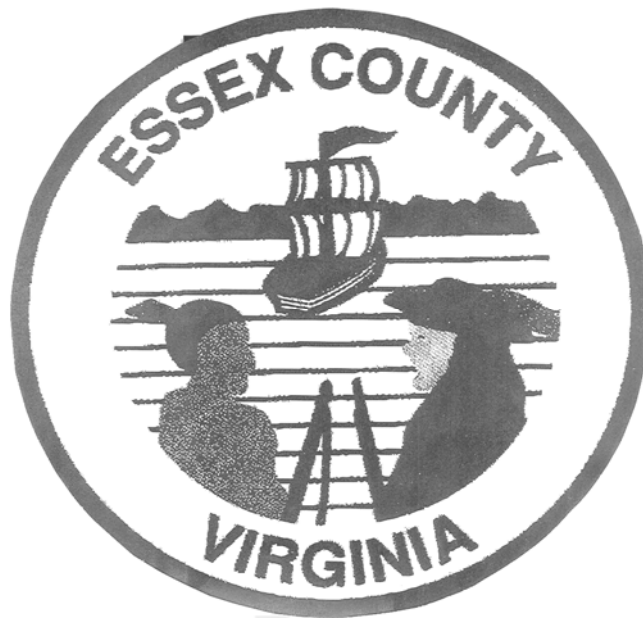


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

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

Jacob Plummer, Chairperson
Raymond Whitaker, Vice Chairperson

Garlyn Bundy
Leah Segar

Denise Hammond

Department of Social Services Board

Wright Andrews, Chairperson
Cherlanda Sidney-Ross, Vice Chairperson

Sidney N. Johnson
Mary Alice Parrish Passagaluppi
Janie Mitchell

Other Officials

Judge of the Circuit Court.....	Charles S. Sharp
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.....	Walter Holmes
Superintendent of Schools.....	Dr. Harry R. Thomas III
Director of Social Services.....	Rodney Gordon
County Administrator.....	Michael Lombardo
County Attorney.....	Daniel M. Siegel

COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 20 to the financial statements, in 2019, the County adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2019, the County restated beginning balances to separate debt service fund reporting from the special revenue fund. 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, 86-87, and 88-104 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 20, 2019, 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 20, 2019

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, 2019.

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 \$11,978,440 (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 \$308,530 (Exhibit 5) after making contributions totaling \$7,655,307 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,426,522, a decrease of \$308,530 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,687,306 or 27.94% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,763,050 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 four major governmental funds – the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's 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 \$11,978,440 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	
	2019	2018
Current and other assets	\$ 18,377,352	\$ 17,959,034
Capital assets	<u>28,057,430</u>	<u>30,672,241</u>
Total assets	<u>\$ 46,434,782</u>	<u>\$ 48,631,275</u>
Deferred outflow of resources	\$ <u>356,379</u>	\$ <u>403,302</u>
Current liabilities	\$ 3,224,193	\$ 3,333,014
Long-term liabilities outstanding	<u>23,392,586</u>	<u>26,279,571</u>
Total liabilities	<u>\$ 26,616,779</u>	<u>\$ 29,612,585</u>
Deferred inflows of resources	\$ <u>8,195,942</u>	\$ <u>7,863,319</u>
Net position:		
Net investment in capital assets	\$ 4,109,667	\$ 4,450,408
Restricted for:		
Glebe fund	1,875	20,086
Forfeited assets	86,089	84,597
Law library	7,328	7,328
Asset forfeiture - Comm. Atty	2,869	2,863
Reading program donations	1,300	1,300
Poor house park	13,344	13,344
Animal shelter	49,469	42,049
Capital projects	612,957	1,037,690
Unrestricted	<u>7,093,542</u>	<u>5,899,008</u>
Total net position	<u>\$ 11,978,440</u>	<u>\$ 11,558,673</u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$419,767 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	
	2019	2018
Charges for services	\$ 506,442	\$ 618,146
Operating grants and contributions	4,142,188	4,191,259
Capital grants and contributions	232,104	-
General property taxes	15,366,996	15,725,803
Other local taxes	2,453,877	2,386,084
Grants and other contributions not restricted	1,520,036	1,762,773
Other general revenues	289,032	255,023
Total revenues	\$ 24,510,675	\$ 24,939,088
General government administration	\$ 1,700,740	\$ 1,374,670
Judicial administration	759,707	729,510
Public safety	4,667,740	4,790,280
Public works	1,958,366	2,047,155
Health and welfare	3,120,601	3,684,513
Education	10,157,043	10,563,428
Parks, recreation, and cultural	369,727	421,659
Community development	159,016	171,572
Interest and other fiscal charges	1,197,968	1,265,502
Total expenses	\$ 24,090,908	\$ 25,048,289
Change in net position	\$ 419,767	\$ (109,201)
Net position, beginning of year	11,558,673	11,667,874
Net position, end of year	\$ 11,978,440	\$ 11,558,673

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 \$8,426,522, a decrease of \$308,530. Approximately 79% 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 exceeded budgetary estimates in the amount of \$71,907. Expenditures and other financing uses did not exceed budgetary estimates by \$1,225,985, resulting in a positive variance of \$1,297,892.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2019 amounted to \$28,057,430 (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 \$24,523,251. Of this amount, \$14,295,251 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 \$2,731,167 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 2020 fiscal year.

The fiscal year 2020 budget increased approximately 1.5% 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.

County of Essex, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			
	Governmental		Component Units	
	Activities	School Board	EDA	Airport
ASSETS				
Cash and cash equivalents	\$ 6,707,142	\$ 1,702,667	\$ 16,069	\$ 392,002
Cash in custody of others	519,040	-	-	-
Investments	-	-	33,261	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	9,202,765	-	-	-
Accounts receivable	96,712	1,570	-	9,836
Due from other governmental units	1,273,514	352,161	-	18,762
Inventories	-	11,527	-	35,685
Prepaid items	-	-	-	2,781
Net pension asset	578,179	-	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	1,149,371	42,822	-	4,774,900
Buildings and improvements	22,745,249	10,736,137	-	3,108,554
Intangibles	1,283,711	-	-	-
Equipment	1,132,502	1,153,718	-	6,134
Infrastructure	-	-	-	2,828,560
Construction in progress	1,746,597	-	-	151,861
Total assets	<u>\$ 46,434,782</u>	<u>\$ 14,000,602</u>	<u>\$ 49,330</u>	<u>\$ 11,329,075</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 313,245	\$ 1,427,164	\$ -	\$ -
OPEB related items	43,134	171,402	-	-
Total deferred outflows of resources	<u>\$ 356,379</u>	<u>\$ 1,598,566</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 176,169	\$ 136,271	\$ -	\$ 25,543
Accrued liabilities	-	1,512,167	-	4,012
Accrued interest payable	192,380	-	-	-
Due to other governmental units	-	320,444	-	-
Unearned revenue	5,371	-	-	-
Long-term liabilities:				
Due within one year	2,850,273	13,505	-	49,368
Due in more than one year	23,392,586	13,384,691	-	802,335
Total liabilities	<u>\$ 26,616,779</u>	<u>\$ 15,367,078</u>	<u>\$ -</u>	<u>\$ 881,258</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 7,612,116	\$ -	\$ -	\$ -
Pension related items	540,674	2,493,836	-	-
OPEB related items	43,152	255,000	-	-
Total deferred inflows of resources	<u>\$ 8,195,942</u>	<u>\$ 2,748,836</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 4,109,667	\$ 11,932,677	\$ -	\$ 10,018,306
Restricted:				
Glebe fund	1,875	-	-	-
Forfeited assets	86,089	-	-	-
Law library	7,328	-	-	-
Asset forfeiture - Comm. Atty	2,869	-	-	-
Poor house park	13,344	-	-	-
Animal shelter	49,469	-	-	-
Reading program donations	1,300	-	-	-
Capital projects	612,957	-	-	-
Unrestricted (deficit)	7,093,542	(14,449,423)	\$ 49,330	429,511
Total net position	<u>\$ 11,978,440</u>	<u>\$ (2,516,746)</u>	<u>\$ 49,330</u>	<u>\$ 10,447,817</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, 2019

					Net (Expense) Revenue and Changes in Net Position			
Program Revenues					Primary Government	Component Units		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	School Board	EDA	Airport
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,700,740	\$ -	\$ 208,192	\$ -	\$ (1,492,548)			
Judicial administration	759,707	85,827	484,247	-	(189,633)			
Public safety	4,667,740	385,360	972,119	-	(3,310,261)			
Public works	1,958,366	-	7,609	-	(1,950,757)			
Health and welfare	3,120,601	-	2,071,371	-	(1,049,230)			
Education	10,157,043	-	-	-	(10,157,043)			
Parks, recreation, and cultural	369,727	35,255	-	-	(334,472)			
Community development	159,016	-	-	232,104	73,088			
Interest on long-term debt	1,197,968	-	398,650	-	(799,318)			
Total governmental activities	\$ 24,090,908	\$ 506,442	\$ 4,142,188	\$ 232,104	\$ (19,210,174)			
Total primary government	\$ 24,090,908	\$ 506,442	\$ 4,142,188	\$ 232,104				
COMPONENT UNITS:								
School Board	\$ 17,172,640	\$ 98,412	\$ 10,055,782	\$ -		\$ (7,018,446)	\$ -	\$ -
Economic Development Authority	903	-	-	-		-	(903)	-
Airport Authority	789,338	234,771	42,149	142,059		-	-	(370,359)
Total component units	\$ 17,962,881	\$ 333,183	\$ 10,097,931	\$ 142,059		\$ (7,018,446)	\$ (903)	\$ (370,359)
General revenues:								
General property taxes					\$ 15,366,996	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use tax					1,795,784	-	-	-
Consumers' utility taxes					233,913	-	-	-
Motor vehicle licenses					392,998	-	-	-
Taxes on recordation and wills					31,182	-	-	-
Unrestricted revenues from use of money and property					162,419	8,940	701	512
Miscellaneous					126,613	164,063	2,612	-
Payments from Essex County					-	9,213,762	-	65,033
Grants and contributions not restricted to specific programs					1,520,036	-	-	-
Total general revenues					\$ 19,629,941	\$ 9,386,765	\$ 3,313	\$ 65,545
Change in net position					419,767	2,368,319	2,410	(304,814)
Net position - beginning					11,558,673	(4,885,065)	46,920	10,752,631
Net position - ending					\$ 11,978,440	\$ (2,516,746)	\$ 49,330	\$ 10,447,817

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

County of Essex, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 5,547,816	\$ 32,292	\$ 162,274	\$ 964,760	\$ 6,707,142
Cash in custody of others	-	519,040	-	-	519,040
Receivables (net of allowance for uncollectibles):					
Taxes receivable	9,202,765	-	-	-	9,202,765
Accounts receivable	96,712	-	-	-	96,712
Due from other governmental units	1,211,036	62,478	-	-	1,273,514
Total assets	<u>\$ 16,058,329</u>	<u>\$ 613,810</u>	<u>\$ 162,274</u>	<u>\$ 964,760</u>	<u>\$ 17,799,173</u>
LIABILITIES					
Accounts payable	\$ 174,541	\$ 853	\$ -	\$ 775	\$ 176,169
Unearned revenue	5,371	-	-	-	5,371
Total liabilities	<u>\$ 179,912</u>	<u>\$ 853</u>	<u>\$ -</u>	<u>\$ 775</u>	<u>\$ 181,540</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 9,191,111	\$ -	\$ -	\$ -	\$ 9,191,111
Total deferred inflow of resources	<u>\$ 9,191,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,191,111</u>
FUND BALANCES					
Restricted	\$ -	\$ 612,957	\$ 162,274	\$ -	\$ 775,231
Committed:					
Debt service funds	-	-	-	963,985	963,985
Unassigned	6,687,306	-	-	-	6,687,306
Total fund balances	<u>\$ 6,687,306</u>	<u>\$ 612,957</u>	<u>\$ 162,274</u>	<u>\$ 963,985</u>	<u>\$ 8,426,522</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,058,329</u>	<u>\$ 613,810</u>	<u>\$ 162,274</u>	<u>\$ 964,760</u>	<u>\$ 17,799,173</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	8,426,522
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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	\$ 45,370,072	
Accumulated depreciation	<u>(17,312,642)</u>	28,057,430

