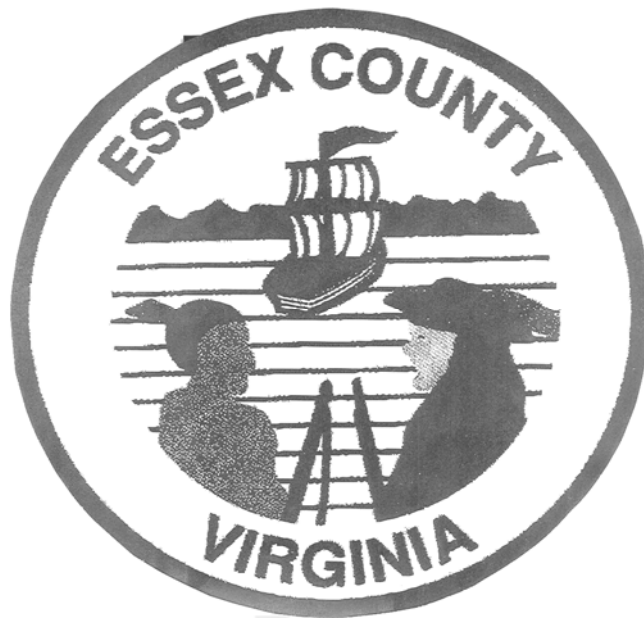


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

Margaret H. Davis, Jr., Chairperson
Sidney N. Johnson, Vice Chairperson

Edwin E. (Bud) Smith, Jr.
Robert L. Akers, Jr.

John C. Magruder

School Board

Denise Hammond, Chairperson
Jacob Plummer, Vice Chairperson

Garlyn Bundy
Leah Segar

Raymond Whitaker

Department of Social Services Board

Wright Andrews, Chairperson
Cherlanda Sidney-Ross, Vice Chairperson

Sydney Johnson
Mary Alice Parrish Passagaluppi
Janie Mitchell

Other Officials

Judge of the Circuit Court	J. Overton Harris
Clerk of the Circuit Court	G.J. Ashworth
Judge of the General District Court	John S. Martin
Judge of the Juvenile and Domestic Relations Court	William L. Lewis
Commonwealth's Attorney	Vincent S. Donoghue
Commissioner of the Revenue	T.M. Blackwell
Treasurer	B. A. Davis
Sheriff	Stanley S. Clarke
Superintendent of Schools	Dr. Scott Burckbuchler
Director of Social Services	Rodney Gordon
County Administrator	Timothy Wilson
County Attorney	Daniel M. Siegel

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COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 19 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. The County also restated balances to record additional payment on debt. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 105-106, and 107-121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Essex, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Supplementary and Other Information (Continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the County of Essex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Essex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Essex, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 9, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Essex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,558,673 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$1,708,432 (Exhibit 5) after making contributions totaling \$8,254,762 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,735,052, a decrease of \$1,708,432 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,303,974 or 23.8% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,580,000 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net 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. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,558,673 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	
	2018	2017
Current and other assets	\$ 17,959,034	\$ 19,286,032
Capital assets	<u>30,672,241</u>	<u>32,006,223</u>
Total assets	\$ <u>48,631,275</u>	\$ <u>51,292,255</u>
Deferred outflow of resources	\$ <u>403,302</u>	\$ <u>799,270</u>
Current liabilities	\$ 3,333,014	\$ 385,664
Long-term liabilities outstanding	<u>26,279,571</u>	<u>32,297,757</u>
Total liabilities	\$ <u>29,612,585</u>	\$ <u>32,683,421</u>
Deferred inflows of resources	\$ <u>7,863,319</u>	\$ <u>7,352,548</u>
Net position:		
Net investment in capital assets	\$ 4,450,408	\$ 5,001,291
Restricted for:		
Glebe fund	20,086	31,770
Forfeited assets	84,597	84,597
Law library	7,328	7,328
Asset forfeiture - Comm. Atty	2,863	2,860
Reading program donations	1,300	1,300
Poor house park	13,344	13,344
Animal shelter	42,049	52,844
Capital projects	1,037,690	2,291,849
Unrestricted	<u>5,899,008</u>	<u>4,568,373</u>
Total net position	\$ <u><u>11,558,673</u></u>	\$ <u><u>12,055,556</u></u>

Because prior year information related to other post-employment plans was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

Government-wide Financial Analysis (Continued)

Governmental activities decreased the County's net position by \$109,201 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

	Governmental Activities	
	2018	2017
Charges for services	\$ 618,146	\$ 601,400
Operating grants and contributions	4,191,259	4,190,196
General property taxes	15,725,803	14,994,625
Other local taxes	2,386,084	2,398,930
Grants and other contributions not restricted	1,762,773	1,533,034
Other general revenues	255,023	356,019
Total revenues	<u>\$ 24,939,088</u>	<u>\$ 24,074,204</u>
General government administration	\$ 1,374,670	\$ 1,805,722
Judicial administration	729,510	797,726
Public safety	4,790,280	4,290,214
Public works	2,047,155	1,964,911
Health and welfare	3,684,513	3,192,335
Education	10,563,428	9,163,741
Parks, recreation, and cultural	421,659	443,243
Community development	171,572	148,955
Interest and other fiscal charges	1,265,502	1,341,160
Total expenses	<u>\$ 25,048,289</u>	<u>\$ 23,148,007</u>
Change in net position	\$ (109,201)	\$ 926,197
Net position, beginning of year	11,667,874	11,129,359
Net position, end of year	<u>\$ 11,558,673</u>	<u>\$ 12,055,556</u>

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

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$8,735,052, a decrease of \$1,708,432. Approximately 72% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources of the General Fund did not exceed budgetary estimates in the amount of \$399,240. Expenditures and other financing uses did not exceed budgetary estimates by \$702,926, resulting in a positive variance of \$303,686.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounted to \$30,672,241 (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 the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$27,344,418. Of this amount, \$15,757,418 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 \$2,778,311 during the current fiscal year.

Additional information on the County of Essex, Virginia's long-term debt can be found in Note 6 of this report.

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

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

The fiscal year 2019 budget increased approximately 1.9% over the prior year. The County's tax rates remained the same.

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.

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BASIC FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			
	Governmental		Component Units	
	Activities	School Board	EDA	Airport
ASSETS				
Cash and cash equivalents	\$ 6,598,350	\$ 1,785,444	\$ 14,360	\$ 401,855
Cash in custody of others	962,295	-	-	-
Investments	-	-	32,560	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,873,737	-	-	-
Accounts receivable	116,595	-	-	5,851
Due from other governmental units	1,305,125	343,656	-	-
Inventories	-	12,511	-	20,075
Prepaid items	-	50,000	-	2,820
Net pension asset	102,932	-	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	1,149,371	42,822	-	4,774,900
Buildings and improvements	25,179,284	9,494,512	-	3,273,935
Intangibles	1,355,380	-	-	-
Equipment	1,370,657	1,191,138	-	7,964
Infrastructure	-	-	-	3,172,176
Construction in progress	1,617,549	-	-	-
Total assets	<u>\$ 48,631,275</u>	<u>\$ 12,920,083</u>	<u>\$ 46,920</u>	<u>\$ 11,659,576</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 375,722	\$ 1,497,777	\$ -	\$ -
OPEB related items	27,580	139,654	-	-
Total deferred outflows of resources	<u>\$ 403,302</u>	<u>\$ 1,637,431</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 227,400	\$ 135,482	\$ -	\$ 3,864
Accrued liabilities	-	1,548,468	-	4,160
Accrued interest payable	213,210	-	-	-
Due to other governmental units	-	466,781	-	-
Unearned revenue	5,871	-	-	-
Long-term liabilities:				
Due within one year	2,886,533	16,374	-	47,218
Due in more than one year	26,279,571	14,878,191	-	851,703
Total liabilities	<u>\$ 29,612,585</u>	<u>\$ 17,045,296</u>	<u>\$ -</u>	<u>\$ 906,945</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 7,292,194	\$ -	\$ -	\$ -
Pension related items	524,720	2,233,283	-	-
OPEB related items	46,405	164,000	-	-
Total deferred inflows of resources	<u>\$ 7,863,319</u>	<u>\$ 2,397,283</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 4,450,408	\$ 10,728,472	\$ -	\$ 10,330,054
Restricted:				
Glebe fund	20,086	-	-	-
Forfeited assets	84,597	-	-	-
Law library	7,328	-	-	-
Asset forfeiture - Comm. Atty	2,863	-	-	-
Poor house park	13,344	-	-	-
Animal shelter	42,049	-	-	-
Reading program donations	1,300	-	-	-
Capital projects	1,037,690	-	-	-
Unrestricted (deficit)	5,899,008	(15,613,537)	\$ 46,920	422,577
Total net position	<u>\$ 11,558,673</u>	<u>\$ (4,885,065)</u>	<u>\$ 46,920</u>	<u>\$ 10,752,631</u>

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, 2018

					Net (Expense) Revenue and Changes in Net Position			
Program Revenues								
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	School Board	EDA	Airport
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,374,670	\$ -	\$ 210,897	\$ -	\$ (1,163,773)			
Judicial administration	729,510	101,372	448,783	-	(179,355)			
Public safety	4,790,280	453,065	912,775	-	(3,424,440)			
Public works	2,047,155	-	7,280	-	(2,039,875)			
Health and welfare	3,684,513	-	2,214,574	-	(1,469,939)			
Education	10,563,428	-	-	-	(10,563,428)			
Parks, recreation, and cultural	421,659	29,423	-	-	(392,236)			
Community development	171,572	34,286	-	-	(137,286)			
Interest on long-term debt	1,265,502	-	396,950	-	(868,552)			
Total governmental activities	\$ 25,048,289	\$ 618,146	\$ 4,191,259	\$ -	\$ (20,238,884)			
Total primary government	\$ 25,048,289	\$ 618,146	\$ 4,191,259	\$ -				
COMPONENT UNITS:								
School Board	\$ 17,375,004	\$ 138,030	\$ 9,851,911	\$ -		\$ (7,385,063)	\$ -	\$ -
Economic Development Authority	87,037	-	-	-		-	(87,037)	-
Airport Authority	801,456	269,169	45,429	175,243		-	-	(311,615)
Total component unit	\$ 18,263,497	\$ 407,199	\$ 9,897,340	\$ 175,243		\$ (7,385,063)	\$ (87,037)	\$ (311,615)
General revenues:								
General property taxes					\$ 15,725,803	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use tax					1,745,412	-	-	-
Consumers' utility taxes					225,204	-	-	-
Motor vehicle licenses					394,195	-	-	-
Taxes on recordation and wills					21,273	-	-	-
Unrestricted revenues from use of money and property					107,124	12,174	87	469
Miscellaneous					147,899	198,351	5,128	-
Payments from Essex County					-	9,734,462	-	65,033
Grants and contributions not restricted to specific programs					1,762,773	-	50,000	-
Total general revenues					\$ 20,129,683	\$ 9,944,987	\$ 55,215	\$ 65,502
Change in net position					(109,201)	2,559,924	(31,822)	(246,113)
Net position - beginning, as restated					11,667,874	(7,444,989)	78,742	10,998,744
Net position - ending					\$ 11,558,673	\$ (4,885,065)	\$ 46,920	\$ 10,752,631

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

FUND FINANCIAL STATEMENTS

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

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,129,567	\$ 75,395	\$ 1,393,388	\$ 6,598,350
Cash in custody of others	-	962,295	-	962,295
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,873,737	-	-	8,873,737
Accounts receivable	116,595	-	-	116,595
Due from other governmental units	1,305,125	-	-	1,305,125
Total assets	<u>\$ 15,425,024</u>	<u>\$ 1,037,690</u>	<u>\$ 1,393,388</u>	<u>\$ 17,856,102</u>
LIABILITIES				
Accounts payable	\$ 227,400	\$ -	\$ -	\$ 227,400
Unearned revenue	5,871	-	-	5,871
Total liabilities	<u>\$ 233,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,271</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 8,887,779	\$ -	\$ -	\$ 8,887,779
Total deferred inflow of resources	<u>\$ 8,887,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,887,779</u>
FUND BALANCES				
Restricted	\$ -	\$ 1,037,690	\$ 171,567	\$ 1,209,257
Committed:				
Debt service funds	-	-	1,221,821	1,221,821
Unassigned	6,303,974	-	-	6,303,974
Total fund balances	<u>\$ 6,303,974</u>	<u>\$ 1,037,690</u>	<u>\$ 1,393,388</u>	<u>\$ 8,735,052</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,425,024</u>	<u>\$ 1,037,690</u>	<u>\$ 1,393,388</u>	<u>\$ 17,856,102</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,735,052
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 47,260,887	
Accumulated depreciation	<u>(16,588,646)</u>	30,672,241

