Continued)</u>				
Health and welfare:				
Health:				
Supplement of local health department	\$ 174,307	\$ 174,307	\$ 174,307	\$ -
Total health	174,307	174,307	174,307	-
Mental health:				
Community services board	55,808	55,808	41,856	13,952
Total mental health	55,808	55,808	41,856	13,952
Welfare:				
Public assistance and welfare administration	2,836,931	2,836,931	1,794,094	1,042,837
Bay transit	87,435	87,435	87,435	-
Children's services act	2,010,151	2,010,151	1,700,402	309,749
Housing choice voucher program	16,229	16,229	16,229	-
Bay aging	9,715	9,715	9,715	-
Rivah rides	28,909	28,909	28,909	-
Tax relief for the elderly	-	-	154,204	(154,204)
Total welfare	4,989,370	4,989,370	3,790,988	1,198,382
Total health and welfare	5,219,485	5,219,485	4,007,151	1,212,334
Education:				
Other instructional costs:				
Contributions to Rappahannock				
Community College	9,006	9,006	9,006	-
Contribution to County School Board	7,536,492	7,987,528	6,148,791	1,838,737
Operation and maintenance	112,386	120,433	79,261	41,172
Total other instructional costs	7,657,884	8,116,967	6,237,058	1,879,909
Total education	7,657,884	8,116,967	6,237,058	1,879,909
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	210,260	196,461	184,202	12,259
Swimming pool	82,566	83,062	60,799	22,263
Total parks and recreation	292,826	279,523	245,001	34,522
Cultural enrichment:				
Museum	23,690	23,690	23,690	-
Total cultural enrichment	23,690	23,690	23,690	-

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUND EXPENDITURES
For The Year Ended June 30, 2025

Schedule 2
Page 4 of 6

(Continued)

	<u>Original Actual</u>	<u>Final Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>GENERAL FUND (Continued)</u>				
Parks, recreation, and cultural (continued):				
Library:				
Contribution to county library	\$ 257,282	\$ 261,603	\$ 248,489	\$ 13,114
Total library	257,282	261,603	248,489	13,114
Total parks, recreation, and cultural	573,798	564,816	517,180	47,636
Community development:				
Middle Peninsula planning district commission	46,081	47,358	47,358	-
Economic development	44,400	55,400	55,400	-
Other planning and community development	16,658	16,658	11,658	5,000
Total planning and community development	107,139	119,416	114,416	5,000
Environmental management:				
Contribution to soil and water conservation district	11,025	11,025	11,025	-
Other environmental management	1,000	1,000	1,000	-
Total environmental management	12,025	12,025	12,025	-
Cooperative extension program:				
Extension office	60,962	60,962	51,170	9,792
Total cooperative extension program	60,962	60,962	51,170	9,792
Total community development	180,126	192,403	177,611	14,792
Debt service:				
Principal retirement	31,696	31,696	31,696	-
Interest and other fiscal charges	-	-	1,479	(1,479)
Total debt service	31,696	31,696	33,175	(1,479)
Total General Fund	\$ 26,147,973	\$ 30,551,378	\$ 24,743,588	\$ 5,690,326

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUND EXPENDITURES
For The Year Ended June 30, 2025

(Continued)

	<u>Original</u> <u>Actual</u>	<u>Final</u> <u>Actual</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
<u>SPECIAL REVENUE FUND</u>				
Public safety:				
Other protection:				
Animal Control	\$ 1,500	\$ 1,500	\$ 1,000	\$ -
EMS	2,696	2,696	2,696	-
Total other protection	4,196	4,196	3,696	-
Total public safety	4,196	4,196	3,696	500
Total Special Revenue Fund	\$ 4,196	\$ 4,196	\$ 3,696	\$ 500
<u>DEBT SERVICE FUND</u>				
Public works:				
Payment to Town of Tappahannock - Share of debt service	\$ 51,638	\$ 51,638	\$ 51,638	\$ -
Total public works	51,638	51,638	51,638	-
Community development:				
Payment to Essex Airport - Share of debt service	50,032	50,032	41,387	8,645
Total community development	50,032	50,032	41,387	8,645
Debt service:				
Principal retirement	2,951,304	2,951,304	2,950,528	776
Interest and other fiscal charges	43,645	43,645	43,645	-
Total debt service	2,994,949	2,994,949	2,994,173	776
Total Debt Service Fund	\$ 3,096,619	\$ 3,096,619	\$ 3,087,198	\$ 9,421
<u>CAPITAL PROJECTS FUND</u>				
Capital projects:				
Capital projects	\$ 1,254,865	\$ 1,785,511	\$ 1,048,828	\$ 736,683
Total capital projects	1,254,865	1,785,511	1,048,828	736,683
Total Capital Projects Fund	\$ 1,254,865	\$ 1,785,511	\$ 1,048,828	\$ 736,683
Total Primary Government	\$ 30,503,653	\$ 35,437,704	\$ 28,883,310	\$ 6,554,394

