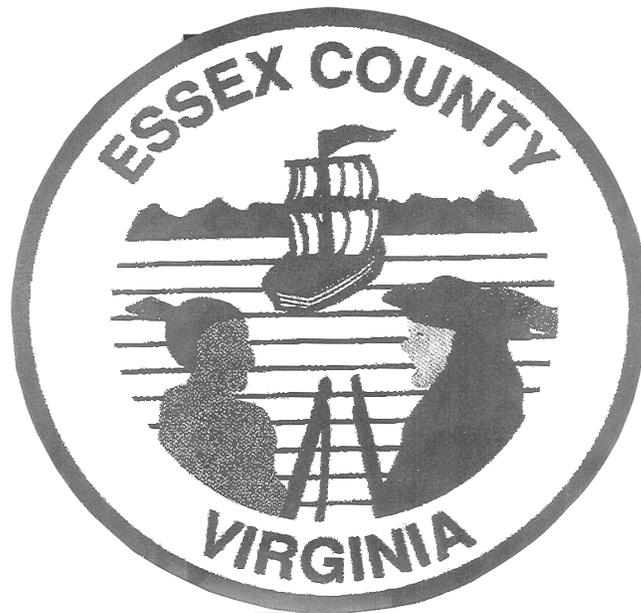


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2021

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

Sidney N. Johnson, Chairperson
Robert L. Akers, Jr., Vice Chairperson

Edwin E. (Bud) Smith Jr.
Ronnie Gill

John C. Magruder

School Board

Denise Hammond, Chairperson
Raymond Whitaker, Vice Chairperson

Garlyn Bundy
Leah Segar

Michael Wind

Department of Social Services Board

Wright Andrews, Chairperson
Ella Johnson, Vice Chairperson

Sidney N. Johnson
Mary Alice Parrish Passagaluppi
Cherlanda Sidney-Ross

Other Officials

Judge of the Circuit Court..... Herbert M. Hewitt
Clerk of the Circuit Court..... G.J. Ashworth
Judge of the General District Court..... John S. Martin
Judge of the Juvenile and Domestic Relations CourtWilliam L. Lewis
Commonwealth's Attorney Vincent S. Donoghue
Commissioner of the RevenueT.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

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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, 2021, 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2021, the County adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2021, the County restated beginning balances to reflect the requirements of GASB Statement No. 84. 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, 85-86, and 87-103 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 December 1, 2021, 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.

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Richmond, Virginia
December 1, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Essex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2021.

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 \$13,492,780 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$452,715 (Exhibit 5) after making contributions totaling \$7,149,884 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,629,672, an increase of \$452,715 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,138,455 or 31.53% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$3,326,624 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 \$13,492,780 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

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 18,830,923	\$ 19,011,382
Capital assets	<u>22,795,293</u>	<u>27,346,426</u>
Total assets	\$ <u>41,626,216</u>	\$ <u>46,357,808</u>
Deferred outflow of resources	\$ <u>1,063,419</u>	\$ <u>927,356</u>
Current liabilities	\$ 3,430,333	\$ 4,332,063
Long-term liabilities outstanding	<u>17,399,922</u>	<u>20,628,881</u>
Total liabilities	\$ <u>20,830,255</u>	\$ <u>24,960,944</u>
Deferred inflows of resources	\$ <u>8,366,600</u>	\$ <u>8,306,575</u>
Net position:		
Net investment in capital assets	\$ 3,805,818	\$ 4,738,490
Restricted for:		
Pension plans	63,000	91,400
Glebe fund	10,500	6,000
Forfeited assets	77,388	83,812
Law library	7,328	7,328
Asset forfeiture - Comm. Atty	2,879	2,875
Reading program donations	1,300	1,301
Poor house park	13,344	13,344
Animal shelter	65,814	57,589
Capital projects	18,805	27,580
Unrestricted	<u>9,426,604</u>	<u>8,987,926</u>
Total net position	\$ <u><u>13,492,780</u></u>	\$ <u><u>14,017,645</u></u>

Government-wide Financial Analysis (Continued)

Governmental activities decreased the County's net position by \$524,865 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2020</u>
Charges for services	\$ 537,727	\$ 536,449
Operating grants and contributions	6,210,035	4,385,515
Capital grants and contributions	156,587	-
General property taxes	15,903,259	15,488,417
Other local taxes	2,851,456	2,626,777
Grants and other contributions not restricted	1,546,164	1,489,684
Other general revenues	<u>219,795</u>	<u>281,606</u>
Total revenues	<u>\$ 27,425,023</u>	<u>\$ 24,808,448</u>
General government administration	\$ 3,263,956	\$ 2,807,973
Judicial administration	749,254	743,556
Public safety	5,235,347	4,535,912
Public works	2,317,627	2,031,809
Health and welfare	3,729,097	3,490,526
Education	11,109,312	7,359,643
Parks, recreation, and cultural	386,532	522,444
Community development	293,825	129,892
Interest and other fiscal charges	<u>864,938</u>	<u>1,147,488</u>
Total expenses	<u>\$ 27,949,888</u>	<u>\$ 22,769,243</u>
Change in net position	\$ (524,865)	\$ 2,039,205
Net position, beginning of year	<u>14,017,645</u>	<u>11,978,440</u>
Net position, end of year	<u><u>\$ 13,492,780</u></u>	<u><u>\$ 14,017,645</u></u>

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 \$8,629,672, an increase of \$452,715. Approximately 94% 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 \$1,090,406. Expenditures and other financing uses did not exceed budgetary estimates by \$1,496,386, resulting in a positive variance of \$2,586,792.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2021 amounted to \$22,795,293 (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 \$18,167,661. Of this amount, \$11,537,661 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 \$3,575,310 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 2022 fiscal year.

The fiscal year 2022 budget increased approximately 0.1% over the prior year. The County's tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Essex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 202 S. Church Lane, Post Office Box 1079, Tappahannock, Virginia 22560.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Position
June 30, 2021

	Primary Government	Component Units		
	Governmental Activities	School Board	EDA	Airport
ASSETS				
Cash and cash equivalents	\$ 7,869,254	\$ 223,230	\$ 10,875	\$ 465,792
Investments	-	-	33,461	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	9,669,371	-	-	-
Accounts receivable	155,490	3,162	-	13,422
Due from other governmental units	1,054,557	858,889	-	-
Inventories	-	34,010	-	13,663
Prepaid items	19,251	194,086	-	8,945
Net pension asset	63,000	-	-	-
Capital assets (net of accumulated depreciation):				
Land and land improvements	1,149,371	42,822	-	4,774,900
Buildings and improvements	17,542,398	13,877,860	-	2,777,792
Intangibles	1,164,672	-	-	-
Equipment	2,733,099	2,161,921	-	3,120
Infrastructure	-	-	-	2,141,328
Construction in progress	205,753	-	-	181,994
Total assets	<u>\$ 41,626,216</u>	<u>\$ 17,395,980</u>	<u>\$ 44,336</u>	<u>\$ 10,380,956</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 973,109	\$ 3,320,615	\$ -	\$ -
OPEB related items	90,310	280,214	-	-
Total deferred outflows of resources	<u>\$ 1,063,419</u>	<u>\$ 3,600,829</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 541,232	\$ 416,433	\$ -	\$ 2,091
Accrued liabilities	-	670,806	-	3,328
Accrued interest payable	186,598	-	-	-
Unearned revenue	54,636	1,358	-	-
Long-term liabilities:				
Due within one year	2,647,867	11,801	-	63,838
Due in more than one year	17,399,922	15,457,921	-	681,336
Total liabilities	<u>\$ 20,830,255</u>	<u>\$ 16,558,319</u>	<u>\$ -</u>	<u>\$ 750,593</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 7,834,090	\$ -	\$ -	\$ -
Pension related items	503,776	2,043,744	-	-
OPEB related items	28,734	270,459	-	-
Total deferred inflows of resources	<u>\$ 8,366,600</u>	<u>\$ 2,314,203</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 3,805,818	\$ 16,082,603	\$ -	\$ 9,133,960
Restricted:				
Pension Plans	63,000	-	-	-
Glebe fund	10,500	-	-	-
Forfeited assets	77,388	-	-	-
Law library	7,328	-	-	-
Asset forfeiture - Comm. Atty	2,879	-	-	-
Poor house park	13,344	-	-	-
Animal shelter	65,814	-	-	-
Reading program donations	1,300	-	-	-
Capital projects	18,805	-	-	-
Unrestricted (deficit)	9,426,604	(13,958,316)	\$ 44,336	496,403
Total net position	<u>\$ 13,492,780</u>	<u>\$ 2,124,287</u>	<u>\$ 44,336</u>	<u>\$ 9,630,363</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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
						School Board	EDA	Airport
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 3,263,956	\$ -	\$ 1,233,845	\$ -	\$ (2,030,111)			
Judicial administration	749,254	33,446	428,664	-	(287,144)			
Public safety	5,235,347	497,819	1,577,380	-	(3,160,148)			
Public works	2,317,627	-	121,609	-	(2,196,018)			
Health and welfare	3,729,097	-	2,305,708	-	(1,423,389)			
Education	11,109,312	-	-	-	(11,109,312)			
Parks, recreation, and cultural	386,532	6,462	-	-	(380,070)			
Community development	293,825	-	142,054	156,587	4,816			
Interest on long-term debt	864,938	-	400,775	-	(464,163)			
Total governmental activities	<u>\$ 27,949,888</u>	<u>\$ 537,727</u>	<u>\$ 6,210,035</u>	<u>\$ 156,587</u>	<u>\$ (21,045,539)</u>			
Total primary government	<u>\$ 27,949,888</u>	<u>\$ 537,727</u>	<u>\$ 6,210,035</u>	<u>\$ 156,587</u>				
COMPONENT UNITS:								
School Board	\$ 17,741,863	\$ 6,803	\$ 10,480,125	\$ -	\$ (7,254,935)	\$ -	\$ -	\$ -
Economic Development Authority	4,950	-	-	-	-	(4,950)	-	-
Airport Authority	825,277	249,049	89,604	15,193	-	-	-	(471,431)
Total component units	<u>\$ 18,572,090</u>	<u>\$ 255,852</u>	<u>\$ 10,569,729</u>	<u>\$ 15,193</u>	<u>\$ (7,254,935)</u>	<u>\$ (4,950)</u>	<u>\$ -</u>	<u>\$ (471,431)</u>
General revenues:								
General property taxes					\$ 15,903,259	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use tax					2,159,869	-	-	-
Consumers' utility taxes					236,541	-	-	-
Motor vehicle licenses					393,219	-	-	-
Taxes on recordation and wills					61,827	-	-	-
Unrestricted revenues from use of money and property					54,118	13	79	620
Miscellaneous					165,677	238,167	2,206	-
Payments from Essex County					-	10,425,735	-	48,777
Grants and contributions not restricted to specific programs					1,546,164	-	-	-
Total general revenues					<u>\$ 20,520,674</u>	<u>\$ 10,663,915</u>	<u>\$ 2,285</u>	<u>\$ 49,397</u>
Change in net position					(524,865)	3,408,980	(2,665)	(422,034)
Net position - beginning, as restated					14,017,645	(1,284,693)	47,001	10,052,397
Net position - ending					<u>\$ 13,492,780</u>	<u>\$ 2,124,287</u>	<u>\$ 44,336</u>	<u>\$ 9,630,363</u>

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

FUND FINANCIAL STATEMENTS

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County of Essex, Virginia
Balance Sheet
Governmental Funds
June 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 7,135,328	\$ 226,129	\$ 233,189	\$ 274,608	\$ 7,869,254
Receivables (net of allowance for uncollectibles):					
Taxes receivable	9,669,371	-	-	-	9,669,371
Accounts receivable	155,490	-	-	-	155,490
Due from other governmental units	1,054,557	-	-	-	1,054,557
Prepaid items	19,251	-	-	-	19,251
Total assets	<u>\$ 18,033,997</u>	<u>\$ 226,129</u>	<u>\$ 233,189</u>	<u>\$ 274,608</u>	<u>\$ 18,767,923</u>
LIABILITIES					
Accounts payable	\$ 333,908	\$ 207,324	\$ -	\$ -	\$ 541,232
Unearned revenue	-	-	54,636	-	54,636
Total liabilities	<u>\$ 333,908</u>	<u>\$ 207,324</u>	<u>\$ 54,636</u>	<u>\$ -</u>	<u>\$ 595,868</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 9,542,383	\$ -	\$ -	\$ -	\$ 9,542,383
Total deferred inflow of resources	<u>\$ 9,542,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,542,383</u>
FUND BALANCES					
Nonspendable	\$ 19,251	\$ -	\$ -	\$ -	\$ 19,251
Restricted	-	18,805	178,553	-	197,358
Committed:					
Debt service funds	-	-	-	274,608	274,608
Unassigned	8,138,455	-	-	-	8,138,455
Total fund balances	<u>\$ 8,157,706</u>	<u>\$ 18,805</u>	<u>\$ 178,553</u>	<u>\$ 274,608</u>	<u>\$ 8,629,672</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,033,997</u>	<u>\$ 226,129</u>	<u>\$ 233,189</u>	<u>\$ 274,608</u>	<u>\$ 18,767,923</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, 2021