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

Unavailable revenue - property taxes	\$ 1,578,995	
Net pension asset	<u>578,179</u>	2,157,174

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

Pension related items	\$ 313,245	
OPEB related items	<u>43,134</u>	356,379

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	\$ (10,228,000)	
General obligation bonds	(14,295,251)	
Bond premiums	(664,621)	
Capital lease	(336,833)	
Accrued interest payable	(192,380)	
Compensated absences	(370,940)	
Net OPEB liabilities	<u>(347,214)</u>	(26,435,239)

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

Pension related items	\$ (540,674)	
OPEB related items	<u>(43,152)</u>	(583,826)

Net position of governmental activities	\$	<u><u>11,978,440</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, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 15,383,586	\$ -	\$ -	\$ -	\$ 15,383,586
Other local taxes	2,453,877	-	-	-	2,453,877
Permits, privilege fees, and regulatory licenses	66,695	-	-	-	66,695
Fines and forfeitures	30,096	-	-	-	30,096
Revenue from the use of money and property	141,963	15,950	4,506	-	162,419
Charges for services	409,651	-	-	-	409,651
Miscellaneous	119,193	-	7,420	-	126,613
Recovered costs	34,935	-	-	-	34,935
Intergovernmental:					
Commonwealth	4,148,678	-	-	-	4,148,678
Federal	1,529,790	205,079	10,781	-	1,745,650
Total revenues	\$ 24,318,464	\$ 221,029	\$ 22,707	\$ -	\$ 24,562,200
EXPENDITURES					
Current:					
General government administration	\$ 1,657,963	\$ -	\$ -	\$ -	\$ 1,657,963
Judicial administration	740,596	-	-	-	740,596
Public safety	4,235,746	-	42,889	-	4,278,635
Public works	1,946,801	-	-	-	1,946,801
Health and welfare	3,165,399	-	-	-	3,165,399
Education	7,663,467	-	-	-	7,663,467
Parks, recreation, and cultural	395,655	-	-	-	395,655
Community development	173,437	-	-	-	173,437
Capital projects	27,578	645,762	-	-	673,340
Debt service:					
Principal retirement	-	-	-	2,853,050	2,853,050
Interest and other fiscal charges	-	-	-	1,322,387	1,322,387
Total expenditures	\$ 20,006,642	\$ 645,762	\$ 42,889	\$ 4,175,437	\$ 24,870,730
Excess (deficiency) of revenues over (under) expenditures	\$ 4,311,822	\$ (424,733)	\$ (20,182)	\$ (4,175,437)	\$ (308,530)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ -	\$ 10,889	\$ 3,917,601	\$ 3,928,490
Transfers out	(3,928,490)	-	-	-	(3,928,490)
Total other financing sources (uses)	\$ (3,928,490)	\$ -	\$ 10,889	\$ 3,917,601	\$ -
Net change in fund balances	\$ 383,332	\$ (424,733)	\$ (9,293)	\$ (257,836)	\$ (308,530)
Fund balances - beginning, as restated	6,303,974	1,037,690	171,567	1,221,821	8,735,052
Fund balances - ending	\$ 6,687,306	\$ 612,957	\$ 162,274	\$ 963,985	\$ 8,426,522

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, 2019

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

Net change in fund balances - total governmental funds \$ (308,530)

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

Capital asset additions	\$ 360,331	
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	(1,558,455)	
Depreciation expense	<u>(1,416,687)</u>	(2,614,811)

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	(16,590)
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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:

Principal retired on lease revenue bonds	\$ 1,359,000	
Principal retired on capital lease	31,883	
Principal retired on literary fund loans	90,000	
Principal retired on school general obligation bonds	1,372,167	
Amortization of bond premium	<u>103,589</u>	2,956,639

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	\$ (36,111)	
Change in accrued interest payable	20,830	
Pension expense	396,816	
OPEB expense	<u>21,524</u>	403,059

Change in net position of governmental activities	<u><u>\$ 419,767</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 Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 36,911
	<u>36,911</u>
LIABILITIES	
Amounts held for employees	\$ 34,259
Amounts held for social services clients	2,652
Total liabilities	<u>\$ 36,911</u>

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2019

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.

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.

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.

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

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

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

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.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2019.

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, 2019.

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, 2019. The Authority does not issue a separate financial report.

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

B. Individual Component Unit Disclosures (Continued)

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.

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.

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

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

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

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

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

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

1. Governmental Funds (Continued)

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, County Health Reimbursement Account Fund, and the School Health Reimbursement Account 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.

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 \$187,555 at June 30, 2019 and is comprised solely of property taxes.

Note 1—Summary of Significant Accounting Policies: (Continued)**G. Receivables and payables (Continued)****Real and Personal Property Tax Data:**

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

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

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, 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

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

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. 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.

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 Balance

The following classifications of fund balance 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, 2019

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

K. Fund Balance (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	Debt Service Fund	Total
Fund Balances:					
Restricted:					
Glebe fund	\$ -	\$ -	\$ 1,875	\$ -	\$ 1,875
Forfeited assets - Sheriff	-	-	86,089	-	86,089
Forfeited assets - Commonwealth's Attorney	-	-	2,869	-	2,869
Law library	-	-	7,328	-	7,328
Poor House park	-	-	13,344	-	13,344
Animal shelter	-	-	49,469	-	49,469
Reading program donations	-	-	1,300	-	1,300
Capital projects	-	612,957	-	-	612,957
Total Restricted Fund Balance	\$ -	\$ 612,957	\$ 162,274	\$ -	\$ 775,231
Committed:					
Debt service	\$ -	\$ -	\$ -	\$ 963,985	\$ 963,985
Unassigned	\$ 6,687,306	\$ -	\$ -	\$ -	\$ 6,687,306
Total Fund Balances	\$ 6,687,306	\$ 612,957	\$ 162,274	\$ 963,985	\$ 8,426,522

L. Pensions

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

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)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

P. Long-term Obligations

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

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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

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

Q. Deferred Outflows/Inflows of Resources (Continued)

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.

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, 2019.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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).

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2019 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	\$	5,549,340

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	<u>\$ 5,549,340</u>	<u>\$ 5,549,340</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 3—Deposits and Investments: (Continued)

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. There are no withdrawal limitations or restrictions imposed on participation.

Note 4—Due from/to Other Governments:

At June 30, 2019, the County has receivables from and amounts due to other governments as follows:

	Primary Government	Component Unit School Board	Component Unit Airport
Amounts due from other governments are as follows:			
Other Local Governments:			
Essex County School Board	\$ 320,444	\$ -	\$ -
Town of Tappahannock	-	-	18,762
Commonwealth of Virginia:			
Local sales tax	330,646	-	-
Rolling stock tax	47	-	-
Mobile home titling tax	5,217	-	-
State sales tax	-	193,109	-
Constitutional officer reimbursements	100,926	-	-
Recordation tax	6,794	-	-
911 equipment	5,502	-	-
Children's services act	83,521	-	-
Rescue squad	124,584	-	-
Welfare	56,950	-	-
Communications tax	47,672	-	-
School resource officer	23,874	-	-
Wireless grant	7,634	-	-
Federal Government:			
School education grants	-	125,765	-
School nutrition grants	-	33,287	-
Community development block grant	62,478	-	-
Ground transportation safety grant	1,875	-	-
Victim/witness	8,566	-	-
Welfare	86,784	-	-
Total due from other governments	<u>\$ 1,273,514</u>	<u>\$ 352,161</u>	<u>\$ 18,762</u>
Amounts due to other governments are as follows:			
Other Local Governments:			
County of Essex	\$ -	\$ 320,444	\$ -
Total due to other governments	<u>\$ -</u>	<u>\$ 320,444</u>	<u>\$ -</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,149,371	\$ -	\$ -	\$ 1,149,371
Construction in progress	1,617,549	250,168	121,120	1,746,597
Total capital assets not subject to depreciation	<u>\$ 2,766,920</u>	<u>\$ 250,168</u>	<u>\$ 121,120</u>	<u>\$ 2,895,968</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,007,752	\$ -	\$ -	\$ 4,007,752
Equipment	5,527,114	231,283	-	5,758,397
Intangibles	2,816,258	-	-	2,816,258
Jointly owned assets	32,142,843	-	2,251,146	29,891,697
Total capital assets subject to depreciation	<u>\$ 44,493,967</u>	<u>\$ 231,283</u>	<u>\$ 2,251,146</u>	<u>\$ 42,474,104</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,848,961	\$ 107,391	\$ -	\$ 1,956,352
Equipment	4,156,457	469,438	-	4,625,895
Intangibles	1,460,878	71,669	-	1,532,547
Jointly owned assets	9,122,350	768,189	692,691	9,197,848
Total accumulated depreciation	<u>\$ 16,588,646</u>	<u>\$ 1,416,687</u>	<u>\$ 692,691</u>	<u>\$ 17,312,642</u>
Total capital assets subject to depreciation, net	<u>\$ 27,905,321</u>	<u>\$ (1,185,404)</u>	<u>\$ 1,558,455</u>	<u>\$ 25,161,462</u>
Governmental activities capital assets, net	<u>\$ 30,672,241</u>	<u>\$ (935,236)</u>	<u>\$ 1,679,575</u>	<u>\$ 28,057,430</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets: (Continued)

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
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	\$ 4,416,755	\$ 177,432	\$ -	\$ 4,594,187
Jointly owned assets	13,256,910	-	(2,251,146)	15,508,056
Total capital assets subject to depreciation	\$ 17,673,665	\$ 177,432	\$ (2,251,146)	\$ 20,102,243
Accumulated depreciation:				
Equipment	\$ 3,225,617	\$ 214,852	\$ -	\$ 3,440,469
Jointly owned assets	3,762,398	316,830	(692,691)	4,771,919
Total accumulated depreciation	\$ 6,988,015	\$ 531,682	\$ (692,691)	\$ 8,212,388
Total capital assets subject to depreciation, net	\$ 10,685,650	\$ (354,250)	\$ (1,558,455)	\$ 11,889,855
Component unit school board capital assets, net	\$ 10,728,472	\$ (354,250)	\$ (1,558,455)	\$ 11,932,677

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets: (Continued)