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUND EXPENDITURES
For The Year Ended June 30, 2025

(Continued)

	Original Actual	Final Actual	Actual	Variance With Final Budget
<u>DISCRETELY PRESENTED COMPONENT UNIT -</u>				
<u>SCHOOL BOARD (SCHOOL OPERATING FUND)</u>				
Education:				
Administration, health, and attendance	\$ 1,832,585	\$ 1,687,231	\$ 1,540,091	\$ 147,140
Instruction costs	12,841,578	14,944,581	14,606,558	338,023
Technology	857,861	1,130,803	856,794	274,009
Pupil transportation	1,741,858	1,890,152	1,633,358	256,794
Operation and maintenance of school plant	1,727,806	2,913,945	1,594,479	1,319,466
Total education	19,001,688	22,566,712	20,231,280	2,335,432
Debt service:				
Principal retirement	-	-	40,000	(40,000)
Interest and other fiscal charges	-	-	3,188	(3,188)
Total debt service	-	-	43,188	(43,188)
Total School Operating Fund	\$ 19,001,688	\$ 22,566,712	\$ 20,274,468	\$ 2,292,244
<u>DISCRETELY PRESENTED COMPONENT UNIT -</u>				
<u>SCHOOL BOARD (SCHOOL CAFETERIA FUND)</u>				
Education:				
School food services:				
Administration of school food program	\$ 935,155	\$ 935,155	\$ 935,155	\$ -
Commodities	81,572	81,572	81,572	-
Total school food services	1,016,727	1,016,727	1,016,727	-
Total education	1,016,727	1,016,727	1,016,727	-
Total School Cafeteria Fund	\$ 1,016,727	\$ 1,016,727	\$ 1,016,727	\$ -
<u>DISCRETELY PRESENTED COMPONENT UNIT -</u>				
<u>SCHOOL BOARD (SCHOOL ACTIVITY FUND)</u>				
Education:				
Instruction:				
Elementary and secondary schools	\$ -	\$ -	\$ 219,412	\$ (219,412)
Total school food services	-	-	219,412	(219,412)
Total education	-	-	219,412	(219,412)
Total School Activity Fund	\$ -	\$ -	\$ 219,412	\$ (219,412)
Total Discretely Presented Component Unit				
- School Board	\$ 20,018,415	\$ 23,583,439	\$ 21,510,607	\$ 2,072,832

OTHER STATISTICAL INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

County of Essex, 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	\$ 1,623,756	\$ 726,774	\$ 4,443,293	\$ 1,672,349	\$ 2,451,160	\$ 8,616,832	\$ 713,163	\$ 208,534	\$ 1,515,344	\$ 21,971,205
2017	1,805,722	797,726	4,290,214	1,964,911	3,192,335	9,163,741	443,243	148,955	1,341,160	23,148,007
2018	1,374,670	729,510	4,790,280	2,047,155	3,684,513	10,563,428	421,659	171,572	1,265,502	25,048,289
2019	1,700,740	759,707	4,667,740	1,958,366	3,120,601	10,157,043	369,727	159,016	1,197,968	24,090,908
2020	2,807,973	743,556	4,535,912	2,031,809	3,490,526	7,359,643	522,444	129,892	1,147,488	22,769,243
2021	3,263,956	749,254	5,235,347	2,317,627	3,729,097	11,109,312	386,532	293,825	864,938	27,949,888
2022	1,864,888	884,338	5,122,811	2,550,766	3,526,730	8,817,322	432,930	184,706	712,748	24,097,239
2023	1,736,220	982,066	5,309,385	2,448,875	4,077,127	9,154,827	466,001	164,116	685,670	25,024,287
2024	2,607,492	1,031,309	5,242,414	3,054,626	4,012,579	9,229,188	486,424	247,390	633,004	26,544,426
2025	2,790,121	1,003,000	5,838,500	2,562,698	3,998,858	6,634,816	441,476	218,998	709,653	24,198,120