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 8,629,672

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	\$ 40,632,079	
Accumulated depreciation	(17,836,786)	22,795,293

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

Unavailable revenue - property taxes	\$ 1,708,293	
Net pension asset	63,000	1,771,293

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

Pension related items	\$ 973,109	
OPEB related items	90,310	1,063,419

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	\$ (6,630,000)	
General obligation bonds	(11,537,661)	
Bond premiums	(845,243)	
Capital lease	(269,984)	
Accrued interest payable	(186,598)	
Compensated absences	(393,331)	
Net OPEB liabilities	(371,570)	(20,234,387)

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

Pension related items	\$ (503,776)	
OPEB related items	(28,734)	(532,510)

Net position of governmental activities		\$ 13,492,780

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, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 15,738,251	\$ -	\$ -	\$ -	\$ 15,738,251
Other local taxes	2,851,456	-	-	-	2,851,456
Permits, privilege fees, and regulatory licenses	99,002	-	-	-	99,002
Fines and forfeitures	26,635	-	-	-	26,635
Revenue from the use of money and property	46,214	3,400	4,504	-	54,118
Charges for services	412,090	-	-	-	412,090
Miscellaneous	76,093	-	89,584	-	165,677
Recovered costs	107,675	-	-	-	107,675
Intergovernmental:					
Commonwealth	4,273,541	-	-	-	4,273,541
Federal	3,323,204	-	316,041	-	3,639,245
Total revenues	<u>\$ 26,954,161</u>	<u>\$ 3,400</u>	<u>\$ 410,129</u>	<u>\$ -</u>	<u>\$ 27,367,690</u>
EXPENDITURES					
Current:					
General government administration	\$ 2,460,823	\$ -	\$ -	\$ -	\$ 2,460,823
Judicial administration	759,646	-	-	-	759,646
Public safety	4,750,889	-	403,825	-	5,154,714
Public works	2,200,073	-	-	154,648	2,354,721
Health and welfare	3,737,883	-	-	-	3,737,883
Education	7,158,373	-	-	-	7,158,373
Parks, recreation, and cultural	392,687	-	-	-	392,687
Community development	254,814	-	-	43,777	298,591
Capital projects	180,371	226,599	-	-	406,970
Debt service:					
Principal retirement	-	-	-	9,749,259	9,749,259
Bond issuance costs	-	-	-	197,419	197,419
Interest and other fiscal charges	-	-	-	1,112,830	1,112,830
Total expenditures	<u>\$ 21,895,559</u>	<u>\$ 226,599</u>	<u>\$ 403,825</u>	<u>\$ 11,257,933</u>	<u>\$ 33,783,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,058,602</u>	<u>\$ (223,199)</u>	<u>\$ 6,304</u>	<u>\$ (11,257,933)</u>	<u>\$ (6,416,226)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 214,424	\$ -	\$ 3,698,840	\$ 3,913,264
Transfers out	(3,913,264)	-	-	-	(3,913,264)
Issuance of refunding bond	-	-	-	6,140,000	6,140,000
Premium on refunding bond issued	-	-	-	728,941	728,941
Total other financing sources (uses)	<u>\$ (3,913,264)</u>	<u>\$ 214,424</u>	<u>\$ -</u>	<u>\$ 10,567,781</u>	<u>\$ 6,868,941</u>
Net change in fund balances	\$ 1,145,338	\$ (8,775)	\$ 6,304	\$ (690,152)	\$ 452,715
Fund balances - beginning	7,012,368	27,580	172,249	964,760	8,176,957
Fund balances - ending	<u>\$ 8,157,706</u>	<u>\$ 18,805</u>	<u>\$ 178,553</u>	<u>\$ 274,608</u>	<u>\$ 8,629,672</u>

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

County of Essex, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds \$ 452,715

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	\$ 23,377	
Transfer of joint tenancy assets to Component Unit School Board from Primary Government	(3,275,851)	
Depreciation expense	(1,298,660)	(4,551,134)

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	165,008
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Issuance of refunding bond	\$ (6,140,000)	
Premium on refunding bond issued	(728,941)	
Principal retired on lease revenue bonds	8,334,999	
Principal retired on capital lease	33,949	
Principal retired on school general obligation bonds	1,380,311	
Amortization of bond premium	444,730	3,325,048

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	\$ (635)	
Change in accrued interest payable	(15,118)	
Pension expense	85,503	
OPEB expense	13,748	83,498

Change in net position of governmental activities	<u>\$ (524,865)</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, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	<u>\$ 50,425</u>
NET POSITION	
Restricted for:	
Individuals	\$ 10,751
Employees	<u>39,674</u>
Total net position	<u><u>\$ 50,425</u></u>

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

County of Essex, Virginia
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 For the Year Ended June 30, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Contributions:	
Participant fees	\$ 75,065
Miscellaneous	34,213
Total additions	<u>\$ 109,278</u>
DEDUCTIONS	
Recipient payments	\$ 106,055
Total deductions	<u>\$ 106,055</u>
Net increase (decrease) in fiduciary net position	\$ 3,223
Net position, beginning - as restated	<u>47,202</u>
Net position, ending	<u><u>\$ 50,425</u></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, 2021

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2021.

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, 2021.

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, 2021. The Authority does not issue a separate financial report.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

3. Component Unit

The Essex County School Board has the following funds:

Governmental Fund:

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

Special Revenue Funds:

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

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

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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 uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$238,594 at June 30, 2021 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

H. Capital Assets

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

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. 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;

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

K. Fund Balance (Continued)

- 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).

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:					
Nonspendable:					
Prepaid expenses	\$ 19,251	\$ -	\$ -	\$ -	\$ 19,251
Total Nonspendable Fund Balance	\$ 19,251	\$ -	\$ -	\$ -	\$ 19,251
Restricted:					
Glebe fund	\$ -	\$ -	\$ 10,500	\$ -	\$ 10,500
Forfeited assets - Sheriff	-	-	77,388	-	77,388
Forfeited assets - Commonwealth's Attorney	-	-	2,879	-	2,879
Law library	-	-	7,328	-	7,328
Poor House park	-	-	13,344	-	13,344
Animal shelter	-	-	65,814	-	65,814
Reading program donations	-	-	1,300	-	1,300
Capital projects	-	18,805	-	-	18,805
Total Restricted Fund Balance	\$ -	\$ 18,805	\$ 178,553	\$ -	\$ 197,358
Committed:					
Debt service	\$ -	\$ -	\$ -	\$ 274,608	\$ 274,608
Unassigned					
Total Fund Balances	\$ 8,138,455	\$ -	\$ -	\$ -	\$ 8,138,455
	\$ 8,157,706	\$ 18,805	\$ 178,553	\$ 274,608	\$ 8,629,672

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

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.

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.

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

Q. Deferred Outflows/Inflows of Resources

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

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

R. Prepaid Items

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The special revenue fund has no legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments. The School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 2—Stewardship, Compliance, and Accounting:

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 exceeded appropriations in the Special Revenue Fund by \$72,233 at June 30, 2021.

Note 3—Deposits and Investments:

Deposits and Investments

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

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2021 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	\$ 1,554,851

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Maturities (in years)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Local Government Investment Pool	<u>\$ 1,554,851</u>	<u>\$ 1,554,851</u>

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.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 4—Due from/to Other Governments:

At June 30, 2021, the County has receivables from and amounts due to other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Amounts due from other governments are as follows:		
Commonwealth of Virginia:		
Local sales tax	\$ 396,035	\$ -
State sales tax	-	232,480
Games of skill	1,440	-
Victim witness	11,250	-
Constitutional officer reimbursements	115,525	-
Auto rental tax	4,426	-
Children's services act	215,621	-
Jury duty	1,560	-
Welfare	47,789	-
Communications tax	40,436	-
Wireless grant	8,235	-
Federal Government:		
School education grants	-	570,156
School nutrition grants	-	56,253
Community development block grant	125,975	-
Ground transportation safety grant	1,350	-
Welfare	84,915	-
Total due from other governments	<u>\$ 1,054,557</u>	<u>\$ 858,889</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,149,371	\$ -	\$ -	\$ 1,149,371
Construction in progress	205,753	-	-	205,753
Total capital assets not subject to depreciation	<u>\$ 1,355,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,355,124</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 4,013,742	\$ -	\$ -	\$ 4,013,742
Equipment	8,109,136	23,377	10,409	8,122,104
Intangibles	2,816,258	-	-	2,816,258
Jointly owned assets	29,891,697	-	5,566,846	24,324,851
Total capital assets subject to depreciation	<u>\$ 44,830,833</u>	<u>\$ 23,377</u>	<u>\$ 5,577,255</u>	<u>\$ 39,276,955</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,063,786	\$ 107,641	\$ -	\$ 2,171,427
Equipment	4,940,295	459,120	10,410	5,389,005
Intangibles	1,594,775	56,811	-	1,651,586
Jointly owned assets	10,240,675	675,088	2,290,995	8,624,768
Total accumulated depreciation	<u>\$ 18,839,531</u>	<u>\$ 1,298,660</u>	<u>\$ 2,301,405</u>	<u>\$ 17,836,786</u>
Total capital assets subject to depreciation, net	<u>\$ 25,991,302</u>	<u>\$ (1,275,283)</u>	<u>\$ 3,275,850</u>	<u>\$ 21,440,169</u>
Governmental activities capital assets, net	<u>\$ 27,346,426</u>	<u>\$ (1,275,283)</u>	<u>\$ 3,275,850</u>	<u>\$ 22,795,293</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets: (Continued)

Component Unit-School Board:	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Total capital assets not subject to depreciation	<u>\$ 42,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,822</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 258,810	\$ 25,402	\$ -	\$ 284,212
Equipment	5,375,479	749,987	912,282	5,213,184
Jointly owned assets	15,508,056	5,566,846	-	21,074,902
Total capital assets subject to depreciation	<u>\$ 21,142,345</u>	<u>\$ 6,342,235</u>	<u>\$ 912,282</u>	<u>\$ 26,572,298</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,750	\$ 7,058	\$ -	\$ 8,808
Equipment	3,680,020	283,525	912,282	3,051,263
Jointly owned assets	4,771,919	409,532	(2,290,995)	7,472,446
Total accumulated depreciation	<u>\$ 8,453,689</u>	<u>\$ 700,115</u>	<u>\$ (1,378,713)</u>	<u>\$ 10,532,517</u>
Total capital assets subject to depreciation, net	<u>\$ 12,688,656</u>	<u>\$ 5,642,120</u>	<u>\$ 2,290,995</u>	<u>\$ 16,039,781</u>
Component unit school board capital assets, net	<u><u>\$ 12,731,478</u></u>	<u><u>\$ 5,642,120</u></u>	<u><u>\$ 2,290,995</u></u>	<u><u>\$ 16,082,603</u></u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 5—Capital Assets: (Continued)

Component Unit-Airport:	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not subject to depreciation:				
Land and land improvements	\$ 4,774,900	\$ -	\$ -	\$ 4,774,900
Construction in progress	165,733	16,261	-	181,994
Total capital assets not subject to depreciation	<u>\$ 4,940,633</u>	<u>\$ 16,261</u>	<u>\$ -</u>	<u>\$ 4,956,894</u>
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	<u>\$ 11,376,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,376,645</u>
Accumulated depreciation:				
Improvements other than buildings	\$ 317,159	\$ 28,825	\$ -	\$ 345,984
Buildings	1,412,848	136,556	-	1,549,404
Infrastructure	4,166,919	343,616	-	4,510,535
Furniture	25,799	-	-	25,799
Equipment	21,499	1,184	-	22,683
Total accumulated depreciation	<u>\$ 5,944,224</u>	<u>\$ 510,181</u>	<u>\$ -</u>	<u>\$ 6,454,405</u>
Total capital assets subject to depreciation, net	<u>\$ 5,432,421</u>	<u>\$ (510,181)</u>	<u>\$ -</u>	<u>\$ 4,922,240</u>
Component unit airport capital assets, net	<u>\$ 10,373,054</u>	<u>\$ (493,920)</u>	<u>\$ -</u>	<u>\$ 9,879,134</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 66,436
Judicial administration	63,862
Public safety	397,286
Public works	83,420
Education	675,088
Parks, recreation and cultural	12,568
Total Governmental activities	<u>\$ 1,298,660</u>
Component Unit School Board	<u>\$ 700,115</u>
Component Unit Airport	<u>\$ 510,181</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the year ended June 30, 2021:

	<u>Balance at July 1, 2020</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
Incurring by County:					
Compensated absences	\$ 392,696	\$ 39,905	\$ 39,270	\$ 393,331	\$ 39,333
Net OPEB liabilities	373,781	109,052	111,263	371,570	-
Capital lease (see Note 7)	303,933	-	33,949	269,984	35,032
Direct borrowings and placements:					
Lease revenue bonds	3,319,431	2,313,767	3,165,621	2,467,577	429,875
Add deferred amounts:					
For issuance premium	<u>357,175</u>	<u>276,998</u>	<u>355,469</u>	<u>278,704</u>	<u>-</u>
Total incurred by County	<u>\$ 4,747,016</u>	<u>\$ 2,739,722</u>	<u>\$ 3,705,572</u>	<u>\$ 3,781,166</u>	<u>\$ 504,240</u>
Incurring by School Board:					
Direct borrowings and placements:					
General obligation bonds	\$ 12,917,972	\$ -	\$ 1,380,311	\$ 11,537,661	\$ 1,383,502
Add deferred amounts:					
For issuance premium	203,857	451,943	89,261	566,539	-
Lease revenue bonds	<u>5,505,568</u>	<u>3,826,233</u>	<u>5,169,378</u>	<u>4,162,423</u>	<u>760,125</u>
Total incurred by School Board	<u>\$ 18,627,397</u>	<u>\$ 4,278,176</u>	<u>\$ 6,638,950</u>	<u>\$ 16,266,623</u>	<u>\$ 2,143,627</u>
Total Governmental Activities Obligations, Primary Government	<u>\$ 23,374,413</u>	<u>\$ 7,017,898</u>	<u>\$ 10,344,522</u>	<u>\$ 20,047,789</u>	<u>\$ 2,647,867</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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		Capital Lease	
	Bond		Principal	Interest
	Principal	Interest	Principal	Interest
2022	\$ 429,875	\$ 91,090	\$ 35,032	\$ 8,612
2023	447,082	73,150	36,150	7,495
2024	462,719	57,953	37,303	6,342
2025	476,786	41,748	38,493	5,152
2026	317,519	25,233	39,721	3,924
2027	333,596	8,548	40,988	2,657
2028	-	-	42,297	1,349
Total	<u>\$ 2,467,577</u>	<u>\$ 297,722</u>	<u>\$ 269,984</u>	<u>\$ 35,531</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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
2022	\$ 1,383,502	\$ 249,932	\$ 760,125	\$ 140,607
2023	912,093	227,298	787,918	110,843
2024	913,986	210,404	812,281	87,580
2025	917,352	192,038	833,214	62,614
2026	920,895	173,496	472,481	37,548
2027	924,621	154,769	496,404	12,720
2028	1,473,545	124,810	-	-
2029	1,125,555	89,870	-	-
2030	1,150,556	66,404	-	-
2031	1,170,556	43,339	-	-
2032	645,000	14,673	-	-
Total	<u>\$ 11,537,661</u>	<u>\$ 1,547,033</u>	<u>\$ 4,162,423</u>	<u>\$ 451,912</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

Incurring Entity	Notes	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Incurring by the County:							
Compensated absences (payable from the General Fund)						\$ 393,331	\$ 39,333
Net OPEB liabilities (payable from the General Fund)						\$ 371,570	\$ -
Direct borrowings and placements:							
Revenue Bonds:							
Public Facility Lease Revenue Refunding Bond \$2,313,767, plus unamortized premium of \$237,427	(a)	5.125%	11/18/2020	10/1/2026	\$ 2,313,767	\$ 2,551,193	\$ 276,064
Lease Revenue Refunding Bond \$153,811, plus unamortized premium of \$41,277	(b)	2.125% - 5.125%	11/16/2011	11/1/2021	1,969,723	195,088	153,811
Total Lease Revenue Bonds						\$ 2,746,281	\$ 429,875
Other long-term debt:							
Capital Lease:							
EMS communications equipment		3.19%	9/1/2017	9/1/2027	368,716	269,984	35,032
Total long-term obligations incurred by the County						\$ 3,781,166	\$ 504,240
Incurring by the School Board:							
Direct borrowings and placements:							
General Obligation Bonds:							
VPSA Bond Outstanding	(d)	3.10% - 5.10%	11/15/2001	7/15/2021	\$ 4,340,228	\$ 228,766	\$ 228,766
VPSA Bond \$3,239,473, plus unamortized premium of \$23,104	(c)	4.00%	11/1/2007	7/15/2027	6,919,103	2,561,999	354,736
VPSA Bond Outstanding	(d)	4.25%	12/15/2011	12/1/2030	10,000,000	5,800,000	800,000
VPSA Bond \$2,970,000, plus unamortized premium of \$156,055	(d)	4.26%	5/10/2012	7/15/2031	2,970,000	3,126,055	-
Revenue Bonds:							
Public Facility Lease Revenue Refunding Bond \$3,826,233, plus unamortized premium of \$387,380	(a)	5.125%	11/18/2020	10/1/2026	3,826,233	4,213,614	423,936
Lease Revenue Refunding Bond	(b)	2.125% - 5.125%	11/16/2011	11/1/2021	4,305,277	336,189	336,189
Total General Obligation and Lease Revenue Bonds						\$ 16,266,623	\$ 2,143,627
Total Direct Borrowings and Placements						\$ 16,266,623	\$ 2,143,627
Total long-term obligations incurred by School Board, payable from the General Fund						\$ 16,266,623	\$ 2,143,627
Total outstanding debt - governmental activities						\$ 20,047,789	\$ 2,647,867

- (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, 2021

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, 2021.

	<u>Balance at July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 112,388	\$ 16,858	\$ 11,239	\$ 118,007	\$ 11,801
Net pension liabilities	12,543,642	5,457,332	4,619,880	13,381,094	-
Net OPEB liabilities	1,930,324	568,308	528,011	1,970,621	-
Total Component Unit-School Board	\$ 14,586,354	\$ 6,042,498	\$ 5,159,130	\$ 15,469,722	\$ 11,801

Component Unit Airport:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2021.

	<u>Balance at July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2021</u>	<u>Due Within One Year</u>
Component Unit-Airport:					
Direct borrowing and placement revenue bond	\$ 802,335	-	\$ 57,161	\$ 745,174	\$ 63,838

<u>Year Ending June 30</u>	<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 63,838	\$ 8,590
2023	64,591	7,837
2024	65,353	7,075
2025	66,124	6,304
2026	66,905	5,523
2027-2031	346,571	15,570
2032	71,792	636
Total	\$ 745,174	\$ 51,535

Direct borrowing and placement revenue bond:

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

\$ 745,174

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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:

	<u>Primary Government</u>
Assets:	
EMS communications equipment	\$ 368,716
Less: accumulated depreciation	<u>(141,223)</u>
Total	<u>\$ 227,493</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2021, are as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
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	\$ 305,515
Less: amount representing interest	<u>(35,531)</u>
Present value of minimum lease payments	<u>\$ 269,984</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 8—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, 2021, deferred and unavailable revenue are reported as follows:

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 1,708,293
2nd half assessments due in December 2021	7,576,152	7,576,152
Prepaid property taxes due in December 2021 but paid in advance by taxpayers	257,938	257,938
	\$ <u>7,834,090</u>	\$ <u>9,542,383</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, 2021, 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	55	40
Inactive members:		
Vested inactive members	10	6
Non-vested inactive members	22	11
Inactive members active elsewhere in VRS	53	10
Total inactive members	85	27
Active members	87	32
Total covered employees	<u>227</u>	<u>99</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2021 was 7.11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$294,838 and \$335,788 for the years ended June 30, 2021 and June 30, 2020, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2021 was 8.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$45,118 and \$43,659 for the years ended June 30, 2021 and June 30, 2020, 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, 2020. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020.

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, 2019, 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, 2020.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75 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 6.75% to simplify preparation of pension liabilities.

Mortality 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.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75 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 6.75% to simplify preparation of pension liabilities.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

Mortality rates:

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2021; 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 2021; 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 2021; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2020, the alternate rate

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Discount Rate (Continued)

was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2020, 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, 2020 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ 17,057,811	\$ 17,149,211	\$ (91,400)
Changes for the year:			
Service cost	\$ 493,214	\$ -	\$ 493,214
Interest	1,120,160	-	1,120,160
Differences between expected and actual experience	(757,273)	-	(757,273)
Contributions - employer	-	315,987	(315,987)
Contributions - employee	-	198,819	(198,819)
Net investment income	-	324,455	(324,455)
Benefit payments, including refunds	(925,694)	(925,694)	-
Administrative expenses	-	(11,176)	11,176
Other changes	-	(384)	384
Net changes	\$ (69,593)	\$ (97,993)	\$ 28,400
Balances at June 30, 2020	\$ 16,988,218	\$ 17,051,218	\$ (63,000)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2019	\$ 4,683,053	\$ 4,415,589	\$ 267,464
Changes for the year:			
Service cost	\$ 57,828	\$ -	\$ 57,828
Interest	304,898	-	304,898
Differences between expected and actual experience	(37,574)	-	(37,574)
Contributions - employer	-	38,985	(38,985)
Contributions - employee	-	26,477	(26,477)
Net investment income	-	83,521	(83,521)
Benefit payments, including refunds	(332,094)	(332,094)	-
Administrative expenses	-	(2,992)	2,992
Other changes	-	(95)	95
Net changes	\$ (6,942)	\$ (186,198)	\$ 179,256
Balances at June 30, 2020	\$ 4,676,111	\$ 4,229,391	\$ 446,720

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's Net Pension Liability (Asset)	\$ 2,000,224	\$ (63,000)	\$ (1,782,705)
Component Unit School Board's (Nonprofessional) Net Pension Liability (Asset)	\$ 900,214	\$ 446,720	\$ 56,866

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2021, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$189,534 and \$152,945, respectively. At June 30, 2021, 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	\$ 6,539	\$ 503,776	\$ -	\$ 17,153
Change in assumptions	159,283	-	-	-
Net difference between projected and actual earnings on pension plan investments	512,449	-	125,798	-
Employer contributions subsequent to the measurement date	294,838	-	45,118	-
Total	<u>\$ 973,109</u>	<u>\$ 503,776</u>	<u>\$ 170,916</u>	<u>\$ 17,153</u>

\$294,838 and \$45,118 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, 2022. 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)
2022	\$ (102,342)	\$ (16,963)
2023	(61,186)	40,398
2024	174,252	44,126
2025	163,771	41,084
2026	-	-
Thereafter	-	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2021 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$1,281,054 and \$1,226,429 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$12,934,374 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion was .08888% as compared to .09328% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized pension expense of \$998,035. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 758,154
Change in assumptions	882,933	-
Net difference between projected and actual earnings on pension plan investments	983,802	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,910	1,268,437
Employer contributions subsequent to the measurement date	<u>1,281,054</u>	<u>-</u>
Total	<u>\$ 3,149,699</u>	<u>\$ 2,026,591</u>

\$1,281,054 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2022	\$ (430,349)
2023	(60,153)
2024	173,170
2025	198,645
2026	(39,259)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2019, 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, 2020.

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

* Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2020, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	51,001,855
Plan Fiduciary Net Position		36,449,229
Employers' Net Pension Liability (Asset)	\$	<u>14,552,626</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.47%

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 12—Pension Plans: (Continued)

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 18,977,631	\$ 12,934,374	\$ 7,935,836

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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	\$ 973,109	\$ 503,776	\$ (63,000)	\$ 189,534	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	170,916	17,153	446,720	152,945
School Board Professional	-	-	-	-	3,149,699	2,026,591	12,934,374	998,035
Totals	<u>\$ 973,109</u>	<u>\$ 503,776</u>	<u>\$ (63,000)</u>	<u>\$ 189,534</u>	<u>\$ 3,320,615</u>	<u>\$ 2,043,744</u>	<u>\$ 13,381,094</u>	<u>\$ 1,150,980</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Plan Description

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

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

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

Eligible Employees

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

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, 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 service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30,

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Contributions (Continued)

2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the County were \$24,186 and \$21,193 for the years ended June 30, 2021 and June 30, 2020, respectively.