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

Unavailable revenue - property taxes	\$ 1,595,585	
Net pension asset	<u>102,932</u>	1,698,517

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

Pension related items	\$ 375,722	
OPEB related items	<u>27,580</u>	403,302

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

Lease revenue bonds	\$ (11,587,000)	
Literary fund loan	(90,000)	
General obligation bonds	(15,667,418)	
Bond premiums	(768,210)	
Capital lease	(368,716)	
Accrued interest payable	(213,210)	
Compensated absences	(334,829)	
NET OPEB liabilities	<u>(349,931)</u>	(29,379,314)

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

Pension related items	\$ (524,720)	
OPEB related items	<u>(46,405)</u>	(571,125)

Net position of governmental activities	\$	<u><u>11,558,673</u></u>
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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 Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 15,517,236	\$ -	\$ -	\$ 15,517,236
Other local taxes	2,386,084	-	-	2,386,084
Permits, privilege fees, and regulatory licenses	104,197	-	-	104,197
Fines and forfeitures	43,980	-	-	43,980
Revenue from the use of money and property	84,418	18,203	4,503	107,124
Charges for services	469,969	-	-	469,969
Miscellaneous	141,774	-	6,125	147,899
Recovered costs	33,366	-	-	33,366
Intergovernmental:				
Commonwealth	4,129,679	-	-	4,129,679
Federal	1,824,353	-	-	1,824,353
Total revenues	<u>\$ 24,735,056</u>	<u>\$ 18,203</u>	<u>\$ 10,628</u>	<u>\$ 24,763,887</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,479,502	\$ -	\$ -	\$ 1,479,502
Judicial administration	685,145	-	-	685,145
Public safety	4,240,805	-	33,104	4,273,909
Public works	1,997,505	-	-	1,997,505
Health and welfare	3,728,865	-	-	3,728,865
Education	8,266,162	-	-	8,266,162
Parks, recreation, and cultural	420,288	-	-	420,288
Community development	176,833	-	-	176,833
Capital projects	368,716	1,272,362	-	1,641,078
Debt service:				
Principal retirement	2,896,311	-	-	2,896,311
Interest and other fiscal charges	1,393,437	-	-	1,393,437
Total expenditures	<u>\$ 25,653,569</u>	<u>\$ 1,272,362</u>	<u>\$ 33,104</u>	<u>\$ 26,959,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (918,513)</u>	<u>\$ (1,254,159)</u>	<u>\$ (22,476)</u>	<u>\$ (2,195,148)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 478,243	\$ -	\$ -	\$ 478,243
Transfers out	-	-	(478,243)	(478,243)
Issuance of notes payable	486,716	-	-	486,716
Total other financing sources (uses)	<u>\$ 964,959</u>	<u>\$ -</u>	<u>\$ (478,243)</u>	<u>\$ 486,716</u>
Net change in fund balances	\$ 46,446	\$ (1,254,159)	\$ (500,719)	\$ (1,708,432)
Fund balances - beginning	6,257,528	2,291,849	1,894,107	10,443,484
Fund balances - ending	<u>\$ 6,303,974</u>	<u>\$ 1,037,690</u>	<u>\$ 1,393,388</u>	<u>\$ 8,735,052</u>

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 Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ (1,708,432)

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

Capital asset additions	\$ 1,739,241	
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	(1,479,700)	
Depreciation expense	<u>(1,593,523)</u>	(1,333,982)

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:

Property taxes	<u>\$ 208,567</u>	208,567
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Issuance of long-term debt	\$ (486,716)	
Principal retired on lease revenue bonds	1,321,000	
Principal retired on note payable	118,000	
Principal retired on literary fund loans	90,000	
Principal retired on school general obligation bonds	1,367,311	
Amortization of bond premium	<u>105,906</u>	2,515,501

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

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (211)	
Change in accrued interest payable	22,029	
Pension expense	168,401	
OPEB expense	<u>18,926</u>	209,145

Change in net position of governmental activities	<u>\$ (109,201)</u>	
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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, 2018

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,144
	<u><u>4,144</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 4,144
	<u><u>4,144</u></u>

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

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2018

Note 1—Summary of Significant Accounting Policies:

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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. Under the reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of 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 combined financial statements to emphasize it is legally separate from the government.

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

B. Individual Component Unit Disclosures

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

Discretely Presented Component Units. The School Board members are elected by the citizens of Essex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The 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, 2018.

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, 2018. 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 jurisdiction of the Authority. Said amendments reduced the Authority's board member 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.

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

None

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

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

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

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

D. 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.) or a business-type activity.

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

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

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

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

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

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

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

purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The County reports the following major governmental funds:

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 Funds - The School Construction Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for school capital outlays.

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.

2. Fiduciary Funds - (Trust and Agency Funds) - Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare Fund.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. 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.

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

F. Investments (Continued)

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

G. Receivables and payables

Activity between funds that 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 uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$181,568 at June 30, 2018 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

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Note 1—Summary of Significant Accounting Policies: (Continued)**H. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment and intangibles of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

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

I. Compensated Absences

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

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

J. Use of Estimates

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

K. Fund Equity

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

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

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

K. Fund Equity (Continued)

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Total
Fund Balances:				
Restricted:				
Glebe fund	\$ -	\$ -	\$ 20,086	\$ 20,086
Forfeited assets - Sheriff	-	-	84,597	84,597
Forfeited assets - Commonwealth's Attorney	-	-	2,863	2,863
Law library	-	-	7,328	7,328
Poor House park	-	-	13,344	13,344
Animal shelter	-	-	42,049	42,049
Reading program donations	-	-	1,300	1,300
Capital projects	-	1,037,690	-	1,037,690
Total Restricted Fund Balance	\$ -	\$ 1,037,690	\$ 171,567	\$ 1,209,257
Committed:				
Debt service	\$ -	\$ -	\$ 1,221,821	\$ 1,221,821
Unassigned	\$ 6,303,974	\$ -	\$ -	\$ 6,303,974
Total Fund Balances	\$ 6,303,974	\$ 1,037,690	\$ 1,393,388	\$ 8,735,052

L. Pensions

For purposes of measuring the net pension liability, 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.

M. Net Position

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

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

N. Net Position Flow Assumption

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

O. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Political Subdivision and Teacher Employee Health Insurance Credit Program

The County and Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Programs were 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 HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the Programs' OPEB, and the related OPEB expenses, information about the fiduciary net position of the County and VRS Teacher Employee HIC Programs; and the additions to/deductions from the County and VRS Teacher Employee HIC Programs' 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.

P. Long-term Obligations

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

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

P. Long-term Obligations (Continued)

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability (asset) and net OPEB liabilities and contributions to the pension and the OPEB plans made during the current year and subsequent to the net pension liability (asset) and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has 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 half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability (asset) and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

R. 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.

COUNTY OF ESSEX, VIRGINIA

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

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.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Expenditures and Appropriations

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

Note 3—Deposits and Investments:

Deposits

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

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

COUNTY OF ESSEX, VIRGINIA

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

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2018 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	
Local Government Investment Pool	\$	3,706,326

Interest Rate Risk

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

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	\$ 3,706,326	\$ 3,706,326

External Investment Pools

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 under the provision of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participation.

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COUNTY OF ESSEX, VIRGINIA

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

Note 4—Due from/to Other Governments:

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Essex County School Board	\$ 466,781	\$ -
Commonwealth of Virginia:		
Local sales tax	321,047	-
Rolling stock tax	454	-
Mobile home titling tax	12,009	-
State sales tax	-	198,452
Constitutional officer reimbursements	101,106	-
Recordation tax	6,002	-
Grand jury	2,460	-
Comprehensive services act	199,153	-
Domestic violence grant	11,250	-
Welfare	48,399	-
Communications tax	51,702	-
Wireless grant	7,171	-
Federal Government:		
School fund grants	-	145,204
Ground transportation safety grant	1,650	-
Welfare	75,941	-
Total due from other governments	<u>\$ 1,305,125</u>	<u>\$ 343,656</u>

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COUNTY OF ESSEX, VIRGINIA

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

Note 5—Capital Assets:

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,149,371	\$ -	\$ -	\$ 1,149,371
Construction in progress	544,244	1,073,305	-	1,617,549
Total capital assets not subject to depreciation	\$ 1,693,615	\$ 1,073,305	\$ -	\$ 2,766,920
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,940,043	\$ 67,709	\$ -	\$ 4,007,752
Equipment	4,994,282	598,227	65,395	5,527,114
Intangibles	2,816,258	-	-	2,816,258
Jointly owned assets	34,208,905	-	2,066,062	32,142,843
Total capital assets subject to depreciation	\$ 45,959,488	\$ 665,936	\$ 2,131,457	\$ 44,493,967
Accumulated depreciation:				
Buildings and improvements	\$ 1,743,325	\$ 105,636	\$ -	\$ 1,848,961
Equipment	3,624,685	597,167	65,395	4,156,457
Intangibles	1,387,724	73,154	-	1,460,878
Jointly owned assets	8,891,146	817,566	586,362	9,122,350
Total accumulated depreciation	\$ 15,646,880	\$ 1,593,523	\$ 651,757	\$ 16,588,646
Total capital assets subject to depreciation, net	\$ 30,312,608	\$ (927,587)	\$ 1,479,700	\$ 27,905,321
Governmental activities capital assets, net	\$ 32,006,223	\$ 145,718	\$ 1,479,700	\$ 30,672,241

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COUNTY OF ESSEX, VIRGINIA

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

Note 5—Capital Assets: (Continued)

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Total capital assets not subject to depreciation	\$ 42,822	\$ -	\$ -	\$ 42,822
Capital assets subject to depreciation:				
Equipment	\$ 3,621,546	\$ 795,209	\$ -	\$ 4,416,755
Jointly owned assets	11,190,848	-	(2,066,062)	13,256,910
Total capital assets subject to depreciation	\$ 14,812,394	\$ 795,209	\$ (2,066,062)	\$ 17,673,665
Accumulated depreciation:				
Equipment	\$ 3,050,925	\$ 174,692	\$ -	\$ 3,225,617
Jointly owned assets	2,908,583	267,453	(586,362)	3,762,398
Total accumulated depreciation	\$ 5,959,508	\$ 442,145	\$ (586,362)	\$ 6,988,015
Total capital assets subject to depreciation, net	\$ 8,852,886	\$ 353,064	\$ (1,479,700)	\$ 10,685,650
Component unit school board capital assets, net	\$ 8,895,708	\$ 353,064	\$ (1,479,700)	\$ 10,728,472

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COUNTY OF ESSEX, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Component Unit-Airport:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not subject to depreciation:				
Land and land improvements	\$ 4,774,900	\$ -	\$ -	\$ 4,774,900
Construction in progress	33,272	163,807	197,079	-
Total capital assets not subject to depreciation	<u>\$ 4,808,172</u>	<u>\$ 163,807</u>	<u>\$ 197,079</u>	<u>\$ 4,774,900</u>
Capital assets subject to depreciation:				
Improvements other than buildings	\$ 576,503	\$ -	\$ -	\$ 576,503
Buildings	4,096,677	-	-	4,096,677
Infrastructure	6,454,784	197,079	-	6,651,863
Furniture	25,799	-	-	25,799
Equipment	25,803	-	-	25,803
Total capital assets subject to depreciation	<u>\$ 11,179,566</u>	<u>\$ 197,079</u>	<u>\$ -</u>	<u>\$ 11,376,645</u>
Accumulated depreciation:				
Improvements other than buildings	\$ 230,684	\$ 28,825	\$ -	\$ 259,509
Buildings	1,003,180	136,556	-	1,139,736
Infrastructure	3,136,071	343,616	-	3,479,687
Furniture	25,086	713	-	25,799
Equipment	14,508	3,331	-	17,839
Total accumulated depreciation	<u>\$ 4,409,529</u>	<u>\$ 513,041</u>	<u>\$ -</u>	<u>\$ 4,922,570</u>
Total capital assets subject to depreciation, net	<u>\$ 6,770,037</u>	<u>\$ (315,962)</u>	<u>\$ -</u>	<u>\$ 6,454,075</u>
Component unit airport capital assets, net	<u>\$ 11,578,209</u>	<u>\$ (152,155)</u>	<u>\$ 197,079</u>	<u>\$ 11,228,975</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental activities:

General government administration	\$ 61,753
Judicial administration	63,862
Public safety	547,561
Public works	90,612
Education	817,566
Parks, recreation and cultural	12,169
Total Governmental activities	<u>\$ 1,593,523</u>

Component Unit School Board	<u>\$ 442,145</u>
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Component Unit Airport	<u>\$ 513,041</u>
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COUNTY OF ESSEX, VIRGINIA

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

Note 6—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 334,618	\$ 38,998	\$ 38,787	\$ 334,829	\$ 33,483
Lease revenue bond	4,804,970	-	481,045	4,323,925	494,523
Add deferred amounts:					
For issuance premium	571,482	-	71,435	500,047	-
Net OPEB liabilities	414,641	9,385	74,095	349,931	-
Notes payable	-	118,000	118,000	-	-
Capital lease (see Note 7)	-	368,716	-	368,716	31,883
Total incurred by County	<u>\$ 6,125,711</u>	<u>\$ 535,099</u>	<u>\$ 783,362</u>	<u>\$ 5,877,448</u>	<u>\$ 559,889</u>
Incurred by School Board:					
State Literary Fund Loan	\$ 180,000	\$ -	\$ 90,000	\$ 90,000	\$ 90,000
General obligation bonds	17,034,729	-	1,367,311	15,667,418	1,372,167
Add deferred amounts:					
For issuance premium	302,634	-	34,471	268,163	-
Lease revenue bonds	8,103,030	-	839,955	7,263,075	864,477
Total incurred by School Board	<u>\$ 25,620,393</u>	<u>\$ -</u>	<u>\$ 2,331,737</u>	<u>\$ 23,288,656</u>	<u>\$ 2,326,644</u>
Total Governmental Activities Obligations, Primary Government	<u><u>\$ 32,297,757</u></u>	<u><u>\$ 535,099</u></u>	<u><u>\$ 3,115,099</u></u>	<u><u>\$ 29,166,104</u></u>	<u><u>\$ 2,886,533</u></u>

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COUNTY OF ESSEX, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations			
	Lease Revenue		Capital Lease	
	Bond			
	Principal	Interest	Principal	Interest
2019	\$ 494,523	\$ 124,208	\$ 31,883	\$ 11,762
2020	509,970	109,014	32,900	10,745
2021	476,764	93,736	33,950	9,695
2022	493,411	78,453	35,032	8,612
2023	509,258	62,053	36,150	7,495
2024	526,676	45,018	37,303	6,342
2025	543,723	27,333	38,493	5,152
2026	374,400	13,804	39,721	3,924
2027	395,200	4,637	40,988	2,657
2028	-	-	42,296	1,349
Total	<u>\$ 4,323,925</u>	<u>\$ 558,256</u>	<u>\$ 368,716</u>	<u>\$ 67,733</u>

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COUNTY OF ESSEX, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations					
	State Literary Fund Loan		General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 90,000	\$ 3,600	\$ 1,372,167	\$ 333,868	\$ 864,477	\$ 222,082
2020	-	-	1,377,279	304,556	893,029	194,174
2021	-	-	1,380,311	277,324	815,237	166,206
2022	-	-	1,383,500	249,932	845,589	138,363
2023	-	-	912,093	227,298	874,741	108,221
2024	-	-	913,986	210,404	907,325	76,822
2025	-	-	917,352	192,038	938,277	44,143
2026	-	-	920,895	173,496	561,600	20,706
2027	-	-	924,621	154,769	562,800	6,955
2028	-	-	1,473,545	124,810	-	-
2029	-	-	1,125,555	89,870	-	-
2030	-	-	1,150,556	66,404	-	-
2031	-	-	1,170,558	43,339	-	-
2032	-	-	645,000	14,673	-	-
Total	<u>\$ 90,000</u>	<u>\$ 3,600</u>	<u>\$ 15,667,418</u>	<u>\$ 2,462,781</u>	<u>\$ 7,263,075</u>	<u>\$ 977,672</u>

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COUNTY OF ESSEX, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

General Obligations:

Incurred by County:

Lease Revenue Bond:

\$9,310,000 lease revenue refunding bond issued March 24, 2016, due in varying annual installments through December 2026, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 40.00% of this debt. \$ 3,146,800

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 31.39% of this debt. 1,177,125

Total Lease Revenue Bonds \$ 4,323,925

Capital Lease:

\$368,716 Capital lease issued September 1, 2017 due in annual installments through 2027, interest payable annually at an interest rate of 3.19%. \$ 368,716

Compensated absences (payable by General Fund) \$ 334,829

Net OPEB liabilities (payable from the General Fund) \$ 349,931

Unamortized Premium \$ 500,047

Total Incurred by County \$ 5,877,448

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COUNTY OF ESSEX, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board:

State Literary Fund Loan:

\$1,800,000 State Literary Fund loan issued February 15, 1999, due in annual principal installments of \$900,000 through 2019, interest payable annually at 4%. \$ 90,000

Lease Revenue Bonds:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 68.61% of this debt. \$ 2,572,875

\$9,310,000 lease revenue refunding bond issued March 24, 2016, due in varying annual installments through December 2026, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 60.00% of this debt. 4,690,200

Total Lease Revenue Bonds \$ 7,263,075

General Obligation Bonds:

\$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%. \$ 3,585,607

\$10,000,000 qualified school construction bond issued December 15, 2011, due in varying annual installments through December 1, 2030, interest at 4.250%. 8,200,000

\$2,970,000 bond, issued May 10, 2012, interest only, payable semi-annually for the first fifteen years at 4.26% with varying annual installments beginning June 15, 2027 through July 15, 2031. 2,970,000

\$4,340,228 bond, issued November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%. 911,811

Total General Obligation Bonds \$ 15,667,418

Unamortized premium \$ 268,163

Total Incurred by School Board \$ 23,288,656

Total Long-Term Obligations, Primary Government \$ 29,166,104

COUNTY OF ESSEX, VIRGINIA

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

Note 6—Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2018.

	Restate Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 141,855	\$ 36,068	\$ 14,186	\$ 163,737	\$ 16,374
Net pension liabilities	15,484,568	2,091,411	4,864,151	12,711,828	-
Net OPEB liabilities	2,216,000	101,000	298,000	2,019,000	-
Total Component Unit-School Board	<u>\$ 17,842,423</u>	<u>\$ 2,228,479</u>	<u>\$ 5,176,337</u>	<u>\$ 14,894,565</u>	<u>\$ 16,374</u>

Component Unit Airport:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2018.

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Due Within One Year
Component Unit-Airport:					
Revenue bond	<u>\$ 944,085</u>	<u>\$ -</u>	<u>\$ 45,164</u>	<u>\$ 898,921</u>	<u>\$ 47,218</u>

Year Ending June 30	Revenue Bond	
	Principal	Interest
2019	\$ 47,218	\$ 40,340
2020	49,368	38,189
2021	51,620	35,938
2022	53,977	33,580
2023	56,446	31,111
2024-2028	323,532	114,255
2029-2032	316,760	33,470
Total	<u>\$ 898,921</u>	<u>\$ 326,883</u>

Revenue Bond:

\$1,272,000 taxable revenue bond dated March 21, 2007, 4.54% interest, due in semi-annual combined principal and interest installments of \$87,557 beginning January 1, 2009 through July 1, 2032.

\$ 898,921

COUNTY OF ESSEX, VIRGINIA

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

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of communication equipment for emergency medical services (EMS). This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Primary Government
Assets:	
EMS communications equipment	\$ 368,716
Less: accumulated depreciation	(30,608)
Total	<u>\$ 338,108</u>

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

Year Ended June 30	Primary Government
2019	\$ 43,645
2020	43,645
2021	43,645
2022	43,645
2023	43,645
2024	43,645
2025	43,645
2026	43,645
2027	43,645
2028	43,645
Total minimum lease payments	\$ 436,450
Less: amount representing interest	(67,734)
Present value of minimum lease payments	<u>\$ 368,716</u>

COUNTY OF ESSEX, VIRGINIA

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

Note 8—Unearned and 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, 2018, 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 the funding of current expenditures	\$ -	\$ 1,595,585
2nd half assessments due in December 2018	7,067,133	7,067,133
Prepaid property taxes due in December 2018 but paid in advance by taxpayers	225,061	225,061
	<u>\$ 7,292,194</u>	<u>\$ 8,887,779</u>

Note 9—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 this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

Note 10—Litigation:

At June 30, 2018, there were no matters of litigation involving the County, School Board, or EDA which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

Note 12—Pension Plan:**Plan Description**

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

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

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

Note 12—Pension Plan: (Continued)**Plan Description (Continued)**

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 12—Pension Plan: (Continued)**Plan Description (Continued)**

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

Note 12—Pension Plan: (Continued)**Plan Description (Continued)**

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

Note 12—Pension Plan: (Continued)**Plan Description (Continued)**

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

Pension Plan Data

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	40	40
Inactive members:		
Vested inactive members	10	6
Non-vested inactive members	9	10
Inactive members active elsewhere in VRS	42	7
Total inactive members	61	23
Active members	84	35
Total covered employees	185	98

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 9.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$350,264 and \$356,409 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 8.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Contributions (Continued)

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 \$49,454 and \$53,137 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 15,034,751	\$ 14,068,457	\$ 966,294
Changes for the year:			
Service cost	\$ 526,189	\$ -	\$ 526,189
Interest	1,029,933	-	1,029,933
Benefit changes	-	-	-
Differences between expected and actual experience	(310,607)	-	(310,607)
Assumption changes	(72,213)		(72,213)
Contributions - employer	-	349,601	(349,601)
Contributions - employee	-	187,550	(187,550)
Net investment income	-	1,716,731	(1,716,731)
Benefit payments, including refunds			
Refunds of employee contributions	(642,858)	(642,858)	-
Administrative expenses	-	(9,823)	9,823
Other changes	-	(1,531)	1,531
Net changes	\$ 530,444	\$ 1,599,670	\$ (1,069,226)
Balances at June 30, 2017	\$ 15,565,195	\$ 15,668,127	\$ (102,932)

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 4,450,903	\$ 3,977,335	\$ 473,568
Changes for the year:			
Service cost	\$ 58,467	\$ -	\$ 58,467
Interest	301,663	-	301,663
Benefit changes	-	-	-
Differences between expected and actual experience	(201,154)	-	(201,154)
Assumption changes	(16,304)	-	(16,304)
Contributions - employer	-	49,936	(49,936)
Contributions - employee	-	29,524	(29,524)
Net investment income	-	472,233	(472,233)
Benefit payments, including refunds			
Refunds of employee contributions	(282,863)	(282,863)	-
Administrative expenses	-	(2,866)	2,866
Other changes	-	(415)	415
Net changes	\$ (140,191)	\$ 265,549	\$ (405,740)
Balances at June 30, 2017	\$ 4,310,712	\$ 4,242,884	\$ 67,828

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's			
Net Pension Liability (Asset)	\$ 1,778,073	\$ (102,932)	\$ (1,674,803)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ 523,210	\$ 67,828	\$ (320,867)

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$175,055 and (\$135,385) respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,458	\$ 242,201	\$ -	\$ 122,071
Change in assumptions	-	49,856	-	8,893
Net difference between projected and actual earnings on pension plan investments	-	232,663	-	56,319
Employer contributions subsequent to the measurement date	350,264	-	49,454	-
Total	<u>\$ 375,722</u>	<u>\$ 524,720</u>	<u>\$ 49,454</u>	<u>\$ 187,283</u>