County of Essex, Virginia
Government-wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2016	\$ 563,077	\$ 3,439,628	\$ -	\$ 15,939,496	\$ 2,494,704	\$ 182,385	\$ 212,975	\$ 1,512,974	\$ 24,345,239	
2017	601,400	4,190,196	-	14,994,625	2,398,930	216,596	139,423	1,533,034	24,074,204	
2018	618,146	4,191,259	-	15,725,803	2,386,084	107,124	147,899	1,762,773	24,939,088	
2019	506,442	4,142,188	232,104	15,366,996	2,453,877	162,419	126,613	1,520,036	24,510,675	
2020	536,449	4,385,515	-	15,488,417	2,626,777	122,163	159,443	1,489,684	24,808,448	
2021	537,727	6,210,035	156,587	15,903,259	2,851,456	54,118	165,677	1,546,164	27,425,023	
2022	724,961	4,476,765	174,479	16,476,784	3,034,848	9,419	166,778	1,551,978	26,616,012	
2023	714,340	4,803,853	-	17,029,134	3,337,763	300,572	274,926	1,559,993	28,020,581	
2024	719,151	5,771,956	-	16,721,440	3,429,307	519,310	68,210	1,422,928	28,652,302	
2025	772,216	6,631,974	1,165,792	16,956,462	3,370,888	543,698	87,692	1,492,391	31,021,113	

County of Essex, Virginia
 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	\$ 1,675,663	\$ 681,613	\$ 4,342,391	\$ 1,678,337	\$ 2,460,777	\$ 17,590,465	\$ 786,195	\$ 252,030	\$ 10,107,390	\$ 39,574,861
2017	1,626,900	736,236	4,005,719	1,925,317	3,156,629	17,690,252	450,070	185,454	3,680,884	33,457,461
2018	1,479,502	685,145	4,273,909	1,997,505	3,728,865	18,462,025	420,288	176,833	4,289,748	35,513,820
2019	1,657,963	740,596	4,278,635	1,946,801	3,165,399	17,932,501	395,655	173,437	4,175,437	34,466,424
2020	2,318,867	719,912	4,226,076	1,909,906	3,289,345	6,838,799	486,068	120,640	4,064,257	23,973,870
2021	2,460,823	759,646	5,154,714	2,354,721	3,737,883	17,902,649	392,687	298,591	11,059,508	44,121,222
2022	1,892,433	878,998	4,815,063	2,570,156	3,632,421	22,136,631	447,712	190,087	3,635,233	40,198,734
2023	1,845,781	979,824	5,306,394	2,440,930	4,127,976	23,691,991	503,328	166,616	3,131,219	42,194,059
2024	2,367,862	1,010,944	5,767,942	2,866,506	3,987,184	21,207,232	502,344	249,890	3,114,426	41,074,330
2025	3,870,101	939,138	6,115,207	2,902,301	4,007,151	21,555,686	517,180	218,998	3,027,348	43,153,110

(1) Includes General, Debt Service, 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 of the Primary Government and its Discretely Presented Component Unit

County of Essex, Virginia
 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	\$ 15,795,828	\$ 2,494,704	\$ 48,111	\$ 56,372	\$ 62,881	\$ 580,497	\$ 216,252	\$ 156,843	\$ 14,901,063	\$ 34,312,551
2017	15,046,123	2,398,930	118,351	55,931	230,213	564,340	327,194	71,741	15,522,042	34,334,865
2018	15,517,236	2,386,084	104,197	43,980	119,298	607,999	346,250	33,366	15,805,943	34,964,353
2019	15,383,586	2,453,877	66,695	30,096	155,409	508,063	290,676	34,935	15,745,031	34,668,368
2020	15,488,417	2,626,777	81,150	23,620	122,163	796,496	330,398	33,405	16,187,176	35,689,602
2021	15,738,251	2,851,456	99,002	26,635	50,731	418,893	403,844	107,675	18,392,911	38,089,398
2022	16,113,234	3,034,848	163,863	18,764	48,897	575,959	503,950	79,262	21,201,909	41,740,686
2023	16,940,409	3,337,763	147,579	23,092	341,135	592,041	1,123,263	18,200	22,842,054	45,365,536
2024	16,711,746	3,429,307	102,606	19,627	562,272	655,254	567,741	18,200	20,404,392	42,471,145
2025	16,978,626	3,370,888	107,091	16,628	597,064	670,077	725,124	18,200	20,944,180	43,427,878