Contributions to the GLI Plan from the Component Unit School Board professional group were \$43,405 and \$40,833 for the years ended June 30, 2021 and June 30, 2020, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$3,203 and \$3,020 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the County reported a liability of \$330,430 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$636,661 and \$47,061, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the County's proportion was .01980% as compared to .02010% at June 30, 2019. At June 30, 2020, the Component Unit School Board professional and nonprofessional groups' proportion was .03820% and .00280%, respectively as compared to .04010% and .00310% respectively at June 30, 2019.

For the year ended June 30, 2021, the County recognized GLI OPEB expense of \$8,833. For the year ended June 30, 2021, the Component Unit School Board professional group recognized GLI OPEB expense of \$6,138. For the year ended June 30, 2021, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$432. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

At June 30, 2021, 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	\$ 21,194	\$ 2,967	\$ 40,836	\$ 5,719	\$ 3,019	\$ 423
Net difference between projected and actual earnings on GLI OPEB program investment	9,926	-	19,125	-	1,414	-
Change in assumptions	16,525	6,900	31,840	13,294	2,354	983
Changes in proportionate share	-	14,580	-	70,830	-	6,621
Employer contributions subsequent to the measurement date	24,186	-	43,405	-	3,203	-
Total	\$ 71,831	\$ 24,447	\$ 135,206	\$ 89,843	\$ 9,990	\$ 8,027

\$24,186, \$43,405, and \$3,203, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Professional)	Component Unit School Board (Nonprofessional)
	2022	\$ 1,209	\$ (8,551)
2023	4,012	(3,150)	(255)
2024	7,560	3,879	110
2025	8,830	10,887	126
2026	1,574	(355)	(464)
Thereafter	13	(752)	(103)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020. The assumptions include several employer groups. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS Annual Report.

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

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions (Continued)

Mortality Rates - Teachers (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		GLI OPEB Plan
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		1,855,102
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2020, 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, 2020 on, employers are assumed to continue to

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Discount Rate (Continued)

contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability

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

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

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the GLI Plan Net OPEB Liability	\$ 434,375	\$ 330,430	\$ 246,016
Component School Board (Professional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 836,940	\$ 636,661	\$ 474,016
Component School Board (Nonprofessional)'s proportionate share of the GLI Plan Net OPEB Liability	\$ 61,865	\$ 47,061	\$ 35,039

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Primary Government</u>	<u>Component Unit School Board (Nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	8	-
Total inactive members	8	-
Active members	34	32
Total covered employees	<u>42</u>	<u>32</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 and School Board’s contractually required employer contribution rate for the year ended June 30, 2021 was .48% and 1.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the HIC Plan were \$9,070 and \$8,093 for the years ended June 30, 2021 and June 30, 2020. Contributions from the School Board to the HIC Plan were \$9,938 and \$0 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net HIC OPEB Liability

The County and School Board’s net HIC OPEB liability was measured as of June 30, 2020. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions (Continued)

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

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 14—Health Insurance Credit (HIC) Plan (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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-term Target Asset Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		Expected arithmetic nominal return*	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, 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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Discount Rate (Continued)

General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	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, 2019	\$ 65,697	\$ 19,159	\$ 46,538
Changes for the year:			
Service cost	\$ 1,959	\$ -	\$ 1,959
Interest	4,290	-	4,290
Differences between expected and actual experience	(3,197)	-	(3,197)
Contributions - employer	-	8,093	(8,093)
Net investment income	-	401	(401)
Benefit payments	(4,278)	(4,278)	-
Administrative expenses	-	(44)	44
Other changes	-	-	-
Net changes	\$ (1,226)	\$ 4,172	\$ (5,398)
Balances at June 30, 2020	\$ 64,471	\$ 23,331	\$ 41,140

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Changes in Net HIC OPEB Liability (Continued)

	Component Unit School Board (Nonprofessional)		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2019	\$ -	\$ -	\$ -
Changes for the year:			
Benefit changes	\$ 123,010	\$ -	\$ 123,010
Net changes	\$ 123,010	\$ -	\$ 123,010
Balances at June 30, 2020	\$ 123,010	\$ -	\$ 123,010

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Primary Government:			
Net HIC OPEB Liability Asset	\$ 47,324	\$ 41,140	\$ 35,818
Component Unit School Board (Nonprofessional):			
Net HIC OPEB Liability	134,437	123,010	113,045

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

For the year ended June 30, 2021, the County and School Board recognized HIC Program OPEB expense of \$5,867 and \$123,010. At June 30, 2021, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board’s HIC Plan from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,675	\$ 3,849	\$ -	\$ -
Net difference between projected and actual earnings on HIC OPEB plan investments	806	-	-	-
Change in assumptions	928	438	-	-
Employer contributions subsequent to the measurement date	9,070	-	9,938	-
Total	\$ 18,479	\$ 4,287	\$ 9,938	\$ -

\$9,070 and \$9,938 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (Nonprofessional)
2022	\$ 995	\$ -
2023	1,105	-
2024	1,360	-
2025	1,702	-
2026	(40)	-
Thereafter	-	-

HIC Program Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Plan Description

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

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

Eligible Employees

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

Benefit Amounts

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

HIC Plan Notes

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

Contributions

The contribution requirements for active employees 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, 2021 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. 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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Contributions

Teacher Employee HIC Plan were \$96,914 and \$93,859 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the school division reported a liability of \$1,163,889 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2020 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the school division's proportion of the VRS Teacher Employee HIC Program was .08920% as compared to .09380% at June 30, 2019.

For the year ended June 30, 2021, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$65,546. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 15,543
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	5,158	-
Change in assumptions	23,008	6,359
Changes in proportionate share	-	150,687
Employer contributions subsequent to the measurement date	<u>96,914</u>	<u>-</u>
Total	<u>\$ 125,080</u>	<u>\$ 172,589</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

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

\$96,914 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, 2022. 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>	
2022	\$ (29,769)
2023	(29,258)
2024	(29,429)
2025	(26,205)
2026	(16,516)
Thereafter	(13,246)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

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

*Administrative expenses as a percent of the fair 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of OPEB liabilities.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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
Discount Rate	Decreased rate from 7.00% to 6.75%

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2020, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,448,676
Plan Fiduciary Net Position		144,160
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,304,516</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		9.95%

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

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.14%</u>

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2020, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2020 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, 2021

Note 15—Teacher Employee Health Insurance Credit (HIC) Plan (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 Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,302,853	\$ 1,163,889	\$ 1,045,781

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2020-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	\$ 71,831	\$ 24,447	\$ 330,430	\$ 8,833	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	9,990	8,027	47,061	432
School Board Professional	-	-	-	-	135,206	89,843	636,661	6,138
County Health Insurance Credit Program (Note 14)	18,479	4,287	41,140	5,867	-	-	-	-
Teacher Nonprofessional Health Insurance Credit Program (Note 14)	-	-	-	-	9,938	-	123,010	123,010
Teacher Health Insurance Credit Program (Note 15)	-	-	-	-	125,080	172,589	1,163,889	65,546
Totals	<u>\$ 90,310</u>	<u>\$ 28,734</u>	<u>\$ 371,570</u>	<u>\$ 14,700</u>	<u>\$ 280,214</u>	<u>\$ 270,459</u>	<u>\$ 1,970,621</u>	<u>\$ 195,126</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

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, 2021 was \$14,004.

Note 19—Adoption of Accounting Principles:

The County implemented provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* during the fiscal year ended June 30, 2021. This statement 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 implementation of this statement resulted in the restatement of net position as discussed in Note 22.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 20—Upcoming Pronouncements:

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 June 15, 2021.

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, 2020.

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, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 20—Upcoming Pronouncements: (Continued)

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement. No 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

Note 21—COVID-19 Pandemic Funding and Subsequent Events:

The COVID-19 pandemic and its impact on operations continues to evolve. Specific to the County, COVID-19 impacted various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Federal relief has been received through various programs. Management believes the County is taking appropriate actions to mitigate the negative impact. The extent to which COVID-19 may impact operations in subsequent years remains uncertain, and management is unable to estimate the effects on future results of operations, financial condition, or liquidity for fiscal year 2022.

CARES Act Funding

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic, which included direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF).

Each locality received its CRF allocations based on population in two equal payments, with the second and final round of funding being received during fiscal year 2021. The County received total CRF funding of \$1,911,214. In addition, the School Board received CRF funding from the Virginia Department of Education in the amount of \$219,835. As a condition of receiving CRF funds, any funds unexpended as of December 31, 2021 will be returned to the federal government. There are no unspent CRF funds reported as unearned revenue as of June 30.

ARPA Funding

On March 11, 2021, the American Rescue Plan (ARPA) Act of 2021 was passed by the federal government. A primary component of the ARPA was the establishment of the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). Local governments are to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later. There are no unspent ARPA funds reported as unearned revenue as of June 30.

In fiscal year 2022, the County received its share of the first half of the CSLFRF funds. As a condition of receiving CSLFRF funds, any funds unobligated by December 31, 2024, and unexpended by December 31, 2026, will be returned to the federal government.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2021

Note 21—COVID-19 Pandemic Funding and Subsequent Events: (Continued)

ESF Funding

The CARES Act also established the Education Stabilization Fund (ESF) and allocated \$30.75 billion to the U.S. Department of Education. The ESF is composed of three primary emergency relief funds: (1) a Governor’s Emergency Education Relief (GEER) Fund, (2) an Elementary and Secondary School Emergency Relief (ESSER) Fund, and (3) a Higher Education Emergency Relief (HEER) Fund. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA Act) was signed into law on December 27, 2020 and added \$81.9 billion to the ESF. In March 2021, the American Rescue Plan Act (ARP Act), in support of ongoing state and institutional COVID-19 recovery efforts, added more than \$170 billion to the ESF. The School Board is receiving this funding from the Virginia Department of Education on a reimbursement basis.

Note 22— Restatement of Beginning Net Position and Fund Balance:

Beginning net position and fund balance was restated as follows:

	Fund Balance				
	Component Unit	Component Unit	Component Unit	Primary Government - Custodial Funds	
	Net Position	Special Revenue Fund - School Activity	School Operating Fund	Special Welfare	School Flex Spending and Health Reimbursement
	School Board				
Net Position/Fund Balance, June 30, 2020, as previously stated	\$ (1,417,454)	\$ -	\$ -	\$ -	\$ -
Restatement:					
Adjustment for Athletic Facilities cash Implementation of GASB 84	801 131,960	- 131,960	801 -	- 9,878	- 19,386
Net Position/Fund Balance, July 1, 2020, as restated	\$ <u>(1,284,693)</u>	\$ <u>131,960</u>	\$ <u>801</u>	\$ <u>9,878</u>	\$ <u>19,386</u>
					\$ <u>17,938</u>

Note 23— Current Refunding:

On November 18, 2020, the County issued a \$4,390,000 Tax-exempt Lease Revenue Refunding Bond and a \$1,750,000 Taxable Lease Revenue Refunding Bond, series 2020, through the Virginia Resources Authority to refund various long-term obligations to include: the County’s 2016 Public Facilities Lease Revenue Refunding Bond issued through the Economic Development Authority of Essex County and the callable outstanding maturities of County’s 2011B Pooled Bonds issued through the Virginia Resources Authority. The net proceeds were used to pay off the remaining balance of the County’s outstanding long-term obligations previously detailed, as well as the costs of issuance associated with the Series 2021 bonds. The current refunding will decrease its total debt service payments by \$907,939 and resulted in an economic gain of \$747,273.