Component Unit-Airport:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not subject to depreciation:				
Land and land improvements	\$ 4,774,900	\$ -	\$ -	\$ 4,774,900
Construction in progress	-	151,861	-	151,861
Total capital assets not subject to depreciation	\$ 4,774,900	\$ 151,861	\$ -	\$ 4,926,761
Capital assets subject to depreciation:				
Improvements other than buildings	\$ 576,503	\$ -	\$ -	\$ 576,503
Buildings	4,096,677	-	-	4,096,677
Infrastructure	6,651,863	-	-	6,651,863
Furniture	25,799	-	-	25,799
Equipment	25,803	-	-	25,803
Total capital assets subject to depreciation	\$ 11,376,645	\$ -	\$ -	\$ 11,376,645
Accumulated depreciation:				
Improvements other than buildings	\$ 259,509	\$ 28,825	\$ -	\$ 288,334
Buildings	1,139,736	136,556	-	1,276,292
Infrastructure	3,479,687	343,616	-	3,823,303
Furniture	25,799	-	-	25,799
Equipment	17,839	1,830	-	19,669
Total accumulated depreciation	\$ 4,922,570	\$ 510,827	\$ -	\$ 5,433,397
Total capital assets subject to depreciation, net	\$ 6,454,075	\$ (510,827)	\$ -	\$ 5,943,248
Component unit airport capital assets, net	\$ 11,228,975	\$ (358,966)	\$ -	\$ 10,870,009

Depreciation expense was charged to functions/programs as follows:

Primary Government:

Governmental activities:

General government administration	\$ 68,688
Judicial administration	63,862
Public safety	409,423
Public works	92,696
Education	768,189
Parks, recreation and cultural	13,829

Total Governmental activities \$ 1,416,687

Component Unit School Board \$ 531,682

Component Unit Airport \$ 510,827

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 6—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	Balance at July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 334,829	\$ 69,594	\$ 33,483	\$ 370,940	\$ 37,094
Net OPEB liabilities	349,931	66,734	69,451	347,214	-
Capital lease (see Note 7)	368,716	-	31,883	336,833	32,900
Direct borrowings and placements:					
Lease revenue bonds	4,323,925	-	494,523	3,829,402	509,971
Add deferred amounts:					
For issuance premium	500,047	-	71,436	428,611	-
Total incurred by County	<u>\$ 5,877,448</u>	<u>\$ 136,328</u>	<u>\$ 700,776</u>	<u>\$ 5,313,000</u>	<u>\$ 579,965</u>
Incurred by School Board:					
Direct borrowings and placements:					
State Literary Fund Loan	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -
General obligation bonds	15,667,418	-	1,372,167	14,295,251	1,377,279
Add deferred amounts:					
For issuance premium	268,163	-	32,153	236,010	-
Lease revenue bonds	7,263,075	-	864,477	6,398,598	893,029
Total incurred by School Board	<u>\$ 23,288,656</u>	<u>\$ -</u>	<u>\$ 2,358,797</u>	<u>\$ 20,929,859</u>	<u>\$ 2,270,308</u>
Total Governmental Activities Obligations, Primary Government	<u>\$ 29,166,104</u>	<u>\$ 136,328</u>	<u>\$ 3,059,573</u>	<u>\$ 26,242,859</u>	<u>\$ 2,850,273</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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			
	Direct Borrowings and Direct Placements			
	Lease Revenue			
	Bond		Capital Lease	
	Principal	Interest	Principal	Interest
2020	\$ 509,971	\$ 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	395,199	4,637	40,988	2,657
2028	-	-	42,296	1,349
Total	<u>\$ 3,829,402</u>	<u>\$ 434,048</u>	<u>\$ 336,833</u>	<u>\$ 55,971</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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	Direct Borrowings and Direct Placements			
	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
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>\$ 14,295,251</u>	<u>\$ 2,128,913</u>	<u>\$ 6,398,598</u>	<u>\$ 755,590</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2019

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

	<u>Notes</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Incurring by the County:							
Compensated absences (payable from the General Fund)						\$ 370,940	\$ 37,094
Net OPEB liabilities (payable from the General Fund)						\$ 347,214	\$ -
Direct borrowings and placements:							
<u>Revenue Bonds:</u>							
Public Facility Lease Revenue Refunding Bond	(a)	2.42%	3/24/2016	12/15/2026	\$ 3,736,000	\$ 2,831,200	\$ 323,200
Lease Revenue Refunding Bond \$998,202 outstanding, plus unamortized premium of \$428,611	(b)	2.125% - 5.125%	11/16/2011	11/1/2024	1,969,723	1,426,813	186,771
Total Lease Revenue Bonds						\$ 4,258,013	\$ 509,971
Other long-term debt:							
<u>Capital Lease:</u>							
EMS communications equipment		3.19%	9/1/2017	9/1/2027	368,716	336,833	32,900
Total long-term obligations incurred by the County						\$ 5,313,000	\$ 579,965
Incurring by the School Board:							
Direct borrowings and placements:							
<u>General Obligation Bonds:</u>							
VPSA Bond Outstanding	(d)	3.10% - 5.10%	11/15/2001	7/15/2021	\$ 4,340,228	\$ 685,778	\$ 228,422
VPSA Bond \$3,239,473 outstanding, plus unamortized premium of \$51,581	(c)	4.00%	11/1/2007	7/15/2027	6,919,103	3,291,054	348,857
VPSA Bond Outstanding	(d)	4.25%	12/15/2011	12/1/2030	10,000,000	7,400,000	800,000
VPSA Bond \$2,970,000 outstanding, plus unamortized premium of \$184,429	(d)	4.26%	5/10/2012	7/15/2031	2,970,000	3,154,429	-
<u>Revenue Bonds:</u>							
Public Facility Lease Revenue Refunding Bond	(a)	2.42%	3/24/2016	12/15/2026	5,574,000	4,216,800	484,800
Lease Revenue Refunding Bond	(b)	2.125% - 5.125%	11/16/2011	11/1/2024	4,305,277	2,181,798	408,229
Total General Obligation and Lease Revenue Bonds						\$ 20,929,859	\$ 2,270,308
Total Direct Borrowings and Placements						\$ 20,929,859	\$ 2,270,308
Total long-term obligations incurred by School Board, payable from the General Fund						\$ 20,929,859	\$ 2,270,308
Total outstanding debt - governmental activities						\$ 26,242,859	\$ 2,850,273

- (a) Title to leased real estate and improvements are held by the County. E-911 communications and park land acquisition purchased. The Bond is subject to prepayment penalty of 1% of outstanding principal and interest at redemption if it is redeemed before June 15, 2021.
- (b) In the event of default, VRA may declare all unpaid rental payments due and payable, may take possession of real estate and improvements and sell, lease or sublease property to satisfy the rental payments due to VRA. Bonds maturing on or after November 1, 2022, may be redeemed in whole or in part after November 1, 2021 without penalty.
- (c) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments on this bond are not subject to redemption or prepayment.
- (d) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments are not subject to prepayment prior to their stated maturities without the prior written consent of the VPSA.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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, 2019.

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 163,737	\$ 16,374	\$ 45,057	\$ 135,054	\$ 13,505
Net pension liabilities	12,711,828	2,916,269	4,257,955	11,370,142	-
Net OPEB liabilities	2,019,000	268,000	394,000	1,893,000	-
Total Component Unit-School Board	<u>\$ 14,894,565</u>	<u>\$ 3,200,643</u>	<u>\$ 4,697,012</u>	<u>\$ 13,398,196</u>	<u>\$ 13,505</u>

Component Unit Airport:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2019.

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Due Within One Year
Component Unit-Airport:					
Direct borrowing and placement revenue bond	<u>\$ 898,921</u>	<u>\$ -</u>	<u>\$ 47,218</u>	<u>\$ 851,703</u>	<u>\$ 49,368</u>

Year Ending June 30	Revenue Bond	
	Principal	Interest
2020	\$ 49,368	\$ 38,189
2021	51,620	35,938
2022	53,977	33,580
2023	56,446	31,111
2024	59,030	28,527
2025-2029	338,410	99,377
2030-2032	242,852	19,821
Total	<u>\$ 851,703</u>	<u>\$ 286,543</u>

Direct borrowing and placement 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. In the event of default, the principal of this bond may be declared immediately due and payable by the registered owner of the bond by written notice to the Airport Authority.

\$ 851,703

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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	(67,480)
Total	<u>\$ 301,236</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2019, are as follows:

Year Ended June 30	Primary Government
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	<u>43,645</u>
Total minimum lease payments	\$ 392,805
Less: amount representing interest	(55,972)
Present value of minimum lease payments	<u>\$ 336,833</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2019

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, 2019, deferred and unavailable revenue are reported as follows:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,578,995
2nd half assessments due in December 2019	7,427,234	7,427,234
Prepaid property taxes due in December 2019 but paid in advance by taxpayers	184,882	184,882
	\$ <u>7,612,116</u>	\$ <u>9,191,111</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, 2019, 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 Plans:

Plan Description

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

Benefit Structures

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

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

Note 12—Pension Plans: (Continued)**Average Final Compensation and Service Retirement Multiplier**

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

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

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

Employees Covered by Benefit Terms

As of the June 30, 2017 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	42	39
Inactive members:		
Vested inactive members	9	6
Non-vested inactive members	12	13
Inactive members active elsewhere in VRS	47	8
Total inactive members	68	27
Active members	82	31
Total covered employees	192	97

Note 12—Pension Plans: (Continued)

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2019 was 8.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$313,245 and \$350,264 for the years ended June 30, 2019 and June 30, 2018, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2019 was 7.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$40,538 and \$49,454 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

Note 12—Pension Plans: (Continued)**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
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 - 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.

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.

Note 12—Pension Plans: (Continued)**Actuarial Assumptions - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2017 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%

Note 12—Pension Plans: (Continued)**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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.

Note 12—Pension Plans: (Continued)**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)**

The actuarial assumptions used in the June 30, 2017 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%

Note 12—Pension Plans: (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	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 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 12—Pension Plans: (Continued)

Discount Rate (Continued)

rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 15,565,195	\$ 15,668,127	\$ (102,932)
Changes for the year:			
Service cost	\$ 508,171	\$ -	\$ 508,171
Interest	1,056,949	-	1,056,949
Differences between expected and actual experience	(363,682)	-	(363,682)
Contributions - employer	-	350,265	(350,265)
Contributions - employee	-	187,734	(187,734)
Net investment income	-	1,149,759	(1,149,759)
Benefit payments, including refunds			
Refunds of employee contributions	(931,853)	(931,853)	-
Administrative expenses	-	(10,054)	10,054
Other changes	-	(1,019)	1,019
Net changes	\$ 269,585	\$ 744,832	\$ (475,247)
Balances at June 30, 2018	\$ 15,834,780	\$ 16,412,959	\$ (578,179)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 12—Pension Plans: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 4,310,712	\$ 4,242,884	\$ 67,828
Changes for the year:			
Service cost	\$ 58,143	\$ -	\$ 58,143
Interest	291,893	-	291,893
Differences between expected and actual experience	57,694	-	57,694
Contributions - employer	-	49,459	(49,459)
Contributions - employee	-	29,579	(29,579)
Net investment income	-	308,427	(308,427)
Benefit payments, including refunds			
Refunds of employee contributions	(281,623)	(281,623)	-
Administrative expenses	-	(2,779)	2,779
Other changes	-	(270)	270
Net changes	\$ 126,107	\$ 102,793	\$ 23,314
Balances at June 30, 2018	\$ 4,436,819	\$ 4,345,677	\$ 91,142

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)	\$ 1,342,410	\$ (578,179)	\$ (2,185,007)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ 543,694	\$ 91,142	\$ (295,671)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 12—Pension Plans: (Continued)

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

For the year ended June 30, 2019, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$83,570) and (\$93,665) respectively. At June 30, 2019, 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	\$ -	\$ 371,955	\$ 28,991	\$ 18,286
Change in assumptions	-	27,499	-	1,482
Net difference between projected and actual earnings on pension plan investments	-	141,220	-	30,068
Employer contributions subsequent to the measurement date	313,245	-	40,538	-
Total	\$ 313,245	\$ 540,674	\$ 69,529	\$ 49,836

\$313,245 and \$40,538 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, 2020. 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)
2020	\$ (196,145)	\$ 27,736
2021	(161,010)	(921)
2022	(170,085)	(43,934)
2023	(13,434)	(3,726)
2024	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding 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, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$1,211,635 and \$1,247,323 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$11,279,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .09591% as compared to .10282% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$328,000. 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.