- (1) Includes General, Debt Service, 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 of the Primary Government and its Discretely Presented Component Unit

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1, 2)	Percent of Delinquent Taxes to Tax Levy
2016	\$ 15,337,344	\$ 14,669,612	95.65%	\$ 738,882	\$ 15,408,494	100.46%	\$ 1,780,183	11.61%
2017	15,596,041	15,036,269	96.41%	730,160	15,766,429	101.09%	1,751,140	11.23%
2018	15,643,806	15,369,346	98.25%	836,998	16,206,344	103.60%	1,839,453	11.76%
2019	16,195,420	15,572,704	96.15%	567,313	16,140,017	99.66%	1,963,085	12.12%
2020	15,704,996	15,083,438	96.04%	548,641	15,632,079	99.54%	1,665,267	10.60%
2021	16,558,989	15,983,069	96.52%	490,611	16,473,680	99.48%	2,134,933	12.89%
2022	17,311,716	16,324,300	94.30%	552,057	16,876,357	97.49%	2,236,654	12.92%
2023	17,672,927	17,200,345	97.33%	455,841	17,656,186	99.91%	2,653,795	15.02%
2024	17,601,220	16,947,782	96.29%	461,490	17,409,272	98.91%	2,708,382	15.39%
2025	17,593,367	16,995,738	96.60%	647,924	17,643,662	100.29%	2,615,223	14.86%

(1) Exclusive of penalties and interest. Includes personal property tax relief funds

(2) Includes three most current delinquent tax years and first half of current year

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
					Real Estate	Personal Property	
2016	\$ 1,256,583,672	\$ 101,433,884	\$ 1,013,750	\$ 2,270,908	\$ 44,267,085	\$ 80,990	\$ 1,405,650,289
2017	1,274,938,875	101,152,496	3,883,438	2,183,823	45,895,897	70,375	1,428,124,904
2018	1,291,963,471	99,148,455	6,844,838	2,193,033	44,837,288	56,941	1,445,044,026
2019	1,296,806,253	136,456,770	6,946,938	2,373,535	45,538,476	30,348	1,488,152,320
2020	1,302,914,819	142,008,510	7,742,088	2,701,373	44,766,212	5,951	1,500,138,953
2021	1,402,522,505	149,647,224	9,317,920	2,408,750	45,272,053	2,976	1,609,171,428
2022	1,509,472,757	175,847,939	10,691,808	2,069,913	56,811,526	-	1,754,893,943
2023	1,530,447,620	172,313,456	11,846,834	2,245,063	52,259,270	-	1,769,112,243
2024	1,534,407,432	184,964,800	13,818,636	2,382,900	47,389,844	-	1,782,963,612
2025	1,806,648,423	170,217,952	14,537,054	2,429,644	45,727,320	-	2,039,560,393

(1) Real estate and personal property are assessed at 100% of fair market value

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

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2016	\$ 0.88	\$ 0.88	\$ 3.75	\$ 3.75	\$ 4
2017	0.88	0.88	4.00	3.75	3.75/1.20
2018	0.88	0.88	4.00	3.75	1.20
2019	0.88	0.88	4.00	3.75	1.20
2020	0.86	0.86	4.00	3.75	1.20
2021	0.86/0.74	0.86/0.74	4.00	3.75	1.20
2022	0.74/0.73	0.74	4.00/3.75	3.75	1.20
2023	0.73	0.74/0.73	3.50/3.75	3.75	1.20
2024	1	0.73	3.50/4.00	3.75	1.20
2025	0.73/0.55	0.73/0.55	4.00	3.75	1.20