REQUIRED SUPPLEMENTARY INFORMATION

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County of Essex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
General property taxes	\$ 15,624,676	\$ 15,624,676	\$ 15,738,251	\$ 113,575
Other local taxes	2,558,856	2,558,856	2,851,456	292,600
Permits, privilege fees, and regulatory licenses	137,021	137,021	99,002	(38,019)
Fines and forfeitures	44,000	44,000	26,635	(17,365)
Revenue from the use of money and property	94,998	95,068	46,214	(48,854)
Charges for services	434,200	434,200	412,090	(22,110)
Miscellaneous	92,503	138,245	76,093	(62,152)
Recovered costs	103,500	119,200	107,675	(11,525)
Intergovernmental:				
Commonwealth	4,266,806	4,297,164	4,273,541	(23,623)
Federal	1,457,959	2,415,325	3,323,204	907,879
Total revenues	<u>\$ 24,814,519</u>	<u>\$ 25,863,755</u>	<u>\$ 26,954,161</u>	<u>\$ 1,090,406</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,149,139	\$ 3,127,549	\$ 2,460,823	\$ 666,726
Judicial administration	779,710	798,471	759,646	38,825
Public safety	4,278,367	5,019,092	4,750,889	268,203
Public works	2,015,526	2,277,012	2,200,073	76,939
Health and welfare	3,681,072	4,064,697	3,737,883	326,814
Education	7,745,742	7,512,742	7,158,373	354,369
Parks, recreation, and cultural	516,476	537,253	392,687	144,566
Community development	194,786	274,703	254,814	19,889
Capital projects	147,300	183,816	180,371	3,445
Total expenditures	<u>\$ 21,508,118</u>	<u>\$ 23,795,335</u>	<u>\$ 21,895,559</u>	<u>\$ 1,899,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,306,401</u>	<u>\$ 2,068,420</u>	<u>\$ 5,058,602</u>	<u>\$ 2,990,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (3,713,805)	\$ (3,509,874)	\$ (3,913,264)	\$ (403,390)
Total other financing sources (uses)	<u>\$ (3,713,805)</u>	<u>\$ (3,509,874)</u>	<u>\$ (3,913,264)</u>	<u>\$ (403,390)</u>
Net change in fund balances	\$ (407,404)	\$ (1,441,454)	\$ 1,145,338	\$ 2,586,792
Fund balances - beginning	407,404	1,441,454	7,012,368	5,570,914
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,157,706</u>	<u>\$ 8,157,706</u>

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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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 4,504	\$ 4,504
Miscellaneous	-	41,950	89,584	47,634
Intergovernmental:				
Federal	-	262,312	316,041	53,729
Total revenues	<u>\$ -</u>	<u>\$ 304,262</u>	<u>\$ 410,129</u>	<u>\$ 105,867</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ 331,592	\$ 403,825	\$ (72,233)
Total expenditures	<u>\$ -</u>	<u>\$ 331,592</u>	<u>\$ 403,825</u>	<u>\$ (72,233)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (27,330)</u>	<u>\$ 6,304</u>	<u>\$ 33,634</u>
Net change in fund balances	\$ -	\$ (27,330)	\$ 6,304	\$ 33,634
Fund balances - beginning	-	27,330	172,249	144,919
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,553</u>	<u>\$ 178,553</u>

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, 2020

	<u>2020</u>	<u>2019</u>
Total pension liability		
Service cost	\$ 493,214	\$ 503,727
Interest	1,120,160	1,079,088
Differences between expected and actual experience	(757,273)	18,877
Changes of assumptions	-	459,815
Benefit payments	(925,694)	(838,476)
Net change in total pension liability	<u>\$ (69,593)</u>	<u>\$ 1,223,031</u>
Total pension liability - beginning	17,057,811	15,834,780
Total pension liability - ending (a)	<u><u>\$ 16,988,218</u></u>	<u><u>\$ 17,057,811</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 315,987	\$ 313,261
Contributions - employee	198,819	188,624
Net investment income	324,455	1,084,332
Benefit payments	(925,694)	(838,476)
Administrator charges	(11,176)	(10,804)
Other	(384)	(685)
Net change in plan fiduciary net position	<u>\$ (97,993)</u>	<u>\$ 736,252</u>
Plan fiduciary net position - beginning	17,149,211	16,412,959
Plan fiduciary net position - ending (b)	<u><u>\$ 17,051,218</u></u>	<u><u>\$ 17,149,211</u></u>
County's net pension liability (asset) - ending (a) - (b)	\$ (63,000)	\$ (91,400)
Plan fiduciary net position as a percentage of the total pension liability	100.37%	100.54%
Covered payroll	\$ 4,065,224	\$ 3,942,893
County's net pension liability (asset) as a percentage of covered payroll	-1.55%	-2.32%

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

	2018	2017	2016	2015	2014
\$	508,171	\$ 526,189	\$ 491,937	\$ 453,060	\$ 420,544
	1,056,949	1,029,933	974,990	909,667	867,420
	(363,682)	(310,607)	(67,129)	203,064	-
	-	(72,213)	-	-	-
	(931,853)	(642,858)	(586,951)	(678,261)	(690,595)
\$	269,585	\$ 530,444	\$ 812,847	\$ 887,530	\$ 597,369
	15,565,195	15,034,751	14,221,904	13,334,374	12,737,005
\$	15,834,780	\$ 15,565,195	\$ 15,034,751	\$ 14,221,904	\$ 13,334,374
\$	350,265	\$ 349,601	\$ 363,638	\$ 339,491	\$ 335,255
	187,734	187,550	188,815	176,928	168,893
	1,149,759	1,716,731	244,353	612,807	1,852,569
	(931,853)	(642,858)	(586,951)	(678,261)	(690,595)
	(10,054)	(9,823)	(8,532)	(8,433)	(10,053)
	(1,019)	(1,531)	(103)	(129)	97
\$	744,832	\$ 1,599,670	\$ 201,220	\$ 442,403	\$ 1,656,166
	15,668,127	14,068,457	13,867,237	13,424,834	11,768,668
\$	16,412,959	\$ 15,668,127	\$ 14,068,457	\$ 13,867,237	\$ 13,424,834
\$	(578,179)	\$ (102,932)	\$ 966,294	\$ 354,667	\$ (90,460)
	103.65%	100.66%	93.57%	97.51%	100.68%
\$	3,869,587	\$ 3,832,357	\$ 3,832,457	\$ 3,571,499	\$ 3,382,143
	-14.94%	-2.69%	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, 2020

	<u>2020</u>	<u>2019</u>
Total pension liability		
Service cost	\$ 57,828	\$ 61,356
Interest	304,898	300,904
Differences between expected and actual experience	(37,574)	54,016
Changes of assumptions	-	106,342
Benefit payments	(332,094)	(276,384)
Net change in total pension liability	<u>\$ (6,942)</u>	<u>\$ 246,234</u>
Total pension liability - beginning	4,683,053	4,436,819
Total pension liability - ending (a)	<u><u>\$ 4,676,111</u></u>	<u><u>\$ 4,683,053</u></u>
 Plan fiduciary net position		
Contributions - employer	\$ 38,985	\$ 40,539
Contributions - employee	26,477	27,282
Net investment income	83,521	281,596
Benefit payments	(332,094)	(276,384)
Administrator charges	(2,992)	(2,945)
Other	(95)	(176)
Net change in plan fiduciary net position	<u>\$ (186,198)</u>	<u>\$ 69,912</u>
Plan fiduciary net position - beginning	4,415,589	4,345,677
Plan fiduciary net position - ending (b)	<u><u>\$ 4,229,391</u></u>	<u><u>\$ 4,415,589</u></u>
 School Board's net pension liability - ending (a) - (b)	 \$ 446,720	 \$ 267,464
 Plan fiduciary net position as a percentage of the total pension liability	 90.45%	 94.29%
 Covered payroll	 \$ 579,033	 \$ 597,045
 School Board's net pension liability as a percentage of covered payroll	 77.15%	 44.80%

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

	2018	2017	2016	2015	2014
\$	58,143	\$ 58,467	\$ 61,703	\$ 93,039	\$ 106,774
	291,893	301,663	302,496	302,607	292,655
	57,694	(201,154)	(82,927)	(85,304)	-
	-	(16,304)	-	-	-
	(281,623)	(282,863)	(303,484)	(320,380)	(194,111)
\$	126,107	\$ (140,191)	\$ (22,212)	\$ (10,038)	\$ 205,318
	4,310,712	4,450,903	4,473,115	4,483,153	4,277,835
\$	<u>4,436,819</u>	<u>4,310,712</u>	<u>4,450,903</u>	<u>4,473,115</u>	<u>4,483,153</u>
\$	49,459	\$ 49,936	\$ 69,993	\$ 67,266	\$ 101,076
	29,579	29,524	30,098	29,178	42,330
	308,427	472,233	67,292	183,178	571,427
	(281,623)	(282,863)	(303,484)	(320,380)	(194,111)
	(2,779)	(2,866)	(2,626)	(2,695)	(3,092)
	(270)	(415)	(29)	(39)	30
\$	102,793	\$ 265,549	\$ (138,756)	\$ (43,492)	\$ 517,660
	4,242,884	3,977,335	4,116,091	4,159,583	3,641,923
\$	<u>4,345,677</u>	<u>4,242,884</u>	<u>3,977,335</u>	<u>4,116,091</u>	<u>4,159,583</u>
\$	91,142	\$ 67,828	\$ 473,568	\$ 357,024	\$ 323,570
	97.95%	98.43%	89.36%	92.02%	92.78%
\$	640,606	\$ 634,849	\$ 643,497	\$ 618,647	\$ 846,582
	14.23%	10.68%	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, 2020

	<u>2020</u>	<u>2019</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.08888%	0.09328%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,934,374	\$ 12,276,178
Employer's Covered Payroll	\$ 7,821,613	\$ 7,959,196
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.37%	154.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.47%	73.51%

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 13

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	0.09591%	0.10282%	0.10711%	0.10692%	0.10891%
\$	11,279,000	\$ 12,644,000	\$ 15,011,000	\$ 13,457,000	\$ 13,162,000
\$	7,821,155	\$ 7,968,458	\$ 8,378,364	\$ 7,706,572	\$ 7,931,329
	144.21%	158.68%	179.16%	174.62%	165.95%
	74.81%	72.92%	68.28%	70.68%	70.88%

County of Essex, Virginia

Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2012 through June 30, 2021

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					
2021	\$ 294,838	\$ 294,838	-	\$ 4,478,914	6.58%
2020	335,788	335,788	-	4,065,224	8.26%
2019	313,245	313,245	-	3,942,893	7.94%
2018	350,264	350,264	-	3,869,587	9.05%
2017	356,409	356,409	-	3,832,357	9.30%
2016	367,533	367,533	-	3,832,457	9.59%
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%
Component Unit School Board (nonprofessional)					
2021	\$ 45,118	\$ 45,118	-	\$ 591,544	7.63%
2020	43,659	43,659	-	579,033	7.54%
2019	40,538	40,538	-	597,045	6.79%
2018	49,454	49,454	-	640,606	7.72%
2017	53,137	53,137	-	634,849	8.37%
2016	72,072	72,072	-	643,497	11.20%
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%
Component Unit School Board (professional)					
2021	\$ 1,281,054	\$ 1,281,054	-	\$ 8,009,452	15.99%
2020	1,226,429	1,226,429	-	7,821,613	15.68%
2019	1,211,635	1,211,635	-	7,959,196	15.22%
2018	1,247,323	1,247,323	-	7,821,155	15.95%
2017	1,168,176	1,168,176	-	7,968,458	14.66%
2016	1,177,998	1,177,998	-	8,378,364	14.06%
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%

County of Essex, Virginia

**Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2021**

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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
Discount Rate	Decreased rate from 7.00% to 6.75%

County of Essex, Virginia

Schedule of County's Share of Net OPEB Liability
Group Life Insurance (GLI) Plan
For the Measurement Dates of June 30, 2017 through June 30, 2020

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:					
2020	0.01980%	\$ 330,430	\$ 4,075,628	8.11%	52.64%
2019	0.02010%	327,243	3,942,893	8.30%	52.00%
2018	0.02051%	312,000	3,900,226	8.00%	51.22%
2017	0.02078%	312,000	3,832,357	8.14%	48.86%
Component Unit School Board (professional):					
2020	0.03820%	\$ 636,661	\$ 7,852,517	8.11%	52.64%
2019	0.04010%	653,022	7,866,058	8.30%	52.00%
2018	0.04092%	621,000	7,779,905	7.98%	51.22%
2017	0.04403%	663,000	8,122,504	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2020	0.00280%	\$ 47,061	\$ 580,679	8.10%	52.64%
2019	0.00310%	49,631	597,045	8.31%	52.00%
2018	0.00339%	52,000	643,780	8.08%	51.22%
2017	0.00346%	52,000	637,921	8.15%	48.86%

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

County of Essex, Virginia

Schedule of Employer Contributions
Group Life Insurance (GLI) Plan
For the Years Ended June 30, 2012 through June 30, 2021