\$350,264 and \$49,454 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 fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (257,921)	\$ (152,345)
2020	(64,634)	2,757
2021	(29,499)	2,515
2022	(147,208)	(40,210)
Thereafter	-	-

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually employer required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,247,323 and \$1,168,176 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$12,644,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was .10282% as compared to .10711% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$726,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 897,000
Change in assumptions	185,000	-
Net difference between projected and actual earnings on pension plan investments	-	459,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,000	690,000
Employer contributions subsequent to the measurement date	<u>1,247,323</u>	<u>-</u>
Total	<u>\$ 1,448,323</u>	<u>\$ 2,046,000</u>

\$1,247,323 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (704,000)
2020	(217,000)
2021	(286,000)
2022	(531,000)
Thereafter	(107,000)

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

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

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF ESSEX, VIRGINIA

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	18,882,000	\$ 12,644,000	\$ 7,484,000

Pension Plan Fiduciary Net Position

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

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

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

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

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

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$20,281 and \$19,928 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$40,456 and \$42,237 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$3,348 and \$3,317 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the County reported a liability of \$312,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$663,000 and \$52,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was .02078% as compared to .02144% at June 30, 2016. At June 30, 2017, the Component Unit School Board professional and nonprofessional groups' proportion was .04403% and .00346%, respectively as compared to .04545% and .00359% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of \$2,000. For the year ended June 30, 2018, the Component Unit School Board professional group recognized GLI OPEB expense of \$3,000. For the year ended June 30, 2018, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,000	\$ -	\$ 15,000	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	12,000	-	25,000	-	2,000
Change in assumptions	-	16,000	-	34,000	-	3,000
Changes in proportion	-	10,000	-	21,000	-	-
Employer contributions subsequent to the measurement	20,281	-	40,456	-	3,348	-
Total	\$ 20,281	\$ 45,000	\$ 40,456	\$ 95,000	\$ 3,348	\$ 6,000

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**

\$20,281, \$40,456 and \$3,348, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2019	\$ (9,000)	\$ (19,000)	\$ (1,000)
2020	(9,000)	(19,000)	(1,000)
2021	(9,000)	(19,000)	(1,000)
2022	(9,000)	(19,000)	(1,000)
2023	(6,000)	(13,000)	(1,000)
Thereafter	(3,000)	(6,000)	(1,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

- Pre-Retirement:
 - RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement:
 - RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement:
 - RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

COUNTY OF ESSEX, VIRGINIA

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

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

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

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

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

- Pre-Retirement:
RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.
- Post-Retirement:
RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.
- Post-Disablement:
RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and Retirement Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	Decreased rate from 60% to 45%

NET GLI OPEB Liability

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

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

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

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

Note 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 404,000	\$ 312,000	\$ 238,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 857,000	\$ 663,000	\$ 505,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 67,000	\$ 52,000	\$ 39,000

Group Life Insurance Program Fiduciary Net Position

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

Note 14—Health Insurance Credit (HIC) Program:**Plan Description**

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program 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 health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

POLITICAL SUBDIVISION HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating employers are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.
<p>Benefit Amounts The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. • <u>Disability Retirement</u>- For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

COUNTY OF ESSEX, VIRGINIA

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

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Primary Government</u>
Inactive members or their beneficiaries currently receiving benefits	<u>5</u>
Inactive members:	
Vested inactive members	2
Non-vested inactive members	-
Inactive members active elsewhere in VRS	-
Total inactive members	<u>7</u>
Active members	32
Total covered employees	<u><u>39</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2018 was .47% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 Health Insurance Credit Program were \$7,299 and \$6,959 for the years ended June 30, 2018 and June 30, 2017.

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Net HIC OPEB Liability

The County’s net Health Insurance Credit OPEB liability was measured as of June 30, 2017. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

- Pre-Retirement:
 - RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement:
 - RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement:
 - RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF ESSEX, VIRGINIA

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

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Actuarial Assumptions: (Continued)

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 14—Health Insurance Credit (HIC) Program: (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

COUNTY OF ESSEX, VIRGINIA

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

Note 14—Health Insurance Credit (HIC) Program: (Continued)

Changes in Net HIC OPEB Liability

	Primary Government		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 43,119	\$ 3,478	\$ 39,641
Changes for the year:			
Service cost	\$ 4,427	\$ -	\$ 4,427
Interest	2,941	-	2,941
Benefit changes	-	-	-
Differences between expected and actual experience	-	-	-
Assumption changes	(1,414)	-	(1,414)
Contributions - employer	-	6,959	(6,959)
Net investment income	-	704	(704)
Benefit payments	(2,195)	(2,195)	-
Administrative expenses	-	(17)	17
Other changes	-	18	(18)
Net changes	\$ 3,759	\$ 5,469	\$ (1,710)
Balances at June 30, 2017	\$ 46,878	\$ 8,947	\$ 37,931

Note 14—Health Insurance Credit (HIC) Program: (Continued)***Sensitivity of the County's Health Insurance Credit Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following presents the County's Health Insurance Credit Program net HIC OPEB liability (asset) using the discount rate of 7.00%, as well as what the County's net HIC OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's			
Net HIC OPEB Liability Asset	\$ 42,762	\$ 37,931	\$ 33,811

Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB

For the year ended June 30, 2018, the County recognized Health Insurance Credit Program OPEB expense of \$6,654. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the County's Health Insurance Credit Program from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	-	235
Change in assumptions	-	1,170
Employer contributions subsequent to the measurement date	7,299	-
Total	\$ 7,299	\$ 1,405

Note 14—Health Insurance Credit (HIC) Program: (Continued)**Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB: (Continued)**

\$7,299 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2019. 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
2019	\$ (303)
2020	(303)
2021	(303)
2022	(302)
2023	(194)
Thereafter	-

Health Insurance Credit Program Plan Data

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

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

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

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

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

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

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$95,580 and \$90,087 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$1,304,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .10284% as compared to .10710% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$99,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	2,000
Change in assumptions	-	14,000
Change in proportion	-	47,000
Employer contributions subsequent to the measurement date	95,850	-
Total	\$ 95,850	\$ 63,000

\$95,850 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (10,000)
2020	(10,000)
2021	(10,000)
2022	(10,000)
2023	(9,000)
Thereafter	(14,000)

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

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation: Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

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

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,268,611</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		7.04%

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

Note 15—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,456,000	\$ 1,304,000	\$ 1,176,000

Teacher Employee HIC OPEB Fiduciary Net Position

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

COUNTY OF ESSEX, VIRGINIA

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

Note 16—Surety Bonds:

	<u>Amount</u>
Commonwealth of Virginia - Department of General Services, Division of Risk Management-Faithful Performance Bond:	
G. J. Ashworth, Clerk of the Circuit Court	\$ 103,000
B. A. "Penny" Davis, Treasurer	300,000
T. M. Blackwell, Commissioner of the Revenue	3,000
Stanley S. Clarke, Sheriff	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 17—Line of Duty Act (LODA) (OPEB Benefits):

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

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

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was \$12,660.

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Note 18—Upcoming Pronouncements:

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of

COUNTY OF ESSEX, VIRGINIA

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

Note 18—Upcoming Pronouncements: (Continued)

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Note 19—Adoption of Accounting Principles and Restatement of Beginning Net Position:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements to include reporting payment of a capital leases resulted in the following restatement of net position:

	Primary Government	Component-Unit School Board
Net position, July 1, 2017, as previously stated	\$ 12,055,556	\$ (5,469,246)
Implementation of GASB 75:		
Deferred outflows of resources related to OPEB GLI liability	20,000	44,000
Net OPEB GLI liability	(375,000)	(858,000)
Deferred outflows of resources related to OPEB HIC liability	6,959	90,000
Net OPEB HIC liability	(39,641)	(1,358,000)
Other restatement:		
Payment on capital lease	-	106,257
Net position, July 1, 2017, as restated	\$ 11,667,874	\$ (7,444,989)

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive <u>(Negative)</u>
REVENUES				
General property taxes	\$ 15,359,300	\$ 15,359,300	\$ 15,517,236	\$ 157,936
Other local taxes	2,378,000	2,378,000	2,386,084	8,084
Permits, privilege fees, and regulatory licenses	50,000	50,000	104,197	54,197
Fines and forfeitures	65,000	65,000	43,980	(21,020)
Revenue from the use of money and property	49,494	49,494	84,418	34,924
Charges for services	489,350	489,350	469,969	(19,381)
Miscellaneous	80,100	108,019	141,774	33,755
Recovered costs	32,500	32,500	33,366	866
Intergovernmental:				
Commonwealth	3,925,524	4,238,011	4,129,679	(108,332)
Federal	1,346,870	1,487,464	1,824,353	336,889
Total revenues	<u>\$ 23,776,138</u>	<u>\$ 24,257,138</u>	<u>\$ 24,735,056</u>	<u>\$ 477,918</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,550,982	\$ 1,553,067	\$ 1,479,502	\$ 73,565
Judicial administration	725,941	736,595	685,145	51,450
Public safety	4,178,416	4,462,409	4,240,805	221,604
Public works	1,732,279	2,114,780	1,997,505	117,275
Health and welfare	3,287,237	3,945,579	3,728,865	216,714
Education	8,228,653	8,483,488	8,266,162	217,326
Parks, recreation, and cultural	490,858	508,592	420,288	88,304
Community development	193,267	244,267	176,833	67,434
Capital projects	-	-	368,716	(368,716)
Debt service:				
Principal retirement	2,719,064	2,795,644	2,896,311	(100,667)
Interest and other fiscal charges	1,470,654	1,512,074	1,393,437	118,637
Total expenditures	<u>\$ 24,577,351</u>	<u>\$ 26,356,495</u>	<u>\$ 25,653,569</u>	<u>\$ 702,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (801,213)</u>	<u>\$ (2,099,357)</u>	<u>\$ (918,513)</u>	<u>\$ 1,180,844</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 801,213	\$ 1,724,117	\$ 478,243	\$ (1,245,874)
Issuance of notes payable	-	118,000	486,716	368,716
Total other financing sources (uses)	<u>\$ 801,213</u>	<u>\$ 1,842,117</u>	<u>\$ 964,959</u>	<u>\$ (877,158)</u>
Net change in fund balances	\$ -	\$ (257,240)	\$ 46,446	\$ 303,686
Fund balances - beginning	-	257,240	6,257,528	6,000,288
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,303,974</u>	<u>\$ 6,303,974</u>

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

	Budgeted Amounts				Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual Amounts</u>	
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$	4,503	\$ 4,503
Miscellaneous	-	-		6,125	6,125
Total revenues	\$ -	\$ -	\$	10,628	\$ 10,628
EXPENDITURES					
Current:					
Public safety	\$ -	\$ 36,184	\$	33,104	\$ 3,080
Total expenditures	\$ -	\$ 36,184	\$	33,104	\$ 3,080
Excess (deficiency) of revenues over (under) expenditures					
	\$ -	\$ (36,184)	\$	(22,476)	\$ 13,708
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ 496,213	\$ 496,213	\$	(478,243)	\$ (974,456)
Total other financing sources (uses)	\$ 496,213	\$ 496,213	\$	(478,243)	\$ (974,456)
Net change in fund balances					
Fund balances - beginning	-	-		1,894,107	1,894,107
Fund balances - ending	\$ 496,213	\$ 460,029	\$	1,393,388	\$ 933,359