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2016	11,151	\$ 1,405,650,289	\$ 32,202,425	\$ 32,202,425	2.29%	\$ 2,888
2017	11,151	1,428,124,904	30,122,729	30,122,729	2.11%	2,701
2018	11,151	1,445,044,026	27,344,418	27,344,418	1.89%	2,452
2019	11,151	1,488,152,320	24,523,251	24,523,251	1.65%	2,199
2020	11,151	1,500,138,953	21,742,971	21,742,971	1.45%	1,950
2021	10,849	1,609,171,428	18,167,661	18,167,661	1.13%	1,675
2022	10,849	1,754,893,943	15,594,159	15,594,159	0.89%	1,437
2023	10,849	1,769,112,243	13,447,066	13,447,066	0.76%	1,239
2024	10,849	1,782,963,612	11,258,079	11,258,079	0.63%	1,038
2025	10,683	2,039,560,393	9,030,727	9,030,727	0.44%	845

(1) <https://www.census.gov/quickfacts>

(2) Real property assessed at 100% of fair market value

(3) Includes all long-term general obligation bonded debt, bond anticipation notes, literary fund loans, and lease revenue bonds. Excludes leases, net pension liability, net OPEB liabilities, and compensated absences.

COMPLIANCE

THIS PAGE IS INTENTIONALLY LEFT BLANK



**INDEPENDENT AUDITOR'S 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 Essex, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia (the "County"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items (2025-001, 2025-002, and 2025-010) to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-003 through 2025-010.

County of Essex, Virginia's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

UHY LLP

Columbia, Maryland
March 30, 2026

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Financial Statement Findings

Finding 2025-001 – Duplicate Entry Resulting in Material Adjustment

Criteria

Financial transactions should be recorded accurately and completely in the accounting records. Internal controls over financial reporting should ensure that duplicate or erroneous entries are prevented or detected in a timely manner. Additionally, grant revenues and expenditures should be recorded in accordance with applicable governmental accounting standards, which require that grant revenue generally be recognized only when the related eligible expenditures are incurred.

Condition

During audit procedures, UHY identified an error in the accounting records related to a grant transaction. Specifically, a check originally issued on May 15, 2025 was subsequently voided and reissued. During the accounts payable review process performed by Clearpoint, the County's pre-audit service provider, the transaction was mistakenly recorded a second time in the accounting records. As a result of this duplicate entry, both expenses and accounts payable were overstated in the trial balance. UHY proposed an audit adjustment to correct the error.

Cause

The error occurred because the voided and reissued check was misinterpreted during the review process, resulting in a duplicate entry being recorded in the accounting records. Additionally, review procedures over entries prepared by the external service provider did not detect the duplication prior to the preparation of the trial balance.

Effect

The duplicate entry caused expenses and accounts payable to be materially overstated in the accounting records. UHY proposed an adjustment to correct the error, which resulted in a \$425,834 decrease to expenses and accounts payable.

Questioned Costs

None.

Recommendation

Management should implement additional review procedures over entries recorded during the pre-audit process, particularly those related to voided or reissued checks, to ensure duplicate transactions are identified and corrected before the financial statements are finalized.

Management Response

The County concurs with the recommendation. Internal controls will be changed to include additional review by the supervisor prior to posting adjusting entries. Additional monthly review of all entries will be implemented to detect any possible duplication of entries prior to pre-audit work.

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Financial Statement Findings (Continued)

Finding 2025-002 – Missing Employee Contracts

Criteria

Employee compensation should be supported by written employment contracts or other formal documentation approved by the governing body or school board. These contracts establish the authorized salary and terms of employment and should be maintained as part of the entity's personnel records to support payroll transactions and provide an audit trail.

Condition

During payroll testing, UHY requested employee contracts to verify that compensation paid during the year agreed to the authorized compensation approved by the School Board. In two instances, management was unable to locate employee contracts for individuals selected in the sample. In addition, management was unable to provide the most recent employment contract for the former Superintendent, Harry Thomas.

Cause

Management did not maintain complete records of employee contracts or was unable to locate them during the audit.

Effect

Because the contracts could not be provided, UHY was unable to verify that the compensation amounts paid to the employees were consistent with the authorized employment agreements. This represents a deficiency in internal controls over payroll documentation and record retention.

Questioned Costs

None.

Recommendation

Management should implement procedures to ensure all employee contracts are properly maintained and retained in personnel files and are readily accessible for audit and review purposes.