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:					
2021	\$ 24,186	\$ 24,186	-	\$ 4,478,914	0.54%
2020	21,193	21,193	-	4,075,628	0.52%
2019	20,503	20,503	-	3,942,893	0.52%
2018	20,281	20,281	-	3,900,226	0.52%
2017	19,928	19,928	-	3,832,357	0.52%
2016	18,489	18,489	-	3,851,850	0.48%
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%
Component Unit School Board (professional):					
2021	\$ 43,405	\$ 43,405	-	\$ 8,037,921	0.54%
2020	40,833	40,833	-	7,852,517	0.52%
2019	40,904	40,904	-	7,866,058	0.52%
2018	40,456	40,456	-	7,779,905	0.52%
2017	42,237	42,237	-	8,122,504	0.52%
2016	39,200	39,200	-	8,166,626	0.48%
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%
Component Unit School Board (nonprofessional):					
2021	\$ 3,203	\$ 3,203	-	\$ 593,190	0.54%
2020	3,020	3,020	-	580,679	0.52%
2019	3,105	3,105	-	597,045	0.52%
2018	3,348	3,348	-	643,780	0.52%
2017	3,317	3,317	-	637,921	0.52%
2016	3,096	3,096	-	645,003	0.48%
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%

County of Essex, Virginia

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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
Discount Rate	Decreased rate from 7.00% to 6.75%

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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF ESSEX, VIRGINIA

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, 2017 through June 30, 2020

	2020	2019	2018	2017
Total HIC OPEB Liability				
Service cost	\$ 1,959	\$ 3,943	\$ 4,588	\$ 4,427
Interest	4,290	3,329	3,184	2,941
Differences between expected and actual experience	(3,197)	11,331	(2,474)	-
Changes of assumptions	-	1,370	-	(1,414)
Benefit payments	(4,278)	(3,666)	(2,786)	(2,195)
Net change in total HIC OPEB liability	\$ (1,226)	\$ 16,307	\$ 2,512	\$ 3,759
Total HIC OPEB Liability - beginning	65,697	49,390	46,878	43,119
Total HIC OPEB Liability - ending (a)	\$ 64,471	\$ 65,697	\$ 49,390	\$ 46,878
Plan fiduciary net position				
Contributions - employer	\$ 8,093	\$ 7,610	\$ 7,299	\$ 6,959
Net investment income	401	1,066	756	704
Benefit payments	(4,278)	(3,666)	(2,786)	(2,195)
Administrator charges	(44)	(26)	(22)	(17)
Other	-	(1)	(18)	18
Net change in plan fiduciary net position	\$ 4,172	\$ 4,983	\$ 5,229	\$ 5,469
Plan fiduciary net position - beginning	19,159	14,176	8,947	3,478
Plan fiduciary net position - ending (b)	\$ 23,331	\$ 19,159	\$ 14,176	\$ 8,947
County's net HIC OPEB liability - ending (a) - (b)	\$ 41,140	\$ 46,538	\$ 35,214	\$ 37,931
Plan fiduciary net position as a percentage of the total HIC OPEB liability	36.19%	29.16%	28.70%	19.09%
Covered payroll	\$ 1,685,973	\$ 1,585,300	\$ 1,553,040	\$ 1,480,662
County's net HIC OPEB liability as a percentage of covered payroll	2.44%	2.94%	2.27%	2.56%

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

COUNTY OF ESSEX, VIRGINIA

Schedule of Changes in the Net OPEB Liability and Related Ratios
 Health Insurance Credit (HIC) Program
 School Board Nonprofessional
 For the Measurement Date of June 30, 2020

	2020
Total HIC OPEB Liability	
Changes of benefit terms	\$ 123,010
Net change in total HIC OPEB liability	\$ 123,010
Total HIC OPEB Liability - beginning	-
Total HIC OPEB Liability - ending (a)	\$ 123,010
 Plan fiduciary net position	
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
 County's net HIC OPEB liability - ending (a) - (b)	\$ 123,010
 Plan fiduciary net position as a percentage of the total HIC OPEB liability	0.00%
 Covered payroll	\$ -
 County's net HIC OPEB liability as a percentage of covered payroll	0.00%

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

COUNTY OF ESSEX, VIRGINIA

Schedule of Employer Contributions
Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2015 through June 30, 2021

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:					
2021	\$ 9,070	\$ 9,070	-	\$ 1,889,483	0.48%
2020	8,093	8,093	-	1,685,973	0.48%
2019	7,609	7,609	-	1,585,300	0.48%
2018	7,299	7,299	-	1,553,040	0.47%
2017	6,959	6,959	-	1,480,662	0.47%
2016	3,680	3,680	-	1,533,415	0.24%
2015	3,319	3,319	-	1,383,092	0.24%
Component Unit School Board (Nonprofessional):					
2021	\$ 9,938	\$ 9,938	-	\$ 591,544	1.68%

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

COUNTY OF ESSEX, VIRGINIA

Notes to Required Supplementary Information
Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

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 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF ESSEX, VIRGINIA

Schedule of School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2020

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)
2020	0.08920% \$	1,163,889 \$	7,821,613	14.88%	9.95%
2019	0.09380%	1,227,671	7,866,058	15.61%	8.97%
2018	0.09608%	1,220,000	7,770,745	15.70%	8.08%
2017	0.10284%	1,304,000	8,115,970	16.07%	7.04%

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

COUNTY OF ESSEX, VIRGINIA

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2012 through June 30, 2021

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)
2021	\$ 96,914	\$ 96,914	\$ -	\$ 8,009,452	1.21%
2020	93,859	93,859	-	7,821,613	1.20%
2019	94,393	94,393	-	7,866,058	1.20%
2018	95,580	95,580	-	7,770,745	1.23%
2017	90,087	90,087	-	8,115,970	1.11%
2016	86,566	86,566	-	8,166,626	1.06%
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%

COUNTY OF ESSEX, VIRGINIA

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2021

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

Changes of assumptions - The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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 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
Discount Rate	Decreased rate from 7.00% to 6.75%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2021

	Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 15,950	\$ 3,400	\$ (12,550)
Miscellaneous	-	13,000	-	(13,000)
Intergovernmental:				
Federal	-	124,975	-	(124,975)
Total revenues	\$ -	\$ 153,925	\$ 3,400	\$ (150,525)
EXPENDITURES				
Capital projects	\$ 847,894	\$ 972,869	\$ 226,599	\$ 746,270
Total expenditures	\$ 847,894	\$ 972,869	\$ 226,599	\$ 746,270
Excess (deficiency) of revenues over (under) expenditures	\$ (847,894)	\$ (818,944)	\$ (223,199)	\$ 595,745
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 40,000	\$ 214,424	\$ 174,424
Total other financing sources (uses)	\$ -	\$ 40,000	\$ 214,424	\$ 174,424
Net change in fund balances	\$ (847,894)	\$ (778,944)	\$ (8,775)	\$ 770,169
Fund balances - beginning	847,894	778,944	27,580	(751,364)
Fund balances - ending	\$ -	\$ -	\$ 18,805	\$ 18,805

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, 2021

	Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Current:				
Public works	\$ 173,206	\$ 173,206	\$ 154,648	\$ 18,558
Community development	50,033	50,033	43,777	6,256
Debt service:				
Principal retirement	3,490,566	12,137,265	9,749,259	2,388,006
Bond issuance costs	-	-	197,419	(197,419)
Interest and other fiscal charges	190,556	43,645	1,112,830	(1,069,185)
Total expenditures	<u>\$ 3,904,361</u>	<u>\$ 12,404,149</u>	<u>\$ 11,257,933</u>	<u>\$ 1,146,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,904,361)</u>	<u>\$ (12,404,149)</u>	<u>\$ (11,257,933)</u>	<u>\$ (1,146,216)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,713,805	\$ 3,713,805	\$ 3,698,840	\$ 14,965
Refunding bond issued	-	6,140,000	6,140,000	-
Premium on refunding bond issued	-	728,941	728,941	-
Total other financing sources (uses)	<u>\$ 3,713,805</u>	<u>\$ 10,582,746</u>	<u>\$ 10,567,781</u>	<u>\$ 14,965</u>
Net change in fund balances	\$ (190,556)	\$ (1,821,403)	\$ (690,152)	\$ (1,131,251)
Fund balances - beginning	190,556	1,821,403	964,760	(856,643)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,608</u>	<u>\$ 274,608</u>

County of Essex, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Custodial Funds			Total
	Special Welfare	County Flex Spending and Health Reimbursement	School Flex Spending and Health Reimbursement	
ASSETS				
Cash and cash equivalents	\$ 10,751	\$ 23,224	\$ 16,450	\$ 50,425
Total assets	<u>\$ 10,751</u>	<u>\$ 23,224</u>	<u>\$ 16,450</u>	<u>\$ 50,425</u>
NET POSITION				
Restricted for:				
Individuals	\$ 10,751	\$ -	\$ -	\$ 10,751
Employees	-	23,224	16,450	39,674
Total net position	<u>\$ 10,751</u>	<u>\$ 23,224</u>	<u>\$ 16,450</u>	<u>\$ 50,425</u>

County of Essex, Virginia

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds			Total
	Special Welfare	County Flex Spending and Health Reimbursement	School Flex Spending and Health Reimbursement	
ADDITIONS				
Contributions:				
Participant fees	\$ -	\$ 47,500	\$ 27,565	\$ 75,065
Miscellaneous	34,213	-	-	34,213
Total additions	<u>\$ 34,213</u>	<u>\$ 47,500</u>	<u>\$ 27,565</u>	<u>\$ 109,278</u>
DEDUCTIONS				
Recipient payments	\$ 33,340	\$ 43,662	\$ 29,053	\$ 106,055
Total deductions	<u>\$ 33,340</u>	<u>\$ 43,662</u>	<u>\$ 29,053</u>	<u>\$ 106,055</u>
Net increase (decrease) in fiduciary net position	\$ 873	\$ 3,838	\$ (1,488)	\$ 3,223
Net position, beginning - as restated	9,878	19,386	17,938	47,202
Net position, ending	<u>\$ 10,751</u>	<u>\$ 23,224</u>	<u>\$ 16,450</u>	<u>\$ 50,425</u>

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Essex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 66,844	\$ 9,542	\$ 146,844	\$ 223,230
Receivables (net of allowance for uncollectibles):				
Accounts receivable	2,623	539	-	3,162
Due from other governmental units	802,636	56,253	-	858,889
Inventories	-	34,010	-	34,010
Prepaid items	194,086	-	-	194,086
Total assets	<u>\$ 1,066,189</u>	<u>\$ 100,344</u>	<u>\$ 146,844</u>	<u>\$ 1,313,377</u>
LIABILITIES				
Accounts payable	\$ 414,320	\$ 2,113	\$ -	\$ 416,433
Accrued liabilities	649,707	21,099	-	670,806
Unearned revenue	1,358	-	-	1,358
Total liabilities	<u>\$ 1,065,385</u>	<u>\$ 23,212</u>	<u>\$ -</u>	<u>\$ 1,088,597</u>
FUND BALANCES				
Nonspendable	\$ 194,086	\$ 34,010	\$ -	\$ 228,096
Committed	(193,282)	43,122	146,844	(3,316)
Total fund balances	<u>\$ 804</u>	<u>\$ 77,132</u>	<u>\$ 146,844</u>	<u>\$ 224,780</u>
Total liabilities and fund balances	<u>\$ 1,066,189</u>	<u>\$ 100,344</u>	<u>\$ 146,844</u>	<u>\$ 1,313,377</u>

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

Total fund balances per above		\$ 224,780
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 26,615,120	
Accumulated depreciation	<u>(10,532,517)</u>	16,082,603
Deferred outflows of resources are not available to pay for current-period expenditures, and, therefore, are not reported in the funds.		
Pension related items	\$ 3,320,615	
OPEB related items	<u>280,214</u>	3,600,829
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	\$ (13,381,094)	
Net OPEB liabilities	(1,970,621)	
Compensated absences	<u>(118,007)</u>	(15,469,722)
Deferred inflows of resources are not due and payable in the current period, and, therefore, are not reported in the funds.		
Pension related items	\$ (2,043,744)	
OPEB related items	<u>(270,459)</u>	(2,314,203)
Net position of governmental activities		<u>\$ 2,124,287</u>