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 526,189	\$ 491,937	\$ 453,060	\$ 420,544
Interest	1,029,933	974,990	909,667	867,420
Differences between expected and actual experience	(310,607)	(67,129)	203,064	-
Changes in assumptions	(72,213)	-	-	-
Benefit payments, including refunds of employee contributions	(642,858)	(586,951)	(678,261)	(690,595)
Net change in total pension liability	\$ 530,444	\$ 812,847	\$ 887,530	\$ 597,369
Total pension liability - beginning	15,034,751	14,221,904	13,334,374	12,737,005
Total pension liability - ending (a)	<u>\$ 15,565,195</u>	<u>\$ 15,034,751</u>	<u>\$ 14,221,904</u>	<u>\$ 13,334,374</u>
Plan fiduciary net position				
Contributions - employer	\$ 349,601	\$ 363,638	\$ 339,491	\$ 335,255
Contributions - employee	187,550	188,815	176,928	168,893
Net investment income	1,716,731	244,353	612,807	1,852,569
Benefit payments, including refunds of employee contributions	(642,858)	(586,951)	(678,261)	(690,595)
Administrative expense	(9,823)	(8,532)	(8,433)	(10,053)
Other	(1,531)	(103)	(129)	97
Net change in plan fiduciary net position	\$ 1,599,670	\$ 201,220	\$ 442,403	\$ 1,656,166
Plan fiduciary net position - beginning	14,068,457	13,867,237	13,424,834	11,768,668
Plan fiduciary net position - ending (b)	<u>\$ 15,668,127</u>	<u>\$ 14,068,457</u>	<u>\$ 13,867,237</u>	<u>\$ 13,424,834</u>
County's net pension liability (asset) - ending (a) - (b)	\$ (102,932)	\$ 966,294	\$ 354,667	\$ (90,460)
Plan fiduciary net position as a percentage of the total pension liability	100.66%	93.57%	97.51%	100.68%
Covered payroll	\$ 3,832,357	\$ 3,832,457	\$ 3,571,499	\$ 3,382,143
County's net pension liability (asset) as a percentage of covered payroll	-2.69%	25.21%	9.93%	-2.67%

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

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

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 58,467	\$ 61,703	\$ 93,039	\$ 106,774
Interest	301,663	302,496	302,607	292,655
Differences between expected and actual experience	(201,154)	(82,927)	(85,304)	-
Changes in assumptions	(16,304)	-	-	-
Benefit payments, including refunds of employee contributions	(282,863)	(303,484)	(320,380)	(194,111)
Net change in total pension liability	\$ (140,191)	\$ (22,212)	\$ (10,038)	\$ 205,318
Total pension liability - beginning	4,450,903	4,473,115	4,483,153	4,277,835
Total pension liability - ending (a)	<u>\$ 4,310,712</u>	<u>\$ 4,450,903</u>	<u>\$ 4,473,115</u>	<u>\$ 4,483,153</u>
Plan fiduciary net position				
Contributions - employer	\$ 49,936	\$ 69,993	\$ 67,266	\$ 101,076
Contributions - employee	29,524	30,098	29,178	42,330
Net investment income	472,233	67,292	183,178	571,427
Benefit payments, including refunds of employee contributions	(282,863)	(303,484)	(320,380)	(194,111)
Administrative expense	(2,866)	(2,626)	(2,695)	(3,092)
Other	(415)	(29)	(39)	30
Net change in plan fiduciary net position	\$ 265,549	\$ (138,756)	\$ (43,492)	\$ 517,660
Plan fiduciary net position - beginning	3,977,335	4,116,091	4,159,583	3,641,923
Plan fiduciary net position - ending (b)	<u>\$ 4,242,884</u>	<u>\$ 3,977,335</u>	<u>\$ 4,116,091</u>	<u>\$ 4,159,583</u>
School Board's net pension liability - ending (a) - (b)	\$ 67,828	\$ 473,568	\$ 357,024	\$ 323,570
Plan fiduciary net position as a percentage of the total pension liability	98.43%	89.36%	92.02%	92.78%
Covered payroll	\$ 634,849	\$ 643,497	\$ 618,647	\$ 846,582
School Board's net pension liability as a percentage of covered payroll	10.68%	73.59%	57.71%	38.22%

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

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

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.10282%	0.10711%	0.10692%	0.10891%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,644,000	\$ 15,011,000	\$ 13,457,000	\$ 13,162,000
Employer's Covered Payroll	\$ 7,968,458	\$ 8,378,364	\$ 7,706,572	\$ 7,931,329
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	158.68%	179.16%	174.62%	165.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 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%
2015	342,507	342,507	-	3,571,499	9.59%
2014	336,185	336,185	-	3,382,143	9.94%
2013	319,935	319,935	-	3,218,662	9.94%
2012	206,975	206,975	-	2,969,511	6.97%
2011	191,871	191,871	-	2,752,815	6.97%
2010	152,538	152,538	-	2,666,757	5.72%
2009	149,056	149,056	-	2,605,867	5.72%
2008	138,646	138,646	-	2,458,258	5.64%
Component Unit School Board (nonprofessional)					
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%
2015	69,288	69,288	-	618,647	11.20%
2014	102,436	102,436	-	846,582	12.10%
2013	107,076	107,076	-	884,923	12.10%
2012	59,778	59,778	-	826,804	7.23%
2011	61,526	61,526	-	850,976	7.23%
2010	68,492	68,492	-	930,592	7.36%
2009	69,651	69,651	-	946,344	7.36%
2008	74,233	74,233	-	931,402	7.97%
Component Unit School Board (professional)					
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%
2015	1,117,453	1,117,453	-	7,706,572	14.50%
2014	924,793	924,793	-	7,931,329	11.66%
2013	918,386	918,386	-	7,876,381	11.66%
2012	970,068	970,068	-	8,561,942	11.33%
2011	764,312	764,312	-	8,558,925	8.93%
2010	1,250,583	1,250,583	-	9,055,634	13.81%
2009	1,252,171	1,252,171	-	9,067,133	13.81%
2008	1,312,467	1,312,467	-	8,578,216	15.30%

Notes to Required Supplementary Information
For the Year Ended June 30, 2018

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.02078%	\$ 312,000	\$ 3,832,357	8.14%	48.86%
Component Unit School Board (professional):					
2017	0.04403%	\$ 663,000	\$ 8,122,504	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00346%	\$ 52,000	\$ 637,921	8.15%	48.86%

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

Schedule of Employer Contributions

Group Life Insurance Program

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 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%
2015	17,218	17,218	-	3,586,978	0.48%
2014	16,293	16,293	-	3,394,329	0.48%
2013	15,450	15,450	-	3,218,662	0.48%
2012	8,315	8,315	-	2,969,511	0.28%
2011	7,708	7,708	-	2,752,815	0.28%
2010	5,418	5,418	-	2,666,756	0.20%
2009	7,036	7,036	-	2,605,867	0.27%
Component Unit School Board (professional):					
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%
2015	38,282	38,282	-	7,975,366	0.48%
2014	38,235	38,235	-	7,965,582	0.48%
2013	38,293	38,293	-	7,977,671	0.48%
2012	23,968	23,968	-	8,560,093	0.28%
2011	23,958	23,958	-	8,556,280	0.28%
2010	17,413	17,413	-	9,055,631	0.19%
2009	24,478	24,478	-	9,065,757	0.27%
Component Unit School Board (nonprofessional):					
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%
2015	2,977	2,977	-	630,109	0.47%
2014	4,064	4,064	-	846,582	0.48%
2013	4,271	4,271	-	889,858	0.48%
2012	2,315	2,315	-	826,804	0.28%
2011	2,383	2,383	-	850,976	0.28%
2010	1,839	1,839	-	930,592	0.20%
2009	2,555	2,555	-	946,344	0.27%

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

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

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

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

JRS Employees

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

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Changes in Net OPEB Liability and Related Ratios
 Health Insurance Credit Program (HIC)
 Primary Government
 For the Year Ended June 30, 2018

	2017
Total HIC OPEB Liability	
Service cost	\$ 4,427
Interest	2,941
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(1,414)
Benefit payments	(2,195)
Net change in total HIC OPEB liability	\$ 3,759
Total HIC OPEB Liability - beginning	43,119
Total HIC OPEB Liability - ending (a)	\$ 46,878
Plan fiduciary net position	
Contributions - employer	\$ 6,959
Net investment income	704
Benefit payments	(2,195)
Administrative expense	(17)
Other	18
Net change in plan fiduciary net position	\$ 5,469
Plan fiduciary net position - beginning	3,478
Plan fiduciary net position - ending (b)	\$ 8,947
County's net HIC OPEB liability - ending (a) - (b)	\$ 37,931
Plan fiduciary net position as a percentage of the total HIC OPEB liability	19.09%
Covered payroll	\$ 1,480,662
County's net HIC OPEB liability as a percentage of covered payroll	2.56%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2015 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 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%
2015	3,319	3,319	-	1,383,092	0.24%

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

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

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

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

Non-Largest Ten Locality Employers - General Employees

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

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.10284% \$	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.

Schedule of Employer Contributions

Teacher Health Insurance Credit Program (HIC)

For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
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%
2015	84,264	84,264	-	7,949,408	1.06%
2014	88,418	88,418	-	7,965,582	1.11%
2013	87,394	87,394	-	7,873,363	1.11%
2012	51,372	51,372	-	8,561,945	0.60%
2011	51,354	51,354	-	8,558,929	0.60%
2010	67,072	67,072	-	9,055,631	0.74%
2009	97,922	97,922	-	9,066,936	1.08%

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

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

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

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OTHER SUPPLEMENTARY INFORMATION

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

	Capital Projects Fund				
	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 18,203	\$	18,203
Miscellaneous	-	873,193	-		(873,193)
Total revenues	\$ -	\$ 873,193	\$ 18,203	\$	(854,990)
EXPENDITURES					
Capital projects	\$ -	\$ 2,198,000	\$ 1,272,362	\$	925,638
Total expenditures	\$ -	\$ 2,198,000	\$ 1,272,362	\$	925,638
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,324,807)	\$ (1,254,159)	\$	70,648
Net change in fund balances	\$ -	\$ (1,324,807)	\$ (1,254,159)	\$	70,648
Fund balances - beginning	-	1,324,807	2,291,849		967,042
Fund balances - ending	\$ -	\$ -	\$ 1,037,690	\$	1,037,690

County of Essex, Virginia

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 4,646	\$ 28,524	\$ 29,026	\$ 4,144
Liabilities:				
Amounts held for social services clients	\$ 4,646	\$ 28,524	\$ 29,026	\$ 4,144

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,757,038	\$ 28,406	\$ 1,785,444
Due from other governmental units	343,656	-	343,656
Inventories	-	12,511	12,511
Prepaid items	50,000	-	50,000
Total assets	<u>\$ 2,150,694</u>	<u>\$ 40,917</u>	<u>\$ 2,191,611</u>
LIABILITIES			
Accounts payable	\$ 135,445	\$ 37	\$ 135,482
Accrued liabilities	1,548,468	-	1,548,468
Due to other governmental units	466,781	-	466,781
Total liabilities	<u>\$ 2,150,694</u>	<u>\$ 37</u>	<u>\$ 2,150,731</u>
FUND BALANCES			
Nonspendable	\$ -	\$ 13,005	\$ 13,005
Committed	-	27,875	27,875
Total fund balances	<u>\$ -</u>	<u>\$ 40,880</u>	<u>\$ 40,880</u>
Total liabilities and fund balances	<u>\$ 2,150,694</u>	<u>\$ 40,917</u>	<u>\$ 2,191,611</u>

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

Total fund balances per above \$ 40,880

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

Capital assets, cost	\$ 17,716,487	
Accumulated depreciation	<u>(6,988,015)</u>	10,728,472

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

Pension related items	\$ 1,497,777	
OPEB related items	<u>139,654</u>	1,637,431

Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Net pension liabilities	\$ (12,711,828)	
Net OPEB liabilities	(2,019,000)	
Compensated absences	<u>(163,737)</u>	(14,894,565)

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

Pension related items	\$ (2,233,283)	
OPEB related items	<u>(164,000)</u>	(2,397,283)

Net position of governmental activities		<u>\$ (4,885,065)</u>
---	--	-----------------------