Note 12—Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)*****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 965,000
Change in assumptions	135,000	-
Net difference between projected and actual earnings on pension plan investments	-	239,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,000	1,240,000
Employer contributions subsequent to the measurement date	1,211,635	-
Total	\$ 1,357,635	\$ 2,444,000

\$1,211,635 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, 2020. 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	
2020	\$ (482,000)
2021	(543,000)
2022	(770,000)
2023	(372,000)
2024	(131,000)

Note 12—Pension Plans: (Continued)**Component Unit School Board (professional) (Continued)****Actuarial Assumptions**

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
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:**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, 2017 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

Notes to Financial Statements (Continued)
As of June 30, 2019

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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	34,919,563
Employers' Net Pension Liability (Asset)	\$ 11,759,992
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

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

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 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)	\$ 17,229,000	\$ 11,279,000	\$ 6,354,000

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 313,245	\$ 540,674	\$ (578,179)	\$ (83,570)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	69,529	49,836	91,142	(93,665)
School Board Professional	-	-	-	-	1,357,635	2,444,000	11,279,000	328,000
Totals	<u>\$ 313,245</u>	<u>\$ 540,674</u>	<u>\$ (578,179)</u>	<u>\$ (83,570)</u>	<u>\$ 1,427,164</u>	<u>\$ 2,493,836</u>	<u>\$ 11,370,142</u>	<u>\$ 234,335</u>

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

Plan Description

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

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

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

Eligible Employees

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

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI 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% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$20,503 and \$20,281 for the years ended June 30, 2019 and June 30, 2018, respectively.

Contributions to the GLI Program from the Component Unit School Board professional group were \$40,904 and \$40,456 for the years ended June 30, 2019 and June 30, 2018, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$3,105 and \$3,348 for the years ended June 30, 2019 and June 30, 2018, respectively.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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 GLI Program OPEB

At June 30, 2019, 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 \$621,000 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, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was .02051% as compared to .02078% at June 30, 2017. At June 30, 2018, the Component Unit School Board professional and nonprofessional groups' proportion was .04092% and .00339%, respectively as compared to .04403% and .00346% respectively at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of (\$1,000). For the year ended June 30, 2019, the Component Unit School Board professional group recognized GLI OPEB expense of (\$8,000). For the year ended June 30, 2019, 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, 2019, 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	\$ 15,000	\$ 6,000	\$ 30,000	\$ 11,000	\$ 3,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	10,000	-	20,000	-	2,000
Change in assumptions	-	13,000	-	26,000	-	2,000
Changes in proportion	-	11,000	-	61,000	-	-
Employer contributions subsequent to the measurement date	20,503	-	40,904	-	3,105	-
Total	\$ 35,503	\$ 40,000	\$ 70,904	\$ 118,000	\$ 6,105	\$ 5,000

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)**

\$20,503, \$40,904 and \$3,105, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

		Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
Year Ended June 30				
2020	\$	(8,000)	\$ (21,000)	\$ (1,000)
2021		(8,000)	(21,000)	(1,000)
2022		(8,000)	(21,000)	-
2023		(4,000)	(15,000)	-
2024		1,000	(7,000)	-
Thereafter		2,000	(3,000)	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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

Actuarial Assumptions: (Continued)

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.

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, 2017 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

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, 2017 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%

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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, 2017 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, 2017 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.

The actuarial assumptions used in the June 30, 2017 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 13—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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

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Note 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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 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	Current	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County's proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 407,000	\$ 312,000	\$ 234,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 812,000	\$ 621,000	\$ 466,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program			
Net OPEB Liability	\$ 67,000	\$ 52,000	\$ 39,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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 (OPEB Plan):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC 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 HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Eligible Employees

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

Benefit Amounts

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

HIC Program Notes

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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

Employees Covered by Benefit Terms

As of the June 30, 2017 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	5
Inactive members:	
Vested inactive members	<u>2</u>
Total inactive members	7
Active members	<u>31</u>
Total covered employees	<u><u>38</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, 2019 was .48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the HIC Program were \$7,609 and \$7,299 for the years ended June 30, 2019 and June 30, 2018.

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

Net HIC OPEB Liability

The County's net HIC OPEB liability was measured as of June 30, 2018. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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 (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 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, 2017 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 14—Health Insurance Credit (HIC) 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 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, 2017 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%

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 14—Health Insurance Credit (HIC) Program (OPEB Plan): (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, 2017 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 (OPEB Plan): (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, 2017 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 (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 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 ended June 30, 2018, 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, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 14—Health Insurance Credit (HIC) Program (OPEB Plan): (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, 2017	\$ 46,878	\$ 8,947	\$ 37,931
Changes for the year:			
Service cost	\$ 4,588	\$ -	\$ 4,588
Interest	3,184	-	3,184
Differences between expected and actual experience	(2,474)	-	(2,474)
Contributions - employer	-	7,299	(7,299)
Net investment income	-	756	(756)
Benefit payments	(2,786)	(2,786)	-
Administrative expenses	-	(22)	22
Other changes	-	(18)	18
Net changes	\$ 2,512	\$ 5,229	\$ (2,717)
Balances at June 30, 2018	\$ 49,390	\$ 14,176	\$ 35,214

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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

Sensitivity of the County's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the County's HIC 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	\$ 40,358	\$ 35,214	\$ 30,826

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

For the year ended June 30, 2019, the County recognized HIC Program OPEB expense of \$6,307. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the County's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,050
Net difference between projected and actual earnings on HIC OPEB plan investments	22	176
Change in assumptions	-	926
Employer contributions subsequent to the measurement date	7,609	-
Total	\$ 7,631	\$ 3,152

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

\$7,609 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, 2020. 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
2020	\$ (722)
2021	(722)
2022	(721)
2023	(611)
2024	(354)
Thereafter	-

HIC Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC 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 HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

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

Eligible Employees

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

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

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

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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$94,393 and \$95,580 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the school division reported a liability of \$1,220,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was .09608% as compared to .10284% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$80,000. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC 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 HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB: (Continued)**

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	11,000
Change in proportion	-	115,000
Employer contributions subsequent to the measurement date	94,393	-
Total	\$ 94,393	\$ 132,000

\$94,393 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, 2020. 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>	
2020	\$ (22,000)
2021	(22,000)
2022	(22,000)
2023	(22,000)
2024	(22,000)
Thereafter	(22,000)

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 HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	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, 2017 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 HIC 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, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%
-------------------------------------------------------------------------------------------------	-------

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

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 ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2019

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 HIC 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	\$ 1,363,000	\$ 1,220,000	\$ 1,099,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Summary of Other Postemployment Benefit Plans

Primary Government and Component Unit School Board

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 13):								
County	\$ 35,503	\$ 40,000	\$ 312,000	\$ (1,000)	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	6,105	5,000	52,000	(1,000)
School Board Professional	-	-	-	-	70,904	118,000	621,000	(8,000)
County Health Insurance Credit Program (Note 14)	7,631	3,152	35,214	6,307	-	-	-	-
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	94,393	132,000	1,220,000	80,000
Totals	\$ 43,134	\$ 43,152	\$ 347,214	\$ 5,307	\$ 171,402	\$ 255,000	\$ 1,893,000	\$ 71,000

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2019

Note 17—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
Walter Holmes, 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 18—Line of Duty Act (LODA) (OPEB Benefits):

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

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to Virginia Association of Counties. Virginia Association of Counties 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 Virginia Association of Counties. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2019 was \$13,050.

Note 19—Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Note 19—Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 20—Adoption of Accounting Principles and Restatement of Beginning Net Position:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Note 21— Restatement of Beginning Fund Balance:

Beginning fund balance was restated as follows:

	Special Revenue Fund	Debt Service Fund
Fund balance, July 1, 2018, as previously stated	\$ 1,393,388	\$ -
Adjustment to beginning fund balance to separate debt service fund	<u>(1,221,821)</u>	<u>1,221,821</u>
Fund balance, July 1, 2018, as restated	<u>\$ 171,567</u>	<u>\$ 1,221,821</u>

County of Essex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	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	\$ 15,383,586	\$ 24,286
Other local taxes	2,488,000	2,488,000	2,453,877	(34,123)
Permits, privilege fees, and regulatory licenses	61,800	61,800	66,695	4,895
Fines and forfeitures	65,000	65,000	30,096	(34,904)
Revenue from the use of money and property	81,494	81,494	141,963	60,469
Charges for services	517,850	517,850	409,651	(108,199)
Miscellaneous	18,100	83,168	119,193	36,025
Recovered costs	32,500	32,500	34,935	2,435
Intergovernmental:				
Commonwealth	4,056,068	4,142,188	4,148,678	6,490
Federal	1,364,840	1,415,257	1,529,790	114,533
Total revenues	<u>\$ 24,044,952</u>	<u>\$ 24,246,557</u>	<u>\$ 24,318,464</u>	<u>\$ 71,907</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,707,020	\$ 1,780,140	\$ 1,657,963	\$ 122,177
Judicial administration	775,436	775,430	740,596	34,834
Public safety	4,378,495	4,439,299	4,235,746	203,553
Public works	1,741,516	1,992,848	1,946,801	46,047
Health and welfare	3,522,736	3,613,111	3,165,399	447,712
Education	8,045,413	8,045,413	7,663,467	381,946
Parks, recreation, and cultural	472,409	470,201	395,655	74,546
Community development	132,331	173,707	173,437	270
Capital projects	154,978	154,978	27,578	127,400
Total expenditures	<u>\$ 20,930,334</u>	<u>\$ 21,445,127</u>	<u>\$ 20,006,642</u>	<u>\$ 1,438,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,114,618</u>	<u>\$ 2,801,430</u>	<u>\$ 4,311,822</u>	<u>\$ 1,510,392</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (3,705,101)	\$ (3,715,990)	\$ (3,928,490)	\$ (212,500)
Total other financing sources (uses)	<u>\$ (3,705,101)</u>	<u>\$ (3,715,990)</u>	<u>\$ (3,928,490)</u>	<u>\$ (212,500)</u>
Net change in fund balances	\$ (590,483)	\$ (914,560)	\$ 383,332	\$ 1,297,892
Fund balances - beginning	590,483	914,560	6,303,974	5,389,414
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,687,306</u>	<u>\$ 6,687,306</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ 4,500	\$ 4,506	\$ 6
Miscellaneous	-	-	7,420	7,420
Intergovernmental:				
Federal	-	10,781	10,781	-
Total revenues	\$ -	\$ 15,281	\$ 22,707	\$ 7,426
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 44,381	\$ 42,889	\$ 1,492
Total expenditures	\$ -	\$ 44,381	\$ 42,889	\$ 1,492
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (29,100)	\$ (20,182)	\$ 8,918
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 10,889	\$ 10,889	\$ -
Total other financing sources (uses)	\$ -	\$ 10,889	\$ 10,889	\$ -
Net change in fund balances	\$ -	\$ (18,211)	\$ (9,293)	\$ 8,918
Fund balances - beginning, as restated	-	18,211	171,567	153,356
Fund balances - ending	\$ -	\$ -	\$ 162,274	\$ 162,274