County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2021

	School Operating Fund	School Cafeteria Fund	School Activity Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 1	\$ 12	\$ -	\$ 13
Charges for services	-	6,803	-	6,803
Miscellaneous	179,152	-	59,015	238,167
Intergovernmental:				
Local government	7,149,884	-	-	7,149,884
Commonwealth	8,646,435	31,379	-	8,677,814
Federal	1,384,794	417,517	-	1,802,311
Total revenues	<u>\$ 17,360,266</u>	<u>\$ 455,711</u>	<u>\$ 59,015</u>	<u>\$ 17,874,992</u>
EXPENDITURES				
Current:				
Education	<u>\$ 17,229,515</u>	<u>\$ 620,514</u>	<u>\$ 44,131</u>	<u>\$ 17,894,160</u>
Total expenditures	<u>\$ 17,229,515</u>	<u>\$ 620,514</u>	<u>\$ 44,131</u>	<u>\$ 17,894,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 130,751</u>	<u>\$ (164,803)</u>	<u>\$ 14,884</u>	<u>\$ (19,168)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 130,748	\$ -	\$ 130,748
Transfers out	(130,748)	-	-	(130,748)
Total other financing sources and uses	<u>\$ (130,748)</u>	<u>\$ 130,748</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 3	\$ (34,055)	\$ 14,884	\$ (19,168)
Fund balances - beginning, as restated	801	111,187	131,960	243,948
Fund balances - ending	<u>\$ 804</u>	<u>\$ 77,132</u>	<u>\$ 146,844</u>	<u>\$ 224,780</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				\$ (19,168)
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		\$ 775,389		
Transfer of joint tenancy assets to Component Unit from Primary Government		3,275,851		
Depreciation expense		<u>(700,115)</u>		3,351,125
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		\$ 124,212		
OPEB expense		(41,570)		
Change in compensated absences		<u>(5,619)</u>		77,023
Change in net position of governmental activities				<u>\$ 3,408,980</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, 2021

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1	\$ 1
Miscellaneous	97,500	97,500	179,152	81,652
Intergovernmental:				
Local government	7,737,253	7,504,253	7,149,884	(354,369)
Commonwealth	8,643,914	8,643,914	8,646,435	2,521
Federal	1,377,842	1,377,842	1,384,794	6,952
Total revenues	<u>\$ 17,856,509</u>	<u>\$ 17,623,509</u>	<u>\$ 17,360,266</u>	<u>\$ (263,243)</u>
EXPENDITURES				
Current:				
Education	\$ 17,856,509	\$ 17,623,509	\$ 17,229,515	\$ 393,994
Total expenditures	<u>\$ 17,856,509</u>	<u>\$ 17,623,509</u>	<u>\$ 17,229,515</u>	<u>\$ 393,994</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 130,751	\$ 130,751
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (130,748)	\$ (130,748)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (130,748)</u>	<u>\$ (130,748)</u>
Net change in fund balances	\$ -	\$ -	\$ 3	\$ 3
Fund balances - beginning, as restated	-	-	801	801
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ 804</u>

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, 2021

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 12	\$ 12
Charges for services	102,159	102,159	6,803	(95,356)
Intergovernmental:				
Commonwealth	25,842	25,842	31,379	5,537
Federal	661,999	733,699	417,517	(316,182)
Total revenues	<u>\$ 790,000</u>	<u>\$ 861,700</u>	<u>\$ 455,711</u>	<u>\$ (405,989)</u>
EXPENDITURES				
Current:				
Education	\$ 790,000	\$ 861,700	\$ 620,514	\$ 241,186
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (164,803)	\$ (164,803)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 130,748	\$ 130,748
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,748</u>	<u>\$ 130,748</u>
Net change in fund balances	\$ -	\$ -	\$ (34,055)	\$ (34,055)
Fund balances - beginning	-	-	111,187	111,187
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,132</u>	<u>\$ 77,132</u>

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Essex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2021

ASSETS

Cash and cash equivalents	\$	10,875
Investments		33,461
Total assets	\$	<u>44,336</u>

NET POSITION

Unrestricted	\$	<u>44,336</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, 2021

Operating revenues:	
Bond issue fees	\$ 2,206
Operating expenses:	
Other charges	\$ 4,950
Operating income (loss)	\$ (2,744)
Nonoperating revenues (expenses):	
Interest income	\$ 79
Change in net position	\$ (2,665)
Net position, beginning of year	47,001
Net position, end of year	\$ 44,336

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2021

Cash flows from operating activities:	
Receipts from customers and users	\$ 2,206
Payments for operating activities	<u>(4,950)</u>
Net cash provided by (used for) operating activities	<u>\$ (2,744)</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,744)
Cash and cash equivalents, beginning of year	<u>13,619</u>
Cash and cash equivalents, end of year	<u><u>\$ 10,875</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (2,744)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (2,744)</u></u>

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SUPPORTING SCHEDULES

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County of Essex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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	\$ 11,289,934	\$ 11,289,934	\$ 11,205,584	\$ (84,350)
Real and personal public service corporation taxes	420,000	420,000	389,349	(30,651)
Personal property taxes	3,356,334	3,356,334	3,555,996	199,662
Mobile home taxes	49,000	49,000	48,861	(139)
Machinery and tools taxes	84,000	84,000	131,893	47,893
Merchant's capital taxes	91,000	91,000	87,826	(3,174)
Penalties	185,006	185,006	178,578	(6,428)
Interest	149,402	149,402	140,164	(9,238)
Total general property taxes	<u>\$ 15,624,676</u>	<u>\$ 15,624,676</u>	<u>\$ 15,738,251</u>	<u>\$ 113,575</u>
Other local taxes:				
Local sales and use taxes	\$ 1,875,000	\$ 1,875,000	\$ 2,159,869	\$ 284,869
Games of skill tax	-	-	13,824	13,824
Consumers' utility taxes	240,000	240,000	236,541	(3,459)
Business license taxes	15,000	15,000	5,160	(9,840)
Motor vehicle licenses	400,000	400,000	393,219	(6,781)
Taxes on recordation and wills	28,856	28,856	42,843	13,987
Total other local taxes	<u>\$ 2,558,856</u>	<u>\$ 2,558,856</u>	<u>\$ 2,851,456</u>	<u>\$ 292,600</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,607	\$ 7,607	\$ 8,176	\$ 569
Transfer fees	600	600	620	20
Permits and other licenses	128,814	128,814	90,206	(38,608)
Total permits, privilege fees, and regulatory licenses	<u>\$ 137,021</u>	<u>\$ 137,021</u>	<u>\$ 99,002</u>	<u>\$ (38,019)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 44,000	\$ 44,000	\$ 26,635	\$ (17,365)
Revenue from use of money and property:				
Revenue from use of money	\$ 55,000	\$ 55,069	\$ 11,177	\$ (43,892)
Revenue from use of property	39,998	39,999	35,037	(4,962)
Total revenue from use of money and property	<u>\$ 94,998</u>	<u>\$ 95,068</u>	<u>\$ 46,214</u>	<u>\$ (48,854)</u>
Charges for services:				
Charges for courthouse maintenance	\$ 9,331	\$ 9,331	\$ 5,373	\$ (3,958)
Criminal/traffic cases fees-security	51,501	51,501	904	(50,597)
Charges for correction and detention	919	919	56,787	55,868
Charges for Commonwealth's Attorney	977	977	534	(443)
Charges for EMS	287,000	287,000	318,249	31,249
Charges for selective enforcement	40,272	40,272	23,781	(16,491)
Charges for parks and recreation	44,200	44,200	6,462	(37,738)
Total charges for services	<u>\$ 434,200</u>	<u>\$ 434,200</u>	<u>\$ 412,090</u>	<u>\$ (22,110)</u>
Miscellaneous:				
Miscellaneous	\$ 92,503	\$ 138,245	\$ 76,093	\$ (62,152)
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,625	\$ 625
Town's share of animal control	3,000	3,000	3,000	-
Radio system	28,500	28,500	55,850	27,350
EDA	40,000	40,000	-	(40,000)
VPSA credit	-	15,700	15,700	-
Town's erosion and sediment control	2,000	2,000	2,500	500
Total recovered costs	<u>\$ 103,500</u>	<u>\$ 119,200</u>	<u>\$ 107,675</u>	<u>\$ (11,525)</u>
Total revenue from local sources	<u>\$ 19,089,754</u>	<u>\$ 19,151,266</u>	<u>\$ 19,357,416</u>	<u>\$ 206,150</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 318,642	\$ 318,642	\$ 259,248	\$ (59,394)
Mobile home titling tax	21,302	21,302	30,831	9,529
Rolling stock tax	107	107	-	(107)
Auto rental tax	-	-	41,884	41,884
State recordation tax	121,891	121,891	160,030	38,139
Personal property tax relief funds	1,054,171	1,054,171	1,054,171	-
Total noncategorical aid	<u>\$ 1,516,113</u>	<u>\$ 1,516,113</u>	<u>\$ 1,546,164</u>	<u>\$ 30,051</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 230,979	\$ 230,979	\$ 222,350	\$ (8,629)
Sheriff	659,315	659,315	655,203	(4,112)
Commissioner of revenue	100,095	100,095	98,735	(1,360)
Treasurer	76,150	76,150	76,875	725
Registrar/electoral board	38,760	38,760	39,886	1,126
Clerk of the Circuit Court	178,039	178,039	186,750	8,711
Total shared expenses	<u>\$ 1,283,338</u>	<u>\$ 1,283,338</u>	<u>\$ 1,279,799</u>	<u>\$ (3,539)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 748,481	\$ 748,481	\$ 456,234	\$ (292,247)
Emergency medical services - four for life	15,882	-	-	-
Emergency services	1,000	14,316	700	(13,616)
Children's services act	550,000	550,000	849,800	299,800
Litter control	6,000	6,863	6,863	-
Wireless funds	62,000	62,000	48,821	(13,179)
DMV grant	3,300	-	-	-
Victim-witness grant	10,411	10,411	4,283	(6,128)
Domestic violence grant	24,874	24,874	45,000	20,126
Fire programs fund	31,964	33,445	33,445	-
Other state funds	1,417	20,599	2,432	(18,167)
Clerk records grant	12,026	26,724	-	(26,724)
Total other categorical aid	<u>\$ 1,467,355</u>	<u>\$ 1,497,713</u>	<u>\$ 1,447,578</u>	<u>\$ (50,135)</u>
Total categorical aid	<u>\$ 2,750,693</u>	<u>\$ 2,781,051</u>	<u>\$ 2,727,377</u>	<u>\$ (53,674)</u>
Total revenue from the Commonwealth	<u>\$ 4,266,806</u>	<u>\$ 4,297,164</u>	<u>\$ 4,273,541</u>	<u>\$ (23,623)</u>
Revenue from the federal government:				
Noncategorical aid:				
COVID 19 - CARES Act	\$ -	\$ 1,005,654	\$ 1,735,503	\$ 729,849
Categorical aid:				
Public assistance and welfare administration	\$ 952,334	\$ 919,746	\$ 999,674	\$ 79,928
Transportation safety	6,000	6,000	4,500	(1,500)
Crime victim assistance	25,000	25,000	12,849	(12,151)
Emergency preparedness	20,000	20,000	13,316	(6,684)
Edward Byrne justice assistance grant	35,000	35,000	-	(35,000)
Community development block grant	-	-	156,587	156,587
Refugee	4,000	4,000	-	(4,000)
QSCB Interest subsidy	415,625	399,925	400,775	850
Total categorical aid	<u>\$ 1,457,959</u>	<u>\$ 1,409,671</u>	<u>\$ 1,587,701</u>	<u>\$ 178,030</u>
Total revenue from the federal government	<u>\$ 1,457,959</u>	<u>\$ 2,415,325</u>	<u>\$ 3,323,204</u>	<u>\$ 907,879</u>
Total General Fund	<u>\$ 24,814,519</u>	<u>\$ 25,863,755</u>	<u>\$ 26,954,161</u>	<u>\$ 1,090,406</u>