County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 12,140	\$ 34	\$ 12,174
Charges for services	-	138,030	138,030
Miscellaneous	191,466	6,885	198,351
Intergovernmental:			
Local government	8,254,762	-	8,254,762
Commonwealth	8,170,897	31,647	8,202,544
Federal	981,790	667,577	1,649,367
Total revenues	<u>\$ 17,611,055</u>	<u>\$ 844,173</u>	<u>\$ 18,455,228</u>
EXPENDITURES			
Current:			
Education	\$ 17,611,055	\$ 839,570	\$ 18,450,625
Total expenditures	<u>\$ 17,611,055</u>	<u>\$ 839,570</u>	<u>\$ 18,450,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 4,603</u>	<u>\$ 4,603</u>
Net change in fund balances	\$ -	\$ 4,603	\$ 4,603
Fund balances - beginning	-	36,277	36,277
Fund balances - ending	<u>\$ -</u>	<u>\$ 40,880</u>	<u>\$ 40,880</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ 4,603
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.			
Capital asset additions		\$ 795,209	
Transfer of joint tenancy assets to Component Unit from Primary Government		1,479,700	
Depreciation expense		<u>(442,145)</u>	1,832,764
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:			
Pension expense		\$ 705,785	
OPEB expense		38,654	
Change in compensated absences		<u>(21,882)</u>	722,557
Change in net position of governmental activities			<u><u>\$ 2,559,924</u></u>

County of Essex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 12,140	\$ 12,140
Miscellaneous	92,000	92,000	191,466	99,466
Intergovernmental:				
Local government	8,217,253	8,472,088	8,254,762	(217,326)
Commonwealth	8,210,136	8,210,136	8,170,897	(39,239)
Federal	1,385,554	1,385,554	981,790	(403,764)
Total revenues	\$ 17,904,943	\$ 18,159,778	\$ 17,611,055	\$ (548,723)
EXPENDITURES				
Current:				
Education	\$ 17,904,943	\$ 18,159,778	\$ 17,611,055	\$ 548,723
Total expenditures	\$ 17,904,943	\$ 18,159,778	\$ 17,611,055	\$ 548,723
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of Essex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 34	\$ 34
Charges for services	188,685	188,685	138,030	(50,655)
Miscellaneous	-	-	6,885	6,885
Intergovernmental:				
Commonwealth	33,975	33,975	31,647	(2,328)
Federal	683,586	683,586	667,577	(16,009)
Total revenues	<u>\$ 906,246</u>	<u>\$ 906,246</u>	<u>\$ 844,173</u>	<u>\$ (62,073)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 906,246</u>	<u>\$ 906,246</u>	<u>\$ 839,570</u>	<u>\$ 66,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,603</u>	<u>\$ 4,603</u>
Net change in fund balances	\$ -	\$ -	\$ 4,603	\$ 4,603
Fund balances - beginning	-	-	36,277	36,277
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,880</u>	<u>\$ 40,880</u>

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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

ASSETS

Cash and cash equivalents	\$ 14,360
Investments	<u>32,560</u>
Total assets	<u><u>\$ 46,920</u></u>

NET POSITION

Unrestricted	<u><u>\$ 46,920</u></u>
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County of Essex, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

Operating revenues:	
Grant	\$ 50,000
Bond issue fees	5,128
Total operating revenues	<u>\$ 55,128</u>
Operating expenses:	
Contributions to industry	\$ 57,500
Other charges	34,537
Total operating expenses	<u>92,037</u>
Operating income (loss)	<u>\$ (36,909)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 87
Contributions	5,000
Total nonoperating revenues (expenses)	<u>\$ 5,087</u>
Change in net position	\$ (31,822)
Net position, beginning of year	<u>78,742</u>
Net position, end of year	<u><u>\$ 46,920</u></u>

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers and users	\$ 55,128
Payments for operating activities	<u>(92,037)</u>
Net cash provided by (used for) operating activities	<u>\$ (36,909)</u>
Cash flows from noncapital financing activities:	
Contributions	<u>\$ 5,000</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ 5,000</u>
Cash flows from investing activities:	
Interest income	\$ 87
Proceeds from sale of investments	<u>46,159</u>
Net cash provided by (used for) investing activities	<u>\$ 46,246</u>
Net increase (decrease) in cash and cash equivalents	\$ 14,337
Cash and cash equivalents, beginning of year	<u>23</u>
Cash and cash equivalents, end of year	<u><u>\$ 14,360</u></u>

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SUPPORTING SCHEDULES

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,411,300	\$ 11,411,300	\$ 11,475,792	\$ 64,492
Real and personal public service corporation taxes	420,000	420,000	376,974	(43,026)
Personal property taxes	2,959,000	2,959,000	3,098,364	139,364
Mobile home taxes	51,000	51,000	40,167	(10,833)
Machinery and tools taxes	72,000	72,000	81,975	9,975
Merchant's capital taxes	85,000	85,000	78,901	(6,099)
Penalties	193,000	193,000	197,686	4,686
Interest	168,000	168,000	167,377	(623)
Total general property taxes	\$ 15,359,300	\$ 15,359,300	\$ 15,517,236	\$ 157,936
Other local taxes:				
Local sales and use taxes	\$ 1,775,000	\$ 1,775,000	\$ 1,745,412	\$ (29,588)
Consumers' utility taxes	220,000	220,000	225,204	5,204
Motor vehicle licenses	355,000	355,000	394,195	39,195
Taxes on recordation and wills	28,000	28,000	21,273	(6,727)
Total other local taxes	\$ 2,378,000	\$ 2,378,000	\$ 2,386,084	\$ 8,084
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,100	\$ 6,100	\$ 5,806	\$ (294)
Transfer fees	400	400	574	174
Permits and other licenses	43,500	43,500	97,817	54,317
Total permits, privilege fees, and regulatory licenses	\$ 50,000	\$ 50,000	\$ 104,197	\$ 54,197
Fines and forfeitures:				
Court fines and forfeitures	\$ 65,000	\$ 65,000	\$ 43,980	\$ (21,020)
Revenue from use of money and property:				
Revenue from use of money	\$ 18,000	\$ 18,000	\$ 50,480	\$ 32,480
Revenue from use of property	31,494	31,494	33,938	2,444
Total revenue from use of money and property	\$ 49,494	\$ 49,494	\$ 84,418	\$ 34,924
Charges for services:				
Charges for courthouse maintenance	\$ 10,400	\$ 10,400	\$ 9,254	\$ (1,146)
Criminal/traffic cases fees-security	60,000	60,000	47,008	(12,992)
Charges for correction and detention	1,500	1,500	5,040	3,540
Charges for Commonwealth's Attorney	750	750	1,130	380
Charges for community development	100	100	34,286	34,186
Charges for EMS	325,000	325,000	307,967	(17,033)
Charges for selective enforcement	50,000	50,000	35,861	(14,139)
Charges for parks and recreation	41,600	41,600	29,423	(12,177)
Total charges for services	\$ 489,350	\$ 489,350	\$ 469,969	\$ (19,381)
Miscellaneous:				
Miscellaneous	\$ 80,100	\$ 108,019	\$ 141,774	\$ 33,755
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's share of animal control	-	-	1,785	1,785
Town's erosion and sediment control	2,500	2,500	1,250	(1,250)
Sheriff-EHS security	-	-	331	331
Total recovered costs	\$ 32,500	\$ 32,500	\$ 33,366	\$ 866
Total revenue from local sources	\$ 18,503,744	\$ 18,531,663	\$ 18,781,024	\$ 249,361

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ 345,000	\$ 345,000	\$ 321,958	\$ (23,042)
Mobile home titling tax	21,000	21,000	25,408	4,408
Rolling stock tax	500	500	454	(46)
Auto rental tax	100	100	-	(100)
State recordation tax	98,000	98,000	99,612	1,612
Personal property tax relief funds	1,054,171	1,054,171	1,054,171	-
Total noncategorical aid	\$ 1,518,771	\$ 1,518,771	\$ 1,501,603	\$ (17,168)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 219,630	\$ 219,630	\$ 224,205	\$ 4,575
Sheriff	597,473	597,473	631,267	33,794
Commissioner of revenue	93,605	93,605	96,567	2,962
Treasurer	72,184	72,184	73,471	1,287
Registrar/electoral board	36,590	36,590	37,399	809
Clerk of the Circuit Court	167,630	171,830	181,960	10,130
Total shared expenses	\$ 1,187,112	\$ 1,191,312	\$ 1,244,869	\$ 53,557
Other categorical aid:				
Public assistance and welfare administration	\$ 533,697	\$ 612,781	\$ 561,046	\$ (51,735)
Emergency medical services - four for life	11,500	11,500	11,363	(137)
Emergency services	-	40,449	19,037	(21,412)
Law enforcement block grant	2,500	2,500	-	(2,500)
Library	15,000	15,000	-	(15,000)
Comprehensive services act	500,000	510,304	566,222	55,918
Litter control	7,644	7,644	7,280	(364)
Wireless funds	40,000	143,916	147,818	3,902
Sheriff grant - vehicle purchase	-	13,500	-	(13,500)
DMV grant	13,773	13,773	-	(13,773)
State forestry	-	50,000	-	(50,000)
Victim-witness grant	23,027	28,972	5,534	(23,438)
Rescue squad	-	-	9,284	9,284
Domestic violence grant	45,000	45,000	18,311	(26,689)
Fire programs fund	27,500	29,339	29,339	-
Clerk records grant	-	-	4,513	4,513
Other state funds	-	3,250	3,460	210
Total other categorical aid	\$ 1,219,641	\$ 1,527,928	\$ 1,383,207	\$ (144,721)
Total categorical aid	\$ 2,406,753	\$ 2,719,240	\$ 2,628,076	\$ (91,164)
Total revenue from the Commonwealth	\$ 3,925,524	\$ 4,238,011	\$ 4,129,679	\$ (108,332)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 3,675	\$ 3,675	\$ 3,298	\$ (377)
Categorical aid:				
Public assistance and welfare administration	\$ 948,795	\$ 1,089,389	\$ 980,201	\$ (109,188)
Comprehensive services	-	-	107,105	107,105
Forfeited assets	-	-	13,616	13,616
Transportation safety	-	-	9,407	9,407
Crime victim assistance	-	-	16,832	16,832
Emergency preparedness	-	-	36,949	36,949
Edward Byrne justice assistance grant	-	-	15,739	15,739
USDA equipment grant	-	-	50,000	50,000
Community development block grant	-	-	194,256	194,256
QSCB Interest subsidy	394,400	394,400	396,950	2,550
Total categorical aid	\$ 1,343,195	\$ 1,483,789	\$ 1,821,055	\$ 337,266
Total revenue from the federal government	\$ 1,346,870	\$ 1,487,464	\$ 1,824,353	\$ 336,889
Total General Fund	\$ 23,776,138	\$ 24,257,138	\$ 24,735,056	\$ 477,918

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3	\$ 3
Revenue from the use of property	-	-	4,500	4,500
Total revenue from use of money and property	\$ -	\$ -	\$ 4,503	\$ 4,503
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 6,125	\$ 6,125
Total revenue from local sources	\$ -	\$ -	\$ 10,628	\$ 10,628
Total County Special Revenue Fund	\$ -	\$ -	\$ 10,628	\$ 10,628
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 18,203	\$ 18,203
Total revenue from use of money and property	\$ -	\$ -	\$ 18,203	\$ 18,203
Miscellaneous:				
Miscellaneous	\$ -	\$ 873,193	\$ -	\$ (873,193)
Total revenue from local sources	\$ -	\$ 873,193	\$ 18,203	\$ (854,990)
Total Capital Projects Fund	\$ -	\$ 873,193	\$ 18,203	\$ (854,990)
Total Primary Government	\$ 23,776,138	\$ 25,130,331	\$ 24,763,887	\$ (366,444)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 12,140	\$ 12,140
Total revenue from use of money and property	-	-	12,140	12,140
Miscellaneous:				
Miscellaneous	\$ 92,000	\$ 92,000	\$ 191,466	\$ 99,466
Total revenue from local sources	\$ 92,000	\$ 92,000	\$ 203,606	\$ 111,606