County of Essex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 508,171	\$ 526,189
Interest	1,056,949	1,029,933
Differences between expected and actual experience	(363,682)	(310,607)
Changes in assumptions	-	(72,213)
Benefit payments, including refunds of employee contributions	(931,853)	(642,858)
Net change in total pension liability	\$ 269,585	\$ 530,444
Total pension liability - beginning	15,565,195	15,034,751
Total pension liability - ending (a)	<u>\$ 15,834,780</u>	<u>\$ 15,565,195</u>
Plan fiduciary net position		
Contributions - employer	\$ 350,265	\$ 349,601
Contributions - employee	187,734	187,550
Net investment income	1,149,759	1,716,731
Benefit payments, including refunds of employee contributions	(931,853)	(642,858)
Administrative expense	(10,054)	(9,823)
Other	(1,019)	(1,531)
Net change in plan fiduciary net position	\$ 744,832	\$ 1,599,670
Plan fiduciary net position - beginning	15,668,127	14,068,457
Plan fiduciary net position - ending (b)	<u>\$ 16,412,959</u>	<u>\$ 15,668,127</u>
County's net pension liability (asset) - ending (a) - (b)	\$ (578,179)	\$ (102,932)
Plan fiduciary net position as a percentage of the total pension liability	103.65%	100.66%
Covered payroll	\$ 3,869,587	\$ 3,832,357
County's net pension liability (asset) as a percentage of covered payroll	-14.94%	-2.69%

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

Exhibit 10

			2016	2015	2014
			<u> </u>	<u> </u>	<u> </u>
\$	491,937	\$	453,060	\$	420,544
	974,990		909,667		867,420
	(67,129)		203,064		-
	-		-		-
	(586,951)		(678,261)		(690,595)
\$	<u>812,847</u>	\$	<u>887,530</u>	\$	<u>597,369</u>
	14,221,904		13,334,374		12,737,005
\$	<u><u>15,034,751</u></u>	\$	<u><u>14,221,904</u></u>	\$	<u><u>13,334,374</u></u>
\$	363,638	\$	339,491	\$	335,255
	188,815		176,928		168,893
	244,353		612,807		1,852,569
	(586,951)		(678,261)		(690,595)
	(8,532)		(8,433)		(10,053)
	(103)		(129)		97
\$	<u>201,220</u>	\$	<u>442,403</u>	\$	<u>1,656,166</u>
	13,867,237		13,424,834		11,768,668
\$	<u><u>14,068,457</u></u>	\$	<u><u>13,867,237</u></u>	\$	<u><u>13,424,834</u></u>
\$	966,294	\$	354,667	\$	(90,460)
	93.57%		97.51%		100.68%
\$	3,832,457	\$	3,571,499	\$	3,382,143
	25.21%		9.93%		-2.67%

County of Essex, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017
Total pension liability		
Service cost	\$ 58,143	\$ 58,467
Interest	291,893	301,663
Differences between expected and actual experience	57,694	(201,154)
Changes in assumptions	-	(16,304)
Benefit payments, including refunds of employee contributions	(281,623)	(282,863)
Net change in total pension liability	\$ 126,107	\$ (140,191)
Total pension liability - beginning	4,310,712	4,450,903
Total pension liability - ending (a)	<u>\$ 4,436,819</u>	<u>\$ 4,310,712</u>
Plan fiduciary net position		
Contributions - employer	\$ 49,459	\$ 49,936
Contributions - employee	29,579	29,524
Net investment income	308,427	472,233
Benefit payments, including refunds of employee contributions	(281,623)	(282,863)
Administrative expense	(2,779)	(2,866)
Other	(270)	(415)
Net change in plan fiduciary net position	\$ 102,793	\$ 265,549
Plan fiduciary net position - beginning	4,242,884	3,977,335
Plan fiduciary net position - ending (b)	<u>\$ 4,345,677</u>	<u>\$ 4,242,884</u>
School Board's net pension liability - ending (a) - (b)	\$ 91,142	\$ 67,828
Plan fiduciary net position as a percentage of the total pension liability	97.95%	98.43%
Covered payroll	\$ 640,606	\$ 634,849
School Board's net pension liability as a percentage of covered payroll	14.23%	10.68%

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

Exhibit 11

2016	2015	2014
\$ 61,703	\$ 93,039	\$ 106,774
302,496	302,607	292,655
(82,927)	(85,304)	-
-	-	-
(303,484)	(320,380)	(194,111)
\$ (22,212)	\$ (10,038)	\$ 205,318
4,473,115	4,483,153	4,277,835
\$ 4,450,903	\$ 4,473,115	\$ 4,483,153

\$ 69,993	\$ 67,266	\$ 101,076
30,098	29,178	42,330
67,292	183,178	571,427
(303,484)	(320,380)	(194,111)
(2,626)	(2,695)	(3,092)
(29)	(39)	30
\$ (138,756)	\$ (43,492)	\$ 517,660
4,116,091	4,159,583	3,641,923
\$ 3,977,335	\$ 4,116,091	\$ 4,159,583

\$ 473,568	\$ 357,024	\$ 323,570
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89.36% 92.02% 92.78%

\$ 643,497	\$ 618,647	\$ 846,582
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73.59% 57.71% 38.22%

County of Essex, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan

For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.09591%	0.10282%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,279,000	\$ 12,644,000
Employer's Covered Payroll	\$ 7,821,155	\$ 7,968,458
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	144.21%	158.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%

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

Exhibit 12

2016		2015	2014		
0.10711%		0.10692%	0.10891%		
\$ 15,011,000	\$	13,457,000	\$	13,162,000	
\$ 8,378,364	\$	7,706,572	\$	7,931,329	
179.16%		174.62%	165.95%		
68.28%		70.68%	70.88%		

Schedule of Employer Contributions

For the Years Ended June 30, 2010 through June 30, 2019

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					
2019	\$ 313,245	\$ 313,245	\$ -	\$ 3,942,893	7.94%
2018	350,264	350,264	-	3,869,587	9.05%
2017	356,409	356,409	-	3,832,357	9.30%
2016	367,533	367,533	-	3,832,457	9.59%
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%
Component Unit School Board (nonprofessional)					
2019	\$ 40,538	\$ 40,538	\$ -	\$ 597,045	6.79%
2018	49,454	49,454	-	640,606	7.72%
2017	53,137	53,137	-	634,849	8.37%
2016	72,072	72,072	-	643,497	11.20%
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%
Component Unit School Board (professional)					
2019	\$ 1,211,635	\$ 1,211,635	\$ -	\$ 7,959,196	15.22%
2018	1,247,323	1,247,323	-	7,821,155	15.95%
2017	1,168,176	1,168,176	-	7,968,458	14.66%
2016	1,177,998	1,177,998	-	8,378,364	14.06%
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%

Notes to Required Supplementary Information
For the Year Ended June 30, 2019

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 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%

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%

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 Measurement Dates of June 30, 2018 and 2017

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:					
2018	0.02051% \$	312,000 \$	3,900,226	8.00%	51.22%
2017	0.02078%	312,000	3,832,357	8.14%	48.86%
Component Unit School Board (professional):					
2018	0.04092% \$	621,000 \$	7,779,905	7.98%	51.22%
2017	0.04403%	663,000	8,122,504	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2018	0.00339% \$	52,000 \$	643,780	8.08%	51.22%
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, 2010 through June 30, 2019

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:					
2019	\$ 20,503	\$ 20,503	\$ -	\$ 3,942,893	0.52%
2018	20,281	20,281	-	3,900,226	0.52%
2017	19,928	19,928	-	3,832,357	0.52%
2016	18,489	18,489	-	3,851,850	0.48%
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%
Component Unit School Board (professional):					
2019	\$ 40,904	\$ 40,904	\$ -	\$ 7,866,058	0.52%
2018	40,456	40,456	-	7,779,905	0.52%
2017	42,237	42,237	-	8,122,504	0.52%
2016	39,200	39,200	-	8,166,626	0.48%
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%
Component Unit School Board (nonprofessional):					
2019	\$ 3,105	\$ 3,105	\$ -	\$ 597,045	0.52%
2018	3,348	3,348	-	643,780	0.52%
2017	3,317	3,317	-	637,921	0.52%
2016	3,096	3,096	-	645,003	0.48%
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%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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:

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

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 the County's Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Program
Primary Government
For the Measurement Dates of June 30, 2018 and 2017

	2018	2017
Total HIC OPEB Liability		
Service cost	\$ 4,588	\$ 4,427
Interest	3,184	2,941
Differences between expected and actual experience	(2,474)	-
Changes in assumptions	-	(1,414)
Benefit payments	(2,786)	(2,195)
Net change in total HIC OPEB liability	\$ 2,512	\$ 3,759
Total HIC OPEB Liability - beginning	46,878	43,119
Total HIC OPEB Liability - ending (a)	<u>\$ 49,390</u>	<u>\$ 46,878</u>
Plan fiduciary net position		
Contributions - employer	\$ 7,299	\$ 6,959
Net investment income	756	704
Benefit payments	(2,786)	(2,195)
Administrative expense	(22)	(17)
Other	(18)	18
Net change in plan fiduciary net position	\$ 5,229	\$ 5,469
Plan fiduciary net position - beginning	8,947	3,478
Plan fiduciary net position - ending (b)	<u>\$ 14,176</u>	<u>\$ 8,947</u>
County's net HIC OPEB liability - ending (a) - (b)	\$ 35,214	\$ 37,931
Plan fiduciary net position as a percentage of the total HIC OPEB liability	28.70%	19.09%
Covered payroll	\$ 1,553,040	\$ 1,480,662
County's net HIC OPEB liability as a percentage of covered payroll	2.27%	2.56%

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

Schedule of Employer Contributions

Health Insurance Credit (HIC) Program

For the Years Ended June 30, 2015 through June 30, 2019

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:					
2019	\$ 7,609	\$ 7,609	-	\$ 1,585,300	0.48%
2018	7,299	7,299	-	1,553,040	0.47%
2017	6,959	6,959	-	1,480,662	0.47%
2016	3,680	3,680	-	1,533,415	0.24%
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 (HIC) Program
 For the Year Ended June 30, 2019

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 Employee Health Insurance Credit (HIC) Program
For the Measurement Dates of June 30, 2018 and 2017

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)
2018	0.09608% \$	1,220,000 \$	7,770,745	15.70%	8.08%
2017	0.10284%	1,304,000	8,115,970	16.07%	7.04%

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

Schedule of Employer Contributions

Teacher Employee Health Insurance Credit (HIC) Program

For the Years Ended June 30, 2010 through June 30, 2019

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)
2019	\$ 94,393	\$ 94,393	\$ -	\$ 7,866,058	1.20%
2018	95,580	95,580	-	7,770,745	1.23%
2017	90,087	90,087	-	8,115,970	1.11%
2016	86,566	86,566	-	8,166,626	1.06%
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%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