Management Response

The County concurs with the recommendation and has already implemented corrective action. Due to significant turnover of personnel, and absence of procedures, there were incomplete records for some employees. A personnel action form has been implemented to establish approval by the School Board of all personnel pay and position changes. Upon approval of this personnel action form, a new contract reflecting the action is created and provided to the employee for signature. The newly executed contract is then placed into a personnel payroll file establishing the audit trail for payments made to the employee.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements**

Finding 2025-003 – Commingling of Child Welfare Trust Funds

Criteria

The audit specifications issued by the Virginia Auditor of Public Accounts require that the local Treasurer establish separate accounts for all Child Welfare Trust Funds. These trust fund accounts should not be commingled with any other funds or accounts of the locality. The purpose of this requirement is to ensure that funds belonging to children receiving services are properly safeguarded and clearly identifiable.

Condition

During testing, UHY noted that CSA (Children's Services Act) trust funds were commingled with the County's general fund accounts rather than being maintained in separate bank or investment accounts designated for Child Welfare Trust Funds.

Cause

The locality has not established separate bank accounts or appropriately titled pooled accounts specifically designated for Child Welfare Trust Funds.

Effect

Commingling these funds with other governmental funds increases the risk that fiduciary resources could be improperly used or inaccurately tracked and may make it more difficult to ensure that balances belonging to individual children are properly safeguarded.

Questioned Costs

None.

Recommendation

The Treasurer should establish separate bank or investment accounts for Child Welfare Trust Funds or ensure pooled accounts are properly titled and supported by detailed subsidiary records identifying each child's balance.

Management Response

The County concurs with the recommendation and is considering corrective in FY27.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)**

Finding 2025-004 – Annual School Report Not Reconciled to Accounting Records

Criteria

APA audit procedures require auditors to obtain the Annual School Report submitted to the School Board and reconcile revenues and expenditures reported in that document to the accounting records of the locality or school system.

Condition

UHY obtained the Annual School Report for the year under audit and attempted to reconcile the expenditures reported in the document to the accounting records. However, UHY was unable to trace the expenditures listed in the report to the amounts reflected in the trial balance. When inquiries were made, management indicated they were unaware of the reason for the discrepancy.

Cause

Management did not prepare or maintain a reconciliation between the Annual School Report and the accounting records.

Effect

Because the report could not be reconciled to the accounting records, the accuracy and reliability of the information presented to the School Board could not be verified.

Questioned Costs

None.

Recommendation

Management should prepare and review a reconciliation between the Annual School Report and the accounting records prior to submission to ensure the information reported is complete and accurate.

Management Response

The County concurs with the recommendation and has implemented corrective action. Management was unaware until December 3 that the Annual School Report had not been completed. The time constraint of completing the ASR by December 19, 2025, did not allow for comparison to the trial balance and making the corrections which would have been necessary. Since this time there has been review of the current school year trial balance and corrections are being made for the FY26 ASR completion. The procedure has been implemented for those department heads responsible for budgets within the school system to review their monthly expenditure and revenue reports to ensure items are properly accounted for on the correct budget lines. If a revenue or expense is improperly posted, the correction is made via journal entry approved by the School Board on a budget action form and filed for preservation of the audit trail.

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)

Finding 2025-005 – Late Submission of Annual School Report

Criteria

Pursuant to § 22.1-81 of the Code of Virginia, school divisions are required to submit the Annual School Report (ASR) to the Virginia Department of Education (VDOE) by the date established by the Superintendent of Public Instruction. The Auditor of Public Accounts (APA) audit specifications require auditors to obtain the Annual School Report submitted to the School Board / governing body and reconcile revenues and expenditures reported therein to the locality's or school system's accounting records. Timely submission of the ASR is necessary to ensure compliance with state reporting requirements and to support accurate financial reporting and accountability.

Condition

UHY obtained the Annual School Report for the year under audit and noted that the file was submitted to the Virginia Department of Education on December 19, 2025. The deadline, as set by the Superintendent of Public Instruction for the fiscal year ended June 30, 2025, was September 30, 2025.

Cause

Management did not submit the Annual School Report by the established deadline.

Effect

The late submission represents noncompliance with Virginia Department of Education reporting requirements under § 22.1-81 of the Code of Virginia. This delay could impact the timeliness of state-level data aggregation, funding allocations, or oversight processes. Additionally, the inability to submit on time may indicate broader weaknesses in financial closing processes or coordination between the School Board and county finance functions.

Questioned Costs

None.