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 8,217,253	\$ 8,472,088	\$ 8,254,762	\$ (217,326)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,599,230	\$ 1,599,230	\$ 1,591,587	\$ (7,643)
Basic school aid	3,635,600	3,635,600	3,618,224	(17,376)
Remedial summer education	45,782	45,782	45,563	(219)
Gifted and talented	37,234	37,234	37,056	(178)
Remedial education	237,840	237,840	236,703	(1,137)
Compensation supplements	37,389	37,389	37,210	(179)
Special education	467,320	467,320	465,087	(2,233)
Textbook payment	83,419	83,419	83,020	(399)
Mentor teacher program	3,117	3,117	3,102	(15)
GED funding	8,334	8,334	8,294	(40)
Vocational education	83,212	83,212	82,814	(398)
School fringes	760,630	760,630	756,995	(3,635)
State lottery payments	208,485	208,485	207,489	(996)
Early reading intervention	27,973	27,973	27,839	(134)
Homebound	3,966	3,966	3,947	(19)
At risk payments	267,278	267,278	266,001	(1,277)
Primary class size	280,221	280,221	278,882	(1,339)
Technology	190,011	190,011	189,103	(908)
Preschool initiative	122,436	122,436	121,851	(585)
SOL Algebra readiness	22,631	22,631	22,523	(108)
English as a second language	21,709	21,709	21,605	(104)
Other state aid	66,319	66,319	66,002	(317)
Total categorical aid	\$ 8,210,136	\$ 8,210,136	\$ 8,170,897	\$ (39,239)
Total revenue from the Commonwealth	\$ 8,210,136	\$ 8,210,136	\$ 8,170,897	\$ (39,239)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 649,238	\$ 649,238	\$ 460,044	\$ (189,194)
Title IV-A	8,239	8,239	5,838	(2,401)
Title VI-B	478,754	478,754	339,241	(139,513)
Title VI-B - rural and low income	49,431	49,431	35,026	(14,405)
Preschool grant	29,562	29,562	20,947	(8,615)
Vocational education	40,983	40,983	29,040	(11,943)
Title III	3,318	3,318	2,351	(967)
Title II-A	126,029	126,029	89,303	(36,726)
Total categorical aid	\$ 1,385,554	\$ 1,385,554	\$ 981,790	\$ (403,764)
Total School Operating Fund	\$ 17,904,943	\$ 18,159,778	\$ 17,611,055	\$ (548,723)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 34	\$ 34
Charges for services:				
Cafeteria sales	\$ 188,685	\$ 188,685	\$ 138,030	\$ (50,655)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 6,885	\$ 6,885
Total revenue from local sources	\$ 188,685	\$ 188,685	\$ 144,949	\$ (43,736)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 33,975	\$ 33,975	\$ 31,647	\$ (2,328)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 683,586	\$ 683,586	\$ 610,845	\$ (72,741)
SNP equipment grant	-	-	8,712	8,712
Commodities	-	-	48,020	48,020
Total categorical aid	\$ 683,586	\$ 683,586	\$ 667,577	\$ (16,009)
Total revenue from the federal government	\$ 683,586	\$ 683,586	\$ 667,577	\$ (16,009)
Total School Cafeteria Fund	\$ 906,246	\$ 906,246	\$ 844,173	\$ (62,073)
Total Discretely Presented Component Unit - School Board	\$ 18,811,189	\$ 19,066,024	\$ 18,455,228	\$ (610,796)

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 389,534	\$ 326,350	\$ 308,195	\$ 18,155
General and financial administration:				
County administrator	\$ 148,530	\$ 149,530	\$ 138,501	\$ 11,029
Legal services	50,000	107,269	104,072	3,197
Commissioner of revenue	266,542	270,542	270,327	215
Independent Auditor	41,750	41,750	41,100	650
Treasurer	218,779	221,779	216,353	5,426
Management services	299,660	298,660	267,400	31,260
Total general and financial administration	\$ 1,025,261	\$ 1,089,530	\$ 1,037,753	\$ 51,777
Board of elections:				
Electoral board and officials	\$ 39,909	\$ 36,974	\$ 34,967	\$ 2,007
Registrar	96,278	100,213	98,587	1,626
Total board of elections	\$ 136,187	\$ 137,187	\$ 133,554	\$ 3,633
Total general government administration	\$ 1,550,982	\$ 1,553,067	\$ 1,479,502	\$ 73,565
Judicial administration:				
Courts:				
Circuit court	\$ 13,579	\$ 13,698	\$ 13,698	\$ -
General district court	1,879	1,879	871	1,008
Sheriff	58,196	56,626	49,016	7,610
Juvenile and domestic relations court	30,840	30,840	22,825	8,015
Northern Neck Essex County Group Home Commission	5,935	5,935	5,935	-
Clerk of the circuit court	279,354	287,174	272,719	14,455
Total courts	\$ 389,783	\$ 396,152	\$ 365,064	\$ 31,088
Commonwealth's attorney:				
Commonwealth's attorney	\$ 336,158	\$ 340,443	\$ 320,081	\$ 20,362
Total judicial administration	\$ 725,941	\$ 736,595	\$ 685,145	\$ 51,450
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,073,239	\$ 1,176,963	\$ 1,045,848	\$ 131,115
Fire and rescue services:				
Fire department	\$ 207,500	\$ 221,072	\$ 221,072	\$ -
Ambulance and rescue services	1,058,278	1,137,257	1,104,964	32,293
Forestry service	7,989	7,989	7,948	41
Total fire and rescue services	\$ 1,273,767	\$ 1,366,318	\$ 1,333,984	\$ 32,334
Correction and detention:				
Sheriff	\$ 1,460,667	\$ 1,540,026	\$ 1,529,379	\$ 10,647

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 196,968	\$ 196,327	\$ 159,773	\$ 36,554
Other protection:				
Animal control	\$ 173,525	\$ 182,525	\$ 171,741	\$ 10,784
Medical examiner	250	250	80	170
Total other protection	\$ 173,775	\$ 182,775	\$ 171,821	\$ 10,954
Total public safety	\$ 4,178,416	\$ 4,462,409	\$ 4,240,805	\$ 221,604
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 781,219	\$ 781,219	\$ 769,935	\$ 11,284
Maintenance of general buildings and grounds:				
General properties	\$ 643,157	\$ 682,152	\$ 667,582	\$ 14,570
Communication	60,000	60,005	52,354	7,651
Technology	247,903	591,404	507,634	83,770
Total maintenance of general buildings and grounds	\$ 951,060	\$ 1,333,561	\$ 1,227,570	\$ 105,991
Total public works	\$ 1,732,279	\$ 2,114,780	\$ 1,997,505	\$ 117,275
Health and welfare:				
Health:				
Supplement of local health department	\$ 130,831	\$ 130,831	\$ 130,831	\$ -
Mental health and mental retardation:				
Community services board	\$ 34,927	\$ 34,927	\$ 34,927	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,010,871	\$ 2,257,853	\$ 1,902,409	\$ 355,444
Bay transit	110,608	110,608	201,703	(91,095)
Comprehensive services act	1,000,000	1,411,360	1,458,995	(47,635)
Total welfare	\$ 3,121,479	\$ 3,779,821	\$ 3,563,107	\$ 216,714
Total health and welfare	\$ 3,287,237	\$ 3,945,579	\$ 3,728,865	\$ 216,714
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 11,400	\$ 11,400	\$ 11,400	\$ -
Contribution to County School Board	8,217,253	8,472,088	8,254,762	217,326
Total education	\$ 8,228,653	\$ 8,483,488	\$ 8,266,162	\$ 217,326

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 205,754	\$ 207,754	\$ 170,639	\$ 37,115
Swimming pool and park	73,513	73,513	37,887	35,626
Total parks and recreation	\$ 279,267	\$ 281,267	\$ 208,526	\$ 72,741
Cultural enrichment:				
Museum	\$ 17,000	\$ 22,000	\$ 22,000	\$ -
Library:				
Contribution to county library	\$ 194,591	\$ 205,325	\$ 189,762	\$ 15,563
Total parks, recreation, and cultural	\$ 490,858	\$ 508,592	\$ 420,288	\$ 88,304
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 16,300	\$ 16,300	\$ 16,300	\$ -
Economic development	112,450	163,450	112,993	50,457
Total planning and community development	\$ 128,750	\$ 179,750	\$ 129,293	\$ 50,457
Environmental management:				
Contribution to soil and water conservation district	\$ 11,025	\$ 11,025	\$ 11,025	\$ -
Litter control program	7,644	7,644	7,357	287
Other environmental management	1,000	1,000	1,000	-
Total environmental management	\$ 19,669	\$ 19,669	\$ 19,382	\$ 287
Cooperative extension program:				
Extension office	\$ 44,848	\$ 44,848	\$ 28,158	\$ 16,690
Total community development	\$ 193,267	\$ 244,267	\$ 176,833	\$ 67,434
Capital projects:				
Public safety radio equipment	\$ -	\$ -	\$ 368,716	\$ (368,716)
Total capital projects	\$ -	\$ -	\$ 368,716	\$ (368,716)
Debt service:				
Principal retirement	\$ 2,719,064	\$ 2,795,644	\$ 2,896,311	\$ (100,667)
Interest and other fiscal charges	1,470,654	1,512,074	1,393,437	118,637
Total debt service	\$ 4,189,718	\$ 4,307,718	\$ 4,289,748	\$ 17,970
Total General Fund	\$ 24,577,351	\$ 26,356,495	\$ 25,653,569	\$ 702,926
Special Revenue Fund:				
Special Revenue Fund:				
Public Safety:				
Glebe:				
Professional services	\$ -	\$ 16,184	\$ 16,184	\$ -
Other protection:				
Animal control	\$ -	\$ 20,000	\$ 16,920	\$ 3,080
Total public safety	\$ -	\$ 36,184	\$ 33,104	\$ 3,080

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
Special Revenue Fund: (Continued)				
Total County Special Revenue Fund	\$ -	\$ 36,184	\$ 33,104	\$ 3,080
Capital Projects Fund:				
Capital projects:				
Capital projects	\$ -	\$ 2,198,000	\$ 1,272,362	\$ 925,638
Total capital projects	\$ -	\$ 2,198,000	\$ 1,272,362	\$ 925,638
Total Capital Projects Fund	\$ -	\$ 2,198,000	\$ 1,272,362	\$ 925,638
Total Primary Government	\$ 24,577,351	\$ 28,590,679	\$ 26,959,035	\$ 1,631,644
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,001,000	\$ 1,001,000	\$ 1,031,805	\$ (30,805)
Instruction costs	12,889,693	13,022,337	12,183,784	838,553
Technology	868,030	990,221	1,257,193	(266,972)
Pupil transportation	1,793,726	1,793,726	1,705,446	88,280
Operation and maintenance of school plant	1,352,494	1,352,494	1,432,827	(80,333)
Total education	\$ 17,904,943	\$ 18,159,778	\$ 17,611,055	\$ 548,723
Total School Operating Fund	\$ 17,904,943	\$ 18,159,778	\$ 17,611,055	\$ 548,723
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 906,246	\$ 906,246	\$ 791,056	\$ 115,190
Commodities	-	-	48,514	(48,514)
Total school food services	\$ 906,246	\$ 906,246	\$ 839,570	\$ 66,676
Total education	\$ 906,246	\$ 906,246	\$ 839,570	\$ 66,676
Total School Cafeteria Fund	\$ 906,246	\$ 906,246	\$ 839,570	\$ 66,676
Total Discretely Presented Component Unit - School Board	\$ 18,811,189	\$ 19,066,024	\$ 18,450,625	\$ 615,399