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

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, 2019

	Capital Projects Fund				
	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		<u>(Negative)</u>
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 15,950	\$	15,950
Intergovernmental:					
Federal	-	71,068	205,079		134,011
Total revenues	\$ -	\$ 71,068	\$ 221,029	\$	149,961
EXPENDITURES					
Capital projects	\$ 190,000	\$ 700,397	\$ 645,762	\$	54,635
Total expenditures	\$ 190,000	\$ 700,397	\$ 645,762	\$	54,635
Excess (deficiency) of revenues over (under) expenditures	\$ (190,000)	\$ (629,329)	\$ (424,733)	\$	204,596
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 190,000	\$ -	\$ -	\$	-
Total other financing sources (uses)	\$ 190,000	\$ -	\$ -	\$	-
Net change in fund balances	\$ -	\$ (629,329)	\$ (424,733)	\$	204,596
Fund balances - beginning	-	629,329	1,037,690		408,361
Fund balances - ending	\$ -	\$ -	\$ 612,957	\$	612,957

County of Essex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2019

	Debt Service Fund				
	Budgeted Amounts				Variance with Final Budget Positive Negative
	Original	Final	Actual		
EXPENDITURES					
Debt service:					
Principal retirement	\$ 2,869,502	\$ 2,869,502	\$ 2,853,050	\$	16,452
Interest and other fiscal charges	1,330,011	1,330,011	1,322,387		7,624
Total expenditures	\$ 4,199,513	\$ 4,199,513	\$ 4,175,437	\$	24,076
Excess (deficiency) of revenues over (under) expenditures	\$ (4,199,513)	\$ (4,199,513)	\$ (4,175,437)	\$	24,076
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 3,705,101	\$ 3,705,101	\$ 3,917,601	\$	(212,500)
Total other financing sources (uses)	\$ 3,705,101	\$ 3,705,101	\$ 3,917,601	\$	(212,500)
Net change in fund balances	\$ (494,412)	\$ (494,412)	\$ (257,836)	\$	(188,424)
Fund balances - beginning, as restated	494,412	494,412	1,221,821		727,409
Fund balances - ending	\$ -	\$ -	\$ 963,985	\$	538,985

County of Essex, Virginia

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Agency Funds

For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 4,144	\$ 23,154	\$ 24,646	\$ 2,652
Liabilities:				
Amounts held for social services clients	\$ 4,144	\$ 23,154	\$ 24,646	\$ 2,652
County Health Reimbursement Account Fund:				
Assets:				
Cash	\$ 2,345	\$ 56,597	\$ 40,148	\$ 18,794
Liabilities:				
Amounts held for employees	\$ 2,345	\$ 56,597	\$ 40,148	\$ 18,794
School Health Reimbursement Account Fund:				
Assets:				
Cash	\$ 50,000	\$ 20,054	\$ 54,589	\$ 15,465
Liabilities:				
Amounts held for employees	\$ 50,000	\$ 20,054	\$ 54,589	\$ 15,465
Totals -- All Agency Funds				
Assets:				
Cash	\$ 56,489	\$ 99,805	\$ 119,383	\$ 36,911
Total assets	\$ 56,489	\$ 99,805	\$ 119,383	\$ 36,911
Liabilities:				
Amounts held for employees	52,345	\$ 76,651	\$ 94,737	\$ 34,259
Amounts held for social services clients	\$ 4,144	\$ 23,154	\$ 24,646	\$ 2,652
Total liabilities	\$ 56,489	\$ 99,805	\$ 119,383	\$ 36,911

County of Essex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2019

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,647,910	\$ 54,757	\$ 1,702,667
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,570	-	1,570
Due from other governmental units	318,874	33,287	352,161
Inventories	-	11,527	11,527
Total assets	<u>\$ 1,968,354</u>	<u>\$ 99,571</u>	<u>\$ 2,067,925</u>
LIABILITIES			
Accounts payable	\$ 134,942	\$ 1,329	\$ 136,271
Accrued liabilities	1,512,167	-	1,512,167
Due to other governmental units	320,444	-	320,444
Total liabilities	<u>\$ 1,967,553</u>	<u>\$ 1,329</u>	<u>\$ 1,968,882</u>
FUND BALANCES			
Nonspendable	\$ -	\$ 11,527	\$ 11,527
Committed	801	86,715	87,516
Total fund balances	<u>\$ 801</u>	<u>\$ 98,242</u>	<u>\$ 99,043</u>
Total liabilities and fund balances	<u>\$ 1,968,354</u>	<u>\$ 99,571</u>	<u>\$ 2,067,925</u>

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

Total fund balances per above \$ 99,043

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

Capital assets, cost	\$ 20,145,065	
Accumulated depreciation	<u>(8,212,388)</u>	11,932,677

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

Pension related items	\$ 1,427,164	
OPEB related items	<u>171,402</u>	1,598,566

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	\$ (11,370,142)	
Net OPEB liabilities	(1,893,000)	
Compensated absences	<u>(135,054)</u>	(13,398,196)

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

Pension related items	\$ (2,493,836)	
OPEB related items	<u>(255,000)</u>	(2,748,836)

Net position of governmental activities		<u><u>\$ (2,516,746)</u></u>
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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, 2019

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 8,901	\$ 39	\$ 8,940
Charges for services	-	98,412	98,412
Miscellaneous	161,098	2,965	164,063
Intergovernmental:			
Local government	7,655,307	-	7,655,307
Commonwealth	8,322,573	32,658	8,355,231
Federal	962,164	738,387	1,700,551
Total revenues	<u>\$ 17,110,043</u>	<u>\$ 872,461</u>	<u>\$ 17,982,504</u>
EXPENDITURES			
Current:			
Education	\$ 17,109,242	\$ 815,099	\$ 17,924,341
Total expenditures	<u>\$ 17,109,242</u>	<u>\$ 815,099</u>	<u>\$ 17,924,341</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 801</u>	<u>\$ 57,362</u>	<u>\$ 58,163</u>
Net change in fund balances	\$ 801	\$ 57,362	\$ 58,163
Fund balances - beginning	-	40,880	40,880
Fund balances - ending	<u>\$ 801</u>	<u>\$ 98,242</u>	<u>\$ 99,043</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			\$ 58,163
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		\$ 177,432	
Transfer of joint tenancy assets to Component Unit from Primary Government		1,558,455	
Depreciation expense		<u>(531,682)</u>	1,204,205
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		\$ 1,010,520	
OPEB expense		66,748	
Change in compensated absences		<u>28,683</u>	1,105,951
Change in net position of governmental activities			<u>\$ 2,368,319</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, 2019

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 8,901	\$ 8,901
Miscellaneous	97,500	97,500	161,098	63,598
Intergovernmental:				
Local government	8,037,253	8,037,253	7,655,307	(381,946)
Commonwealth	8,457,913	8,457,913	8,322,573	(135,340)
Federal	1,368,546	1,368,546	962,164	(406,382)
Total revenues	\$ 17,961,212	\$ 17,961,212	\$ 17,110,043	\$ (851,169)
EXPENDITURES				
Current:				
Education	\$ 17,961,212	\$ 17,961,212	\$ 17,109,242	\$ 851,970
Total expenditures	\$ 17,961,212	\$ 17,961,212	\$ 17,109,242	\$ 851,970
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 801	\$ 801
Net change in fund balances	\$ -	\$ -	\$ 801	\$ 801
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 801	\$ 801

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, 2019

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 39	\$ 39
Charges for services	170,760	170,760	98,412	(72,348)
Miscellaneous	-	-	2,965	2,965
Intergovernmental:				
Commonwealth	35,000	35,000	32,658	(2,342)
Federal	686,993	736,538	738,387	1,849
Total revenues	<u>\$ 892,753</u>	<u>\$ 942,298</u>	<u>\$ 872,461</u>	<u>\$ (69,837)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 892,753</u>	<u>\$ 942,298</u>	<u>\$ 815,099</u>	<u>\$ 127,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,362</u>	<u>\$ 57,362</u>
Net change in fund balances	\$ -	\$ -	\$ 57,362	\$ 57,362
Fund balances - beginning	-	-	40,880	40,880
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,242</u>	<u>\$ 98,242</u>

County of Essex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2019

ASSETS

Cash and cash equivalents	\$ 16,069
Investments	<u>33,261</u>
Total assets	<u><u>\$ 49,330</u></u>

NET POSITION

Unrestricted	<u><u>\$ 49,330</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, 2019

Operating revenues:	
Bond issue fees	<u>\$ 2,612</u>
Operating expenses:	
Other charges	<u>\$ 903</u>
Operating income (loss)	<u>\$ 1,709</u>
Nonoperating revenues (expenses):	
Interest income	<u>\$ 701</u>
Change in net position	<u>\$ 2,410</u>
Net position, beginning of year	<u>46,920</u>
Net position, end of year	<u><u>\$ 49,330</u></u>

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Receipts from customers and users	\$ 2,612
Payments for operating activities	<u>(903)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,709</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,709
Cash and cash equivalents, beginning of year	<u>14,360</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,069</u></u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 1 of 5

<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	\$ 11,304,218	\$ (107,082)
Real and personal public service corporation taxes	420,000	420,000	428,221	8,221
Personal property taxes	2,959,000	2,959,000	3,135,557	176,557
Mobile home taxes	51,000	51,000	45,154	(5,846)
Machinery and tools taxes	72,000	72,000	83,077	11,077
Merchant's capital taxes	85,000	85,000	89,619	4,619
Penalties	193,000	193,000	162,583	(30,417)
Interest	168,000	168,000	135,157	(32,843)
Total general property taxes	\$ 15,359,300	\$ 15,359,300	\$ 15,383,586	\$ 24,286
Other local taxes:				
Local sales and use taxes	\$ 1,825,000	\$ 1,825,000	\$ 1,795,784	\$ (29,216)
Consumers' utility taxes	220,000	220,000	233,913	13,913
Motor vehicle licenses	415,000	415,000	392,998	(22,002)
Taxes on recordation and wills	28,000	28,000	31,182	3,182
Total other local taxes	\$ 2,488,000	\$ 2,488,000	\$ 2,453,877	\$ (34,123)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,100	\$ 6,100	\$ 10,795	\$ 4,695
Transfer fees	500	500	531	31
Permits and other licenses	55,200	55,200	55,369	169
Total permits, privilege fees, and regulatory licenses	\$ 61,800	\$ 61,800	\$ 66,695	\$ 4,895
Fines and forfeitures:				
Court fines and forfeitures	\$ 65,000	\$ 65,000	\$ 30,096	\$ (34,904)
Revenue from use of money and property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 102,552	\$ 52,552
Revenue from use of property	31,494	31,494	39,411	7,917
Total revenue from use of money and property	\$ 81,494	\$ 81,494	\$ 141,963	\$ 60,469
Charges for services:				
Charges for courthouse maintenance	\$ 10,400	\$ 10,400	\$ 8,324	\$ (2,076)
Criminal/traffic cases fees-security	60,000	60,000	46,301	(13,699)
Charges for correction and detention	1,500	1,500	935	(565)
Charges for Commonwealth's Attorney	750	750	1,106	356
Charges for community development	100	100	-	(100)
Charges for EMS	325,000	325,000	281,486	(43,514)
Charges for emergency radio system fees	28,500	28,500	-	(28,500)
Charges for selective enforcement	50,000	50,000	36,244	(13,756)
Charges for parks and recreation	41,600	41,600	35,255	(6,345)
Total charges for services	\$ 517,850	\$ 517,850	\$ 409,651	\$ (108,199)
Miscellaneous:				
Miscellaneous	\$ 18,100	\$ 83,168	\$ 119,193	\$ 36,025
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's share of animal control	-	-	3,060	3,060
Town's erosion and sediment control	2,500	2,500	1,875	(625)
Total recovered costs	\$ 32,500	\$ 32,500	\$ 34,935	\$ 2,435
Total revenue from local sources	\$ 18,624,044	\$ 18,689,112	\$ 18,639,996	\$ (49,116)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
Page 2 of 5