Recommendation

Management should establish procedures to ensure the Annual School Report is prepared, reviewed, and submitted to the Virginia Department of Education by the deadline specified in the annual ASR instructions. This should include assigning responsibility for preparation, incorporating ASR deadlines into the fiscal year-end close calendar, and performing an internal review/reconciliation prior to submission to align reported data with the audited financial records.

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)

Management Response

The County concurs with the recommendation and has implemented corrective action. Management transmitted to the school administration and School Board chairman on October 2, 2025 the necessary reports from the financial system needed for completion of the Annual School report. Communication was also submitted to the Virginia Department of Education on the delay in completing the report. County Management learned on December 3 that the Annual School Report had not been completed and began the task of completing the report on behalf of Essex County Public Schools. Centralized Services is now listed as the party responsible for the report in the Virginia Department of Education report portal and is aware of the reporting deadlines.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)**

Finding 2025-006 – Late Submission of Audited Financial Statements

Criteria

The Virginia Auditor of Public Accounts requires localities to submit their audited financial reports and any management letters by December 15 each year. Additionally, the audited financial statements must be presented to the governing body in a public session by December 31. If an audit is delayed beyond these deadlines, the locality must promptly post a notice on its website explaining the delay.

Condition

The audited financial report was not submitted to the APA by the required December 15 deadline. Management indicated that the delay was primarily due to personnel issues during the audit process.

Cause

Personnel issues during the audit process contributed to delays in completing and submitting the report.

Effect

The locality did not comply with the reporting deadline established by the APA.

Questioned Costs

None.

Recommendation

Management should implement procedures to ensure the audit process is completed in sufficient time to allow submission of the report to the APA by the required deadline.

Management Response

The County concurs with the recommendation and has implemented corrective action. Centralized Services became fully staffed in December 2025 and is currently implementing procedures and working with the pre-audit service provider to have everything ready to begin the FY26 audit on time and successfully.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)**

Finding 2025-007 – Social Services Non-Disclosure Agreements Not Renewed

Criteria

Policy issued by the Virginia Department of Social Services requires employees to sign an Information Security Policy Acknowledgement and Non-Disclosure Agreement upon hire and renew the physical agreement at least every five years, in addition to annual electronic acknowledgement as part of required training.

Condition

During testing, UHY identified two employees whose physical non-disclosure agreements had not been renewed within the required timeframe. Specifically, Rachael Clark had not signed the agreement since December 29, 1994, and Angela Self had not signed the agreement since July 8, 2019.

Cause

Management did not maintain procedures to ensure periodic renewal of the agreements.

Effect

Employees may have access to sensitive information without a current written acknowledgement of confidentiality and information security requirements.

Questioned Costs

None.

Recommendation

Management should implement procedures to track agreement renewal dates and ensure all employees sign updated non-disclosure agreements at least every five years.

Management Response

The County concurs with the recommendation and is considering corrective in FY27.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)**

Finding 2025-008 – Conflict of Interest Disclosure Not Filed

Criteria

Under Virginia Code § 2.2-3115, certain officials are required to file a Statement of Economic Interests or Financial Disclosure form annually by February 1.

Condition

UHY noted that one individual subject to the filing requirement did not complete the required disclosure form by the February 1, 2025 deadline.

Cause

Procedures were not in place to ensure all required individuals completed the filing prior to the deadline.

Effect

Failure to file the required disclosure form results in noncompliance with Virginia ethics and financial disclosure requirements.

Questioned Costs

None.

Recommendation

The Clerk of the governing body should implement procedures to monitor filing compliance and follow up with required filers prior to the statutory deadline.

Management Response

The County concurs with the recommendation and has implemented corrective action. A tracking system will be implemented to assist with successful filing of SOEI documents by February 1.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)**

Finding 2025-009 – VNAV Contribution Reconciliations Not Confirmed Timely

Criteria

APA audit specifications for retirement systems require employers to confirm monthly contribution reconciliations within the VNAV system between the 1st and 10th of the following month.

Condition

UHY tested six monthly reconciliations, three from the County and three from the School Board. For the School Board, UHY noted that the February and March reconciliations were not confirmed within the required timeframe. The February reconciliation was confirmed on May 27, 2025, and the March reconciliation was confirmed on April 11, 2025.

Cause

Delays occurred in the reconciliation review and confirmation process.

Effect

Late confirmation of reconciliations increases the risk that errors or discrepancies in retirement contributions may not be identified and corrected in a timely manner.