OTHER STATISTICAL INFORMATION

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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
2008-09	\$ 1,568,632	\$ 700,133	\$ 3,451,014	\$ 1,354,988	\$ 2,645,966	\$ 8,194,820	\$ 427,867	\$ 91,643	\$ 1,046,589	\$ 19,481,652
2009-10	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575
2011-12	1,706,609	681,831	4,064,725	1,331,201	2,189,764	6,723,619	415,389	86,752	1,500,339	18,700,229
2012-13	1,601,134	706,845	4,263,572	1,456,944	2,157,151	6,694,654	402,704	76,721	1,274,412	18,634,137
2013-14	1,277,471	656,005	3,966,673	1,617,463	2,149,596	7,095,834	398,171	161,570	1,501,151	18,823,934
2014-15	1,381,868	538,448	3,890,756	1,626,640	1,884,957	9,636,662	454,226	215,500	1,476,080	21,105,137
2015-16	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
2016-17	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
2017-18	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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	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	Total	
2008-09	\$ 216,826	\$ 3,245,589	\$ 208,140	\$ 10,638,177	\$ 2,581,539	\$ 54,714	\$ 67,214	\$ 1,066,074	\$ 18,078,273		
2009-10	207,305	2,854,011	-	10,726,095	2,136,779	39,235	85,746	1,453,937	17,503,108		
2010-11	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416		
2011-12	434,701	2,692,852	-	12,293,636	2,129,390	101,251	30,441	1,438,719	19,120,990		
2012-13	387,129	3,173,575	-	12,865,179	2,064,024	62,865	76,908	1,492,519	20,122,199		
2013-14	486,365	2,994,419	-	13,459,968	1,892,560	53,199	88,612	1,505,664	20,480,787		
2014-15	549,536	3,118,922	-	14,462,007	2,242,497	48,115	328,068	1,532,152	22,281,297		
2015-16	563,077	3,439,628	-	15,939,496	2,494,704	182,385	212,975	1,512,974	24,345,239		
2016-17	601,400	4,190,196	-	14,994,625	2,398,930	216,596	139,423	1,533,034	24,074,204		
2017-18	618,146	4,191,259	-	15,725,803	2,386,084	107,124	147,899	1,762,773	24,939,088		

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
	Administration	Government									
2008-09	\$ 1,561,628	\$	635,967	\$ 6,059,597	\$ 1,386,767	\$ 2,640,100	\$ 17,113,270	\$ 422,557	\$ 91,643	\$ 2,531,253	\$ 32,442,782
2009-10	1,516,867		705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685
2010-11	1,836,494		696,193	3,721,774	1,211,682	2,542,294	16,171,436	443,490	63,246	1,894,696	28,581,305
2011-12	1,676,226		661,423	3,660,306	1,280,425	2,159,172	16,514,738	391,855	89,252	9,311,473	35,744,870
2012-13	1,661,413		640,070	4,237,084	1,372,443	2,126,837	16,094,245	433,515	78,596	2,986,389	29,630,592
2013-14	1,386,537		624,493	3,955,020	1,695,600	2,158,657	16,149,300	409,144	164,070	3,580,296	30,123,117
2014-15	1,400,155		635,031	4,122,850	1,586,688	1,916,587	17,196,877	464,733	286,126	3,553,194	31,162,241
2015-16	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
2016-17	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
2017-18	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

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

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

(3) Excludes Capital Projects funds of the Primary Government and its Discretely Presented Component Unit.

Table 4

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
2007-08	\$ 9,944,811	\$ 2,723,813	\$ 149,560	\$ 26,643	\$ 135,976	\$ 392,803	\$ 248,544	\$ 57,273	\$ 15,296,604	\$ 28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449
2010-11	11,396,506	2,036,898	53,796	19,104	89,158	316,073	76,163	164,932	14,321,871	28,474,501
2011-12	12,035,208	2,129,390	55,316	11,198	80,357	565,775	54,251	135,576	14,388,805	29,455,876
2012-13	13,091,774	2,064,024	53,129	723	42,053	516,577	76,088	203,528	14,763,185	30,811,081
2013-14	13,492,136	1,892,560	47,868	49,737	48,985	527,304	119,050	126,842	14,279,539	30,584,021
2014-15	14,375,886	2,242,497	55,722	121,180	58,143	492,624	351,564	179,327	14,950,044	32,826,987
2015-16	15,795,828	2,494,704	48,111	56,372	62,881	580,497	216,252	156,843	14,901,063	34,312,551
2016-17	15,046,123	2,398,930	118,351	55,931	230,213	564,340	327,194	71,741	15,522,042	34,334,865
2017-18	15,517,236	2,386,084	104,197	43,980	119,298	607,999	346,250	33,366	15,805,943	34,964,353

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

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

(3) Excludes Capital Projects funds of the Primary Government and its Discretely Presented Component Unit.

Table 5

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
2008-09	\$ 11,541,819	\$ 10,826,971	93.81%	\$ 158,024	\$ 10,984,995	95.18%	\$ 1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,350,599	11.06%
2011-12	13,667,004	12,518,036	91.59%	271,965	12,790,001	93.58%	1,542,285	11.28%
2012-13	13,825,984	13,144,229	95.07%	699,836	13,844,065	100.13%	1,480,509	10.71%
2013-14	14,450,761	13,795,011	95.46%	426,979	14,221,990	98.42%	1,394,233	9.65%
2014-15	15,266,583	14,439,033	94.58%	645,104	15,084,137	98.80%	1,470,710	9.63%
2015-16	15,337,344	14,669,612	95.65%	738,882	15,408,494	100.46%	1,780,183	11.61%
2016-17	15,596,041	15,036,269	96.41%	730,160	15,766,429	101.09%	1,751,140	11.23%
2017-18	15,643,806	15,369,346	98.25%	836,998	16,206,344	103.60%	1,839,453	11.76%

(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 tax year.

Table 6

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	
2008-09	\$ 1,484,558,834	\$ 91,605,947	\$ 1,214,384	\$ 1,903,644	\$ 34,565,064	\$ 89,107	\$ 1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997
2010-11	1,492,473,385	85,051,484	1,633,681	1,759,440	39,121,599	81,257	1,620,120,846
2011-12	1,505,791,681	88,167,722	1,689,475	1,815,583	37,440,722	83,997	1,634,989,180
2012-13	1,250,196,928	88,542,338	1,664,900	2,057,170	40,960,386	91,137	1,383,512,859
2013-14	1,253,447,626	96,842,771	1,071,575	2,091,590	42,005,340	113,855	1,395,572,757
2014-15	1,258,320,412	97,286,467	1,087,150	2,221,244	43,138,410	101,500	1,402,155,183
2015-16	1,256,583,672	101,433,884	1,013,750	2,270,908	44,267,085	80,990	1,405,650,289
2016-17	1,274,938,875	101,152,496	3,883,438	2,183,823	45,895,897	70,375	1,428,124,904
2017-18	1,291,963,471	99,148,455	6,844,838	2,193,033	44,837,288	56,941	1,445,044,026

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

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

Table 7

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
2008-09	\$ 0.53	\$ 0.53	\$ 3.50	\$ 3.75	\$ 3.50
2009-10	0.61	0.53	3.50	3.75	3.50
2010-11	0.605	0.61	3.50	3.75	3.50
2011-12	0.695	0.605	3.50	3.75	3.50
2012-13	0.695/ .84	0.695	3.50	3.75	3.50
2013-14	0.84/ .86	0.84	3.50	3.75	3.50
2014-15	0.86/ .88	0.86	3.75	3.75	3.75
2015-16	0.88	0.88	3.75	3.75	3.75
2016-17	0.88	0.88	4.00	3.75	3.75/1.20
2017-18	0.88	0.88	4.00	3.75	1.20

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	9,989	\$ 1,613,936,980	\$ 17,780,609	\$ 17,780,609	1.10%	\$ 1,780
2009-10	11,151	1,627,201,997	17,050,985	17,050,985	1.05%	1,529
2010-11	11,151	1,620,120,846	16,269,670	16,269,670	1.00%	1,459
2011-12	11,151	1,634,989,180	34,711,478	34,711,478	2.12%	3,113
2012-13	11,151	1,383,512,859	33,523,059	33,523,059	2.42%	3,006
2013-14	11,151	1,395,572,757	31,840,877	31,840,877	2.28%	2,855
2014-15	11,151	1,402,155,183	30,122,734	30,122,734	2.15%	2,701
2015-16	11,151	1,405,650,289	32,202,425	32,202,425	2.29%	2,888
2016-17	11,151	1,428,124,904	30,122,729	30,122,729	2.11%	2,701
2017-18	11,151	1,445,044,026	27,344,418	27,344,418	1.89%	2,452

(1) Weldon Cooper Center for Public Service for 2000 and 2010 Census counts.

(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 capital leases, net OPEB obligation, and compensated absences.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Essex
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 County of Essex Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Essex, Virginia's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Essex, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

County of Essex, Virginia's Response to Finding

County of Essex, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Essex, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 9, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2018. County of Essex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

County of Essex, Virginia's basic financial statements include the operations of the Essex County Airport Authority, which received \$135,336 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of Essex County Airport Authority because the component unit receives a separate audit.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Essex, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (Uniform Guidance) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Essex, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Essex, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Essex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of County of Essex, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Essex, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Essex, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 9, 2018

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

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950117/0950118	\$ 8,881
Temporary Assistance for Needy Families	93.558	0400117/0400118	109,563
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	194
Low Income Home Energy Assistance	93.568	0600417/0600418	12,643
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760117/0760118	16,811
Chafee Education and Training Vouchers	93.599	9160117/9160118	668
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	299
Foster Care - Title IV-E	93.658	1100117/1100118	313,430
Adoption Assistance	93.659	1130117/1130118	72,571
Social Services Block Grant	93.667	1000117/1000118	167,467
Chafee Foster Care Independence Program	93.674	9150117/9150118	653
Children's Health Insurance Program	93.767	0540117/0540118	7,690
Medical Assistance Program	93.778	1200117/1200118	191,247
			<u>\$ 902,117</u>
Total Department of Health and Human Services			
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52749	\$ 36,949
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	N/A	\$ 168,000
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	Not Available	\$ 380
Food Distribution	10.555	Not Available	\$ 47,640
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-45707	409,545
School Breakfast Program	10.553	17901-40591	201,300
Total Child Nutrition Cluster			<u>\$ 658,865</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	Not Available	\$ 8,712
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	\$ 185,188
Total Department of Agriculture			
			<u>\$ 1,020,765</u>
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50287	\$ 9,407

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

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Treasury:			
Pass Through Payments:			
Office of the Attorney General:			
Sheriff Asset Forfeiture Funds	21.000	Not Available	\$ 13,616
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	39001-76000	\$ 16,832
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	15,739
Total Department of Justice			\$ 32,571
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	533005	\$ 194,256
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 460,044
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	339,241
Special Education - Preschool Grants	84.173	17901-62521	20,947
Total Special Education Cluster			\$ 360,188
Career and Technical Education - Basic Grants to States	84.048	17901-61095	29,040
Rural Education	84.358	17901- 43481	35,026
English Language Acquisition State Grants	84.365	17901	2,352
Supporting Effective Instruction State Grant	84.367	17901-61480	89,303
Student Support and Academic Enrichment Program	84.424	17901-61910	5,838
Total Department of Education			\$ 981,791
Total Expenditures of Federal Awards			\$ 3,191,472

See accompanying notes to schedule of expenditures of federal awards.

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

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Essex, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (Uniform Guidance) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

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

Note 3 - Food Donation

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,824,353
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Component Unit - School Board:

School Operating Fund	\$ 981,790
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School Special Revenue Fund	667,577
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Total component unit School Board	\$ 1,649,367
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Total federal expenditures per basic financial statements	\$ 3,473,720
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Federal interest subsidy	\$ (396,950)
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Rural development loan grant	118,000
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Payments in Lieu of taxes	(3,298)
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 3,191,472
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County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

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

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

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section IV - Commonwealth of Virginia Findings and Questions Costs

Finding 2018-001:

Financial Reporting

Criteria:

Section 22.1-92 of the *Code of Virginia* requires that before any school board gives final approval to its budget for submission to the governing body, the School Board must hold at least one public hearing to receive the view of citizens within the school division. The School Board shall cause public notice to be given at least 10 days prior to the public hearing by publication in a newspaper of general circulation in the school division.

Condition:

The School Board held their public hearing on March 3, 2017 on the FY17-18 budget but did not provide 10 days of public notice to the citizens within the school division.

Effect of Condition:

The citizens within the school division were not given ample notice to attend the public hearing of the FY17-18 School Budget.

Cause of Condition:

Procedures were not in place to ensure that the public hearing was advertised 10 days prior to the date of the public hearing.

Recommendation:

School Board management should have procedures in place to ensure that the public hearing is properly advertised in accordance with the requirements of the *Code of Virginia*.

Management's Recommendation:

The School Board office is considering corrective action for FY19.

Section V - Prior Year Findings

There are no findings from the prior year.

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