<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	\$ 298,682	\$ (46,318)
Mobile home titling tax	21,000	21,000	24,160	3,160
Rolling stock tax	500	500	47	(453)
Auto rental tax	100	100	95	(5)
State recordation tax	98,000	98,000	139,102	41,102
Personal property tax relief funds	1,054,171	1,054,171	1,054,171	-
Total noncategorical aid	\$ 1,518,771	\$ 1,518,771	\$ 1,516,257	\$ (2,514)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 219,630	\$ 219,630	\$ 224,519	\$ 4,889
Sheriff	597,473	597,473	637,647	40,174
Commissioner of revenue	93,605	93,605	97,009	3,404
Treasurer	72,184	72,184	73,683	1,499
Registrar/electoral board	36,590	36,590	37,500	910
Clerk of the Circuit Court	167,630	167,630	185,799	18,169
Total shared expenses	\$ 1,187,112	\$ 1,187,112	\$ 1,256,157	\$ 69,045
Other categorical aid:				
Public assistance and welfare administration	\$ 560,972	\$ 590,583	\$ 572,859	\$ (17,724)
Emergency medical services - four for life	11,500	11,500	24,345	12,845
Emergency services	18,633	32,649	700	(31,949)
Law enforcement block grant	2,500	2,500	-	(2,500)
Children's services act	600,000	610,347	484,068	(126,279)
Litter control	7,280	7,609	7,609	-
Wireless funds	40,000	57,204	62,355	5,151
Sheriff grant - Triad	-	-	2,250	2,250
DMV grant	13,773	13,773	-	(13,773)
Victim-witness grant	23,027	23,027	8,566	(14,461)
Rescue squad assistance	-	-	124,584	124,584
Domestic violence grant	45,000	45,000	22,941	(22,059)
School resource officer	-	-	23,874	23,874
Sheriff asset forfeiture	-	6,850	6,850	-
Fire programs fund	27,500	30,376	30,376	-
Clerk records grant	-	4,887	4,887	-
Total other categorical aid	\$ 1,350,185	\$ 1,436,305	\$ 1,376,264	\$ (60,041)
Total categorical aid	\$ 2,537,297	\$ 2,623,417	\$ 2,632,421	\$ 9,004
Total revenue from the Commonwealth	\$ 4,056,068	\$ 4,142,188	\$ 4,148,678	\$ 6,490
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 3,675	\$ 3,675	\$ 3,779	\$ 104
Categorical aid:				
Public assistance and welfare administration	\$ 955,169	\$ 1,005,586	\$ 962,745	\$ (42,841)
Comprehensive services	-	-	51,699	51,699
Transportation safety	-	-	5,825	5,825
Crime victim assistance	-	-	25,698	25,698
Emergency preparedness	-	-	19,591	19,591
Edward Byrne justice assistance grant	-	-	34,778	34,778
Community development block grant	-	-	27,025	27,025
QSCB Interest subsidy	405,996	405,996	398,650	(7,346)
Total categorical aid	\$ 1,361,165	\$ 1,411,582	\$ 1,526,011	\$ 114,429
Total revenue from the federal government	\$ 1,364,840	\$ 1,415,257	\$ 1,529,790	\$ 114,533
Total General Fund	\$ 24,044,952	\$ 24,246,557	\$ 24,318,464	\$ 71,907

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6	\$ 6
Revenue from the use of property	-	4,500	4,500	-
Total revenue from use of money and property	\$ -	\$ 4,500	\$ 4,506	\$ 6
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 7,420	\$ 7,420
Total revenue from local sources	\$ -	\$ 4,500	\$ 11,926	\$ 7,426
Intergovernmental:				
Revenue from the federal government:				
Noncategorical aid:				
Forfeited assets	\$ -	\$ 10,781	\$ 10,781	\$ -
Total noncategorical aid	-	10,781	10,781	-
Total revenue from the federal government	\$ -	\$ 10,781	\$ 10,781	\$ -
Total County Special Revenue Fund	\$ -	\$ 15,281	\$ 22,707	\$ 7,426
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 15,950	\$ 15,950
Total revenue from use of money and property	\$ -	\$ -	\$ 15,950	\$ 15,950
Total revenue from local sources	\$ -	\$ -	\$ 15,950	\$ 15,950
Revenue from the federal government:				
Noncategorical aid:				
Community Development Block Grant	\$ -	\$ 71,068	\$ 205,079	\$ 134,011
Total noncategorical aid	\$ -	\$ 71,068	\$ 205,079	\$ 134,011
Total revenue from the federal government	\$ -	\$ 71,068	\$ 205,079	\$ 134,011
Total Capital Projects Fund	\$ -	\$ 71,068	\$ 221,029	\$ 149,961
Total Primary Government	\$ 24,044,952	\$ 24,332,906	\$ 24,562,200	\$ 229,294
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 money	\$ -	\$ -	\$ 1	\$ 1
Revenue from the use of property	-	-	8,900	8,900
Total revenue from use of money and property	-	-	8,901	8,901
Miscellaneous:				
Miscellaneous	\$ 97,500	\$ 97,500	\$ 161,098	\$ 63,598
Total revenue from local sources	\$ 97,500	\$ 97,500	\$ 169,999	\$ 72,499

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 8,037,253	\$ 8,037,253	\$ 7,655,307	\$ (381,946)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,679,405	\$ 1,679,405	\$ 1,652,532	\$ (26,873)
Basic school aid	3,635,052	3,635,052	3,576,885	(58,167)
Remedial summer education	82,046	82,046	80,733	(1,313)
Gifted and talented	35,703	35,703	35,132	(571)
Remedial education	222,964	222,964	219,396	(3,568)
At risk 4 year olds	128,301	128,301	126,248	(2,053)
Special education	553,766	553,766	544,905	(8,861)
Textbook payment	73,367	73,367	72,193	(1,174)
Mentor teacher program	2,098	2,098	2,064	(34)
GED funding	8,491	8,491	8,355	(136)
Vocational education	114,793	114,793	112,956	(1,837)
School fringes	759,244	759,244	747,095	(12,149)
State lottery payments	265,335	265,335	261,089	(4,246)
Early reading intervention	40,676	40,676	40,025	(651)
Homebound	3,190	3,190	3,139	(51)
At risk payments	303,577	303,577	298,719	(4,858)
Primary class size	269,973	269,973	265,653	(4,320)
Technology	103,663	103,663	102,004	(1,659)
Middle school teacher corps	5,081	5,081	5,000	(81)
SQL Algebra readiness	23,573	23,573	23,196	(377)
Career switcher mentor grant	1,016	1,016	1,000	(16)
Industry certification	2,175	2,175	2,140	(35)
Project graduation	4,939	4,939	4,860	(79)
Enrollment loss	82,282	82,282	80,965	(1,317)
English as a second language	19,882	19,882	19,564	(318)
Positive behavioral interventions and supports	37,322	37,322	36,725	(597)
Total categorical aid	\$ 8,457,913	\$ 8,457,913	\$ 8,322,573	\$ (135,340)
Total revenue from the Commonwealth	\$ 8,457,913	\$ 8,457,913	\$ 8,322,573	\$ (135,340)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 666,034	\$ 666,034	\$ 468,259	\$ (197,775)
Title IV-A	1,621	1,621	1,140	(481)
Title VI-B	467,477	467,477	328,662	(138,815)
Rural education	36,139	36,139	25,408	(10,731)
Preschool grant	31,808	31,808	22,363	(9,445)
Vocational education	47,598	47,598	33,464	(14,134)
Title III	4,027	4,027	2,831	(1,196)
Title II-A	113,842	113,842	80,037	(33,805)
Total categorical aid	\$ 1,368,546	\$ 1,368,546	\$ 962,164	\$ (406,382)
Total School Operating Fund	\$ 17,961,212	\$ 17,961,212	\$ 17,110,043	\$ (851,169)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 39	\$ 39
Charges for services:				
Cafeteria sales	\$ 170,760	\$ 170,760	\$ 98,412	\$ (72,348)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 2,965	\$ 2,965
Total revenue from local sources	\$ 170,760	\$ 170,760	\$ 101,416	\$ (69,344)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 35,000	\$ 35,000	\$ 32,658	\$ (2,342)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 686,993	\$ 686,993	\$ 688,842	\$ 1,849
Commodities	-	49,545	49,545	-
Total categorical aid	\$ 686,993	\$ 736,538	\$ 738,387	\$ 1,849
Total revenue from the federal government	\$ 686,993	\$ 736,538	\$ 738,387	\$ 1,849
Total School Cafeteria Fund	\$ 892,753	\$ 942,298	\$ 872,461	\$ (69,837)
Total Discretely Presented Component Unit - School Board	\$ 18,853,965	\$ 18,903,510	\$ 17,982,504	\$ (921,006)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 429,522	\$ 456,545	\$ 386,045	\$ 70,500
General and financial administration:				
County administrator	\$ 244,053	\$ 245,331	\$ 244,926	\$ 405
Legal services	50,000	114,638	118,138	(3,500)
Commissioner of revenue	269,296	268,697	267,350	1,347
Independent Auditor	43,838	43,838	38,250	5,588
Treasurer	220,507	220,823	212,943	7,880
Management services	312,644	292,730	265,424	27,306
Total general and financial administration	\$ 1,140,338	\$ 1,186,057	\$ 1,147,031	\$ 39,026
Board of elections:				
Electoral board and officials	\$ 39,829	\$ 39,829	\$ 32,355	\$ 7,474
Registrar	97,331	97,709	92,532	5,177
Total board of elections	\$ 137,160	\$ 137,538	\$ 124,887	\$ 12,651
Total general government administration	\$ 1,707,020	\$ 1,780,140	\$ 1,657,963	\$ 122,177
Judicial administration:				
Courts:				
Circuit court	\$ 13,851	\$ 14,107	\$ 14,106	\$ 1
General district court	1,879	1,879	434	1,445
Sheriff	101,425	98,642	85,675	12,967
Juvenile and domestic relations court	25,685	25,685	24,243	1,442
Northern Neck Essex County Group Home Commission	5,935	5,935	5,935	-
Clerk of the circuit court	286,353	291,457	278,010	13,447
Total courts	\$ 435,128	\$ 437,705	\$ 408,403	\$ 29,302
Commonwealth's attorney:				
Commonwealth's attorney	\$ 340,308	\$ 337,725	\$ 332,193	\$ 5,532
Total judicial administration	\$ 775,436	\$ 775,430	\$ 740,596	\$ 34,834
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,020,882	\$ 1,049,685	\$ 1,004,941	\$ 44,744
Fire and rescue services:				
Fire department	\$ 207,500	\$ 210,376	\$ 210,376	\$ -
Ambulance and rescue services	1,214,754	1,233,423	1,139,400	94,023
Forestry service	7,829	8,204	8,204	-
Total fire and rescue services	\$ 1,430,083	\$ 1,452,003	\$ 1,357,980	\$ 94,023
Correction and detention:				
Sheriff	\$ 1,530,573	\$ 1,496,242	\$ 1,450,718	\$ 45,524