Questioned Costs

None.

Recommendation

Management should implement procedures to ensure VNAV reconciliations are reviewed and confirmed within the required timeframe each month.

Management Response

The County concurs with the recommendation and has implemented corrective action. Centralized Services has personnel in place as of December 2025 who have reconciled and updated all VRS covered School Board employees. The personnel have been trained and the VRS reconciliation and payments are on the monthly schedule of processes to be completed prior to the 10th of the following month.

**County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

**Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)**

**Finding 2025-010 – Noncompliance with Virginia Public Procurement Act – Unsupported
Procurement Documentation (School Board)**

Criteria

Under the APA requirements, auditors should consider the risk of material misstatements resulting from direct and material noncompliance with the Virginia Public Procurement Act (VPPA) provisions (§ 2.2-4300 et seq. of the Code of Virginia) when conducting the audit, and design appropriate audit procedures accordingly to test compliance with the VPPA or with alternative policies that a locality or school board has established in writing and adopted by ordinance or policy. The auditor may consider risk assessment and materiality when designing audit procedures to test for compliance with local government procurement requirements.

School divisions are generally subject to key VPPA provisions—including competitive principles for procurements exceeding certain thresholds—unless exempted through adoption of alternative competitive policies meeting § 2.2-4300 requirements (per § 2.2-4343). Noncompliance with the VPPA could result in a direct and material effect on financial statement amounts. Proper documentation must be maintained to demonstrate compliance with applicable procurement methods (e.g., competitive sealed bidding, negotiation, or exemptions), ethical standards, and transparency.

Condition

During audit procedures to test compliance with the VPPA, UHY requested supporting documentation—including solicitation records, bid tabulations, sole-source justifications, contracts, approvals, and evidence of competition or exemption—for selected procurements. The County was able to provide adequate support for its tested procurements. However, for the School Board, management was unable to provide supporting documentation for several significant vendor payments. Examples include:

Vendor	Amount
CASNA Educational Consulting	\$120,000.00
Heidi Wilson	\$83,600.00
Joan Temple	\$81,600.00
Total	\$285,200.00

Cause

The School Board did not maintain complete and readily accessible records to demonstrate compliance with VPPA requirements, or any adopted alternative competitive procurement policies. This may result from inadequate record retention procedures, lack of centralized procurement oversight within the school division, or insufficient coordination between school finance and procurement functions.

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section II – Findings and Questioned Costs – Commonwealth Virginia Auditor of Public Accounts
Compliance Requirements (Continued)

Finding 2025-010 – Noncompliance with Virginia Public Procurement Act – Unsupported
Procurement Documentation (School Board) (Continued)

Effect

The absence of supporting documentation prevents verification that the School Board's procurements were conducted in accordance with the VPPA (or approved alternative policies), including requirements for competition, fairness, transparency, and avoidance of impropriety. This represents a material weakness in internal controls over procurement compliance and increases the risk of material noncompliance with state law, which could directly and materially affect the accuracy and reliability of financial statement amounts related to expenditures and commitments. It also heightens the potential for undetected errors, fraud, or favoritism in vendor selection.

Questioned Costs

None.

Recommendation

Management should implement comprehensive procurement policies and procedures aligned with the VPPA. The School Board should coordinate with the County, where procurement support exists, to leverage shared resources or adopt consistent documentation standards.

Management Response

The County concurs with the recommendation and has implemented corrective action. There are existing policies and procedures in place and current staff in the School Administration Office have been provided those policies and procedures.

County of Essex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

Prior Audit Finding: 2024-001 Deferred revenue

Summary of prior audit finding: Management did not maintain adequate internal controls over the tracking, reconciliation, and recording of deferred revenue, resulting in a material misstatement of grant revenue (including American Rescue Plan Act funds) in the financial statements.

Status: Corrective action has been implemented. Management established procedures for tracking and reconciling deferred revenue balances and ensuring proper recording in the general ledger. This matter has been fully resolved.

Prior Audit Finding: 2024-002 Budget Compliance

Summary of prior audit finding: The School Division did not comply with the public notice requirements of the *Code of Virginia* § 22.1-92, as the budget public hearing was advertised fewer than seven days prior to the hearing date.

Status: Corrective action has been implemented. Management updated its budget adoption procedures to ensure compliance with statutory public notice requirements. This matter has been fully resolved.