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 213,111	\$ 241,750	\$ 232,076	\$ 9,674
Other protection:				
Animal control	\$ 183,596	\$ 199,369	\$ 189,971	\$ 9,398
Medical examiner	250	250	60	190
Total other protection	\$ 183,846	\$ 199,619	\$ 190,031	\$ 9,588
Total public safety	\$ 4,378,495	\$ 4,439,299	\$ 4,235,746	\$ 203,553
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 770,887	\$ 783,149	\$ 782,864	\$ 285
Maintenance of general buildings and grounds:				
General properties	\$ 654,503	\$ 682,002	\$ 661,922	\$ 20,080
Communication	60,000	60,000	51,183	8,817
Technology	256,126	467,697	450,832	16,865
Total maintenance of general buildings and grounds	\$ 970,629	\$ 1,209,699	\$ 1,163,937	\$ 45,762
Total public works	\$ 1,741,516	\$ 1,992,848	\$ 1,946,801	\$ 46,047
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	\$ 2,046,370	\$ 2,136,745	\$ 1,889,106	\$ 247,639
Bay transit	75,700	75,700	75,700	-
Children's services act	1,200,000	1,200,000	904,378	295,622
Housing choice voucher program	15,756	15,756	15,756	-
Bay aging	9,152	9,152	9,152	-
Rivah rides	10,000	10,000	10,000	-
Tax relief for the elderly	-	-	95,549	(95,549)
Total welfare	\$ 3,356,978	\$ 3,447,353	\$ 2,999,641	\$ 447,712
Total health and welfare	\$ 3,522,736	\$ 3,613,111	\$ 3,165,399	\$ 447,712
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 8,160	\$ 8,160	\$ 8,160	\$ -
Contribution to County School Board	8,037,253	8,037,253	7,655,307	381,946
Total education	\$ 8,045,413	\$ 8,045,413	\$ 7,663,467	\$ 381,946

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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	\$ 189,207	\$ 188,252	\$ 134,160	\$ 54,092
Swimming pool	55,878	55,932	38,064	17,868
Total parks and recreation	<u>\$ 245,085</u>	<u>\$ 244,184</u>	<u>\$ 172,224</u>	<u>\$ 71,960</u>
Cultural enrichment:				
Museum	\$ 22,000	\$ 22,000	\$ 22,000	\$ -
Library:				
Contribution to county library	\$ 205,324	\$ 204,017	\$ 201,431	\$ 2,586
Total parks, recreation, and cultural	<u>\$ 472,409</u>	<u>\$ 470,201</u>	<u>\$ 395,655</u>	<u>\$ 74,546</u>
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 22,757	\$ 22,757	\$ 22,487	\$ 270
Economic development	3,100	43,139	43,139	-
Total planning and community development	<u>\$ 25,857</u>	<u>\$ 65,896</u>	<u>\$ 65,626</u>	<u>\$ 270</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 11,025	\$ 11,025	\$ 11,025	\$ -
Litter control program	7,280	7,609	7,609	-
Other environmental management	43,000	43,000	43,000	-
Total environmental management	<u>\$ 61,305</u>	<u>\$ 61,634</u>	<u>\$ 61,634</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 45,169	\$ 46,177	\$ 46,177	\$ -
Total community development	<u>\$ 132,331</u>	<u>\$ 173,707</u>	<u>\$ 173,437</u>	<u>\$ 270</u>
Capital projects:				
Motor vehicles and equipment	\$ 154,978	\$ 154,978	\$ 27,578	\$ 127,400
Total capital projects	<u>\$ 154,978</u>	<u>\$ 154,978</u>	<u>\$ 27,578</u>	<u>\$ 127,400</u>
Total General Fund	<u><u>\$ 20,930,334</u></u>	<u><u>\$ 21,445,127</u></u>	<u><u>\$ 20,006,642</u></u>	<u><u>\$ 1,438,485</u></u>
Special Revenue Fund:				
Special Revenue Fund:				
Public Safety:				
Glebe:				
Professional services	\$ -	\$ 33,600	\$ 33,600	\$ -
Other protection:				
Sheriff	\$ -	\$ 10,781	\$ 9,289	\$ 1,492
Total public safety	<u>\$ -</u>	<u>\$ 44,381</u>	<u>\$ 42,889</u>	<u>\$ 1,492</u>
Total County Special Revenue Fund	<u><u>\$ -</u></u>	<u><u>\$ 44,381</u></u>	<u><u>\$ 42,889</u></u>	<u><u>\$ 1,492</u></u>

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2019

<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>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,869,502	\$ 2,869,502	\$ 2,853,050	\$ 16,452
Interest and other fiscal charges	1,330,011	1,330,011	1,322,387	7,624
Total Debt Service Fund	<u>\$ 4,199,513</u>	<u>\$ 4,199,513</u>	<u>\$ 4,175,437</u>	<u>\$ 24,076</u>
Capital Projects Fund:				
Capital projects:				
Capital projects	\$ 190,000	\$ 700,397	\$ 645,762	\$ 54,635
Total capital projects	<u>\$ 190,000</u>	<u>\$ 700,397</u>	<u>\$ 645,762</u>	<u>\$ 54,635</u>
Total Capital Projects Fund	<u>\$ 190,000</u>	<u>\$ 700,397</u>	<u>\$ 645,762</u>	<u>\$ 54,635</u>
Total Primary Government	<u>\$ 25,319,847</u>	<u>\$ 26,389,418</u>	<u>\$ 24,870,730</u>	<u>\$ 1,518,688</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,053,969	\$ 1,053,969	\$ 1,207,996	\$ (154,027)
Instruction costs	12,935,190	12,935,190	12,335,003	600,187
Technology	955,225	955,225	819,627	135,598
Pupil transportation	1,672,275	1,672,275	1,430,660	241,615
Operation and maintenance of school plant	1,344,553	1,344,553	1,315,956	28,597
Total education	<u>\$ 17,961,212</u>	<u>\$ 17,961,212</u>	<u>\$ 17,109,242</u>	<u>\$ 851,970</u>
Total School Operating Fund	<u>\$ 17,961,212</u>	<u>\$ 17,961,212</u>	<u>\$ 17,109,242</u>	<u>\$ 851,970</u>
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 892,753	\$ 892,753	\$ 765,554	\$ 127,199
Commodities	-	49,545	49,545	-
Total school food services	<u>\$ 892,753</u>	<u>\$ 942,298</u>	<u>\$ 815,099</u>	<u>\$ 127,199</u>
Total education	<u>\$ 892,753</u>	<u>\$ 942,298</u>	<u>\$ 815,099</u>	<u>\$ 127,199</u>
Total School Cafeteria Fund	<u>\$ 892,753</u>	<u>\$ 942,298</u>	<u>\$ 815,099</u>	<u>\$ 127,199</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 18,853,965</u>	<u>\$ 18,903,510</u>	<u>\$ 17,924,341</u>	<u>\$ 979,169</u>

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

Fiscal Year	General		Judicial Administration	Public		Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest	
	Government Administration			Safety	Works					on Long- Term Debt	Total
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	
2018-19	1,700,740	759,707	4,667,740	1,958,366	3,120,601	10,157,043	369,727	159,016	1,197,968	24,090,908	

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	
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	
2018-19	506,442	4,142,188	232,104	15,366,996	2,453,877	162,419	126,613	1,520,036	24,510,675	

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
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
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
2018-19	1,657,963		740,596	4,278,635	1,946,801	3,165,399	17,932,501	395,655	173,437	4,175,437	34,466,424

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

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

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

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
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
2018-19	15,383,586	2,453,877	66,695	30,096	155,409	508,063	290,676	34,935	15,745,031	34,668,368

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

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

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

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
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%
2018-19	16,195,420	15,572,704	96.15%	567,313	16,140,017	99.66%	1,963,085	12.12%

(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	
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
2018-19	1,296,806,253	136,456,770	6,946,938	2,373,535	45,538,476	30,348	1,488,152,320

(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
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
2018-19	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
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
2018-19	11,151	1,488,152,320	24,523,251	24,523,251	1.65%	2,199

(1) Weldon Cooper Center for Public Service for 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.



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, 2019, 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 20, 2019.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 20, 2019



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

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

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, 2019. 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 expended \$117,106 in federal awards which is not included in the County of Essex, Virginia's schedule of expenditures of federal awards during the year ended June 30, 2019. 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, 2019.

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 20, 2019

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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	0950118/0950119	\$ 11,116
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400118/0400119	113,912
Refugee and Entrant Assistance - State Administered Programs	93.566	0500118/0500119	44
Low Income Home Energy Assistance	93.568	0600418/0600419	17,397
Child Care Mandatory and Matching Funds of the Child Care Development Fund (CCDF Cluster)	93.596	0760118/0760119	19,562
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900118/0900119	119
Foster Care - Title IV-E	93.658	1100118/1100119	270,191
Adoption Assistance	93.659	1130118/1130119	77,393
Social Services Block Grant	93.667	1000118/1000119	123,001
Chafee Foster Care Independence Program	93.674	9150118/9150119	948
Children's Health Insurance Program	93.767	0540118/0540119	4,274
Medical Assistance Program (Medicaid Cluster)	93.778	1200118/1200119	199,357
Total Department of Health and Human Services			\$ 837,314
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52749	\$ 19,591
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	Not Available	\$ 7,732
Food Distribution	10.555	Not Available	49,545
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-45707	461,645
	Total CFDA 10.555		\$ 511,190
School Breakfast Program	10.553	17901-40591	219,465
Total Child Nutrition Cluster			\$ 738,387
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010118/0010119	\$ 177,130
Total Department of Agriculture			\$ 915,517
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety (Highway Safety Cluster)	20.600	60507-50287	\$ 5,825

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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	\$ 10,781
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	39001-76000	\$ 25,698
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	34,778
Total Department of Justice			\$ 60,476
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	533005	\$ 232,104
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 467,452
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	328,662
Special Education - Preschool Grants	84.173	17901-62521	22,363
Total Special Education Cluster			\$ 351,025
Career and Technical Education - Basic Grants to States	84.048	17901-61095	33,464
Rural Education	84.358	17901- 43481	25,408
School Improvement Grants	84.377	17901-43040	807
English Language Acquisition State Grants	84.365	17901	2,831
Supporting Effective Instruction State Grant	84.367	17901-61480	80,037
Student Support and Academic Enrichment Program	84.424	17901-61910	1,140
Total Department of Education			\$ 962,164
Total Expenditures of Federal Awards			\$ 3,043,772

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, 2019

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, 2019. 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	\$ 1,529,790
Special Revenue Funds:	
County Special Revenue Fund	10,781
Capital Projects Funds:	
County Capital Improvements Fund	205,079
Total primary government	<u>\$ 1,745,650</u>

Component Unit - School Board:

School Operating Fund	\$ 962,164
School Special Revenue Fund	738,387
Total component unit School Board	<u>\$ 1,700,551</u>
Total federal expenditures per basic financial statements	<u>\$ 3,446,201</u>
Federal interest subsidy	\$ (398,650)
Payments in Lieu of taxes	<u>(3,779)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,043,772</u></u>
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County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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

Section IV-Commonwealth of Virginia Findings and Questioned Costs

None

County of Essex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Finding 2018-001:

Financial Reporting - Commonwealth of Virginia

The School Board corrected the prior audit finding of not providing 10 days notice of the public hearing for the FY 17-18 budget.