County of Essex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2021

<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	\$ -	\$ -	\$ 4	\$ 4
Revenue from the use of property	-	-	4,500	4,500
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,504</u>	<u>\$ 4,504</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 41,950	\$ 89,584	\$ 47,634
Total revenue from local sources	<u>\$ -</u>	<u>\$ 41,950</u>	<u>\$ 94,088</u>	<u>\$ 52,138</u>
Intergovernmental:				
Revenue from the federal government:				
Noncategorical aid:				
FEMA	\$ -	\$ 262,312	\$ 316,041	\$ 53,729
Total noncategorical aid	<u>\$ -</u>	<u>\$ 262,312</u>	<u>\$ 316,041</u>	<u>\$ 53,729</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 262,312</u>	<u>\$ 316,041</u>	<u>\$ 53,729</u>
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ 304,262</u>	<u>\$ 410,129</u>	<u>\$ 105,867</u>
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	\$ 3,400	\$ (12,550)
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 15,950</u>	<u>\$ 3,400</u>	<u>\$ (12,550)</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 13,000	\$ -	\$ (13,000)
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ (13,000)</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ 28,950</u>	<u>\$ 3,400</u>	<u>\$ (25,550)</u>
Revenue from the federal government:				
Noncategorical aid:				
Community Development Block Grant	\$ -	\$ 124,975	\$ -	\$ (124,975)
Total noncategorical aid	<u>\$ -</u>	<u>\$ 124,975</u>	<u>\$ -</u>	<u>\$ (124,975)</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 124,975</u>	<u>\$ -</u>	<u>\$ (124,975)</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 153,925</u>	<u>\$ 3,400</u>	<u>\$ (150,525)</u>
Total Primary Government	<u>\$ 24,814,519</u>	<u>\$ 26,321,942</u>	<u>\$ 27,367,690</u>	<u>\$ 1,045,748</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1	\$ 1
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Miscellaneous:				
Miscellaneous	\$ 97,500	\$ 97,500	\$ 179,152	\$ 81,652
Total revenue from local sources	<u>\$ 97,500</u>	<u>\$ 97,500</u>	<u>\$ 179,153</u>	<u>\$ 81,653</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 7,737,253	\$ 7,504,253	\$ 7,149,884	\$ (354,369)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,833,246	\$ 1,833,246	\$ 1,833,780	\$ 534
Basic school aid	3,437,794	3,437,794	3,438,797	1,003
Gifted and talented	33,482	33,482	33,492	10
Remedial education	219,215	219,215	219,279	64
At risk 4 year olds	77,797	77,797	77,820	23
Special education	528,137	528,137	528,291	154
Textbook payment	67,893	67,893	67,913	20
Enrollment loss	446,541	446,541	446,671	130
GED funding	8,385	8,385	8,387	2
Vocational education	110,567	110,567	110,599	32
School fringes	738,508	738,508	738,723	215
State lottery payments	263,448	263,448	263,525	77
Early reading intervention	28,596	28,596	28,604	8
Homebound	2,280	2,280	2,281	1
At risk payments	403,919	403,919	404,037	118
Primary class size reduction	218,897	218,897	218,961	64
Technology	142,443	142,443	142,485	42
SOL Algebra readiness	23,108	23,108	23,115	7
Career switcher mentor grant	2,700	2,700	2,701	1
Industry certification	1,005	1,005	1,005	-
Project graduation	4,282	4,282	4,283	1
English as a second language	26,166	26,166	26,174	8
Praxis grant	512	512	512	-
Positive behavioral interventions and supports	24,993	24,993	25,000	7
Total categorical aid	<u>\$ 8,643,914</u>	<u>\$ 8,643,914</u>	<u>\$ 8,646,435</u>	<u>\$ 2,521</u>
Total revenue from the Commonwealth	<u>\$ 8,643,914</u>	<u>\$ 8,643,914</u>	<u>\$ 8,646,435</u>	<u>\$ 2,521</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 476,010	\$ 476,010	\$ 478,411	\$ 2,401
Title IV-A	13,954	13,954	14,024	70
Title VI-B	478,188	478,188	480,601	2,413
TANF	23,858	23,858	23,978	120
Preschool grant	17,187	17,187	17,274	87
Vocational education	28,608	28,608	28,752	144
Title III	2,882	2,882	2,897	15
COVID-19 - CARES Act	218,731	218,731	219,835	1,104
GEER	36,279	36,279	36,462	183
1003 G School Improvement	33,174	33,174	33,341	167
Rural Education	14,185	14,185	14,257	72
Title II-A	34,786	34,786	34,962	176
Total categorical aid	<u>\$ 1,377,842</u>	<u>\$ 1,377,842</u>	<u>\$ 1,384,794</u>	<u>\$ 6,952</u>
Total School Operating Fund	<u>\$ 17,856,509</u>	<u>\$ 17,623,509</u>	<u>\$ 17,360,266</u>	<u>\$ (263,243)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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 Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 12	\$ 12
Charges for services:				
Cafeteria sales	\$ 102,159	\$ 102,159	\$ 6,803	\$ (95,356)
Total revenue from local sources	\$ 102,159	\$ 102,159	\$ 6,815	\$ (95,344)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 25,842	\$ 25,842	\$ 31,379	\$ 5,537
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 661,999	\$ 661,999	\$ 345,817	\$ (316,182)
Commodities	-	71,700	71,700	-
Total categorical aid	\$ 661,999	\$ 733,699	\$ 417,517	\$ (316,182)
Total revenue from the federal government	\$ 661,999	\$ 733,699	\$ 417,517	\$ (316,182)
Total School Cafeteria Fund	\$ 790,000	\$ 861,700	\$ 455,711	\$ (405,989)
School Activity Fund:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 59,015	\$ 59,015
Total School Activity Fund	\$ -	\$ -	\$ 59,015	\$ 59,015
Total Discretely Presented Component Unit - School Board	\$ 18,646,509	\$ 18,485,209	\$ 17,874,992	\$ (610,217)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 352,264	\$ 435,741	\$ 384,704	\$ 51,037
General and financial administration:				
County administrator	\$ 884,615	\$ 1,645,078	\$ 1,135,167	\$ 509,911
Legal services	100,000	185,000	171,666	13,334
Commissioner of revenue	268,469	268,469	271,229	(2,760)
Independent Auditor	48,332	48,332	47,950	382
Treasurer	236,899	239,691	232,801	6,890
Assessor	63,425	63,425	8,260	55,165
Total general and financial administration	<u>\$ 1,601,740</u>	<u>\$ 2,449,995</u>	<u>\$ 1,867,073</u>	<u>\$ 582,922</u>
Board of elections:				
Electoral board and officials	\$ 56,282	\$ 103,088	\$ 82,766	\$ 20,322
Registrar	138,853	138,725	126,280	12,445
Total board of elections	<u>\$ 195,135</u>	<u>\$ 241,813</u>	<u>\$ 209,046</u>	<u>\$ 32,767</u>
Total general government administration	<u>\$ 2,149,139</u>	<u>\$ 3,127,549</u>	<u>\$ 2,460,823</u>	<u>\$ 666,726</u>
Judicial administration:				
Courts:				
Circuit court	\$ 14,423	\$ 14,423	\$ 11,228	\$ 3,195
General district court	1,895	1,895	394	1,501
Sheriff	132,559	132,559	110,615	21,944
Juvenile and domestic relations court	26,338	26,338	22,225	4,113
Office of the Youth	5,693	5,693	5,693	-
Clerk of the circuit court	265,105	279,803	284,429	(4,626)
Total courts	<u>\$ 446,013</u>	<u>\$ 460,711</u>	<u>\$ 434,584</u>	<u>\$ 26,127</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 333,697	\$ 337,760	\$ 325,062	\$ 12,698
Total judicial administration	<u>\$ 779,710</u>	<u>\$ 798,471</u>	<u>\$ 759,646</u>	<u>\$ 38,825</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,055,525	\$ 1,189,600	\$ 1,128,229	\$ 61,371
Fire and rescue services:				
Fire department	\$ 211,964	\$ 213,445	\$ 213,445	\$ -
Ambulance and rescue services	1,205,782	1,324,343	1,255,365	68,978
Forestry service	8,204	8,204	7,913	291
Total fire and rescue services	<u>\$ 1,425,950</u>	<u>\$ 1,545,992</u>	<u>\$ 1,476,723</u>	<u>\$ 69,269</u>
Correction and detention:				
Sheriff	\$ 1,335,258	\$ 1,334,158	\$ 1,220,393	\$ 113,765

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 275,973	\$ 278,613	\$ 261,065	\$ 17,548
Other protection:				
Animal control	\$ 185,411	\$ 193,977	\$ 189,648	\$ 4,329
CARES Act	-	476,502	474,711	1,791
Medical examiner	250	250	120	130
Total other protection	\$ 185,661	\$ 670,729	\$ 664,479	\$ 6,250
Total public safety	\$ 4,278,367	\$ 5,019,092	\$ 4,750,889	\$ 268,203
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 804,584	\$ 816,509	\$ 816,509	\$ -
Maintenance of general buildings and grounds:				
General properties	\$ 627,959	\$ 644,491	\$ 639,508	\$ 4,983
Communication	188,855	188,855	131,214	57,641
School buildings	-	233,000	232,186	814
Technology	394,128	394,157	380,656	13,501
Total maintenance of general buildings and grounds	\$ 1,210,942	\$ 1,460,503	\$ 1,383,564	\$ 76,939
Total public works	\$ 2,015,526	\$ 2,277,012	\$ 2,200,073	\$ 76,939
Health and welfare:				
Health:				
Supplement of local health department	\$ 133,000	\$ 133,000	\$ 133,000	\$ -
Mental health and mental retardation:				
Community services board	\$ 41,357	\$ 41,357	\$ 41,357	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,288,199	\$ 2,286,094	\$ 1,931,257	\$ 354,837
Bay transit	-	80,925	41,793	39,132
Children's services act	1,100,000	1,485,730	1,482,320	3,410
Housing choice voucher program	-	15,756	7,878	7,878
Bay aging	118,516	9,335	4,668	4,667
Rivah rides	-	12,500	6,250	6,250
Tax relief for the elderly	-	-	89,360	(89,360)
Total welfare	\$ 3,506,715	\$ 3,890,340	\$ 3,563,526	\$ 326,814
Total health and welfare	\$ 3,681,072	\$ 4,064,697	\$ 3,737,883	\$ 326,814
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 8,489	\$ 8,489	\$ 8,489	\$ -
Contribution to County School Board	7,737,253	7,504,253	7,149,884	354,369
Total education	\$ 7,745,742	\$ 7,512,742	\$ 7,158,373	\$ 354,369

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

<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	\$ 198,643	\$ 209,250	\$ 136,113	\$ 73,137
Swimming pool	74,612	74,612	9,995	64,617
Total parks and recreation	<u>\$ 273,255</u>	<u>\$ 283,862</u>	<u>\$ 146,108</u>	<u>\$ 137,754</u>
Cultural enrichment:				
Museum	\$ 23,000	\$ 23,000	\$ 23,000	\$ -
Library:				
Contribution to county library	\$ 220,221	\$ 230,391	\$ 223,579	\$ 6,812
Total parks, recreation, and cultural	<u>\$ 516,476</u>	<u>\$ 537,253</u>	<u>\$ 392,687</u>	<u>\$ 144,566</u>
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 22,757	\$ 22,757	\$ 22,757	\$ -
Essex regional airport				-
CARES Act expenses	-	142,054	142,054	-
Economic development	80,000	45,000	40,328	4,672
Total planning and community development	<u>\$ 102,757</u>	<u>\$ 209,811</u>	<u>\$ 205,139</u>	<u>\$ 4,672</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 11,025	\$ 11,025	\$ 11,025	\$ -
Litter control program	-	9,863	4,440	5,423
Other environmental management	38,000	1,000	1,000	-
Total environmental management	<u>\$ 49,025</u>	<u>\$ 21,888</u>	<u>\$ 16,465</u>	<u>\$ 5,423</u>
Cooperative extension program:				
Extension office	\$ 43,004	\$ 43,004	\$ 33,210	\$ 9,794
Total community development	<u>\$ 194,786</u>	<u>\$ 274,703</u>	<u>\$ 254,814</u>	<u>\$ 19,889</u>
Capital projects:				
Motor vehicles and equipment	\$ 147,300	\$ 183,816	\$ 180,371	\$ 3,445
Total capital projects	<u>\$ 147,300</u>	<u>\$ 183,816</u>	<u>\$ 180,371</u>	<u>\$ 3,445</u>
Total General Fund	<u><u>\$ 21,508,118</u></u>	<u><u>\$ 23,795,335</u></u>	<u><u>\$ 21,895,559</u></u>	<u><u>\$ 1,899,776</u></u>
Special Revenue Fund:				
Special Revenue Fund:				
Public Safety:				
Sheriff:				
Asset forfeiture	\$ -	\$ 6,424	\$ 6,424	\$ -
Total Sheriff	<u>\$ -</u>	<u>\$ 6,424</u>	<u>\$ 6,424</u>	<u>\$ -</u>
Other protection:				
Animal control	\$ -	\$ 15,294	\$ 1,950	\$ 13,344
FEMA	-	309,874	395,451	(85,577)
Total other protection	<u>\$ -</u>	<u>\$ 325,168</u>	<u>\$ 397,401</u>	<u>\$ (72,233)</u>
Total public safety	<u>\$ -</u>	<u>\$ 331,592</u>	<u>\$ 403,825</u>	<u>\$ (72,233)</u>
Total County Special Revenue Fund	<u><u>\$ -</u></u>	<u><u>\$ 331,592</u></u>	<u><u>\$ 403,825</u></u>	<u><u>\$ (72,233)</u></u>

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2021

Schedule 2
Page 4 of 4

<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:				
Public works:				
Payment to Town of Tappahannock - Share of debt service	\$ 173,206	\$ 173,206	\$ 154,648	\$ 18,558
Community development:				
Payment to Essex Airport - Share of debt service	\$ 50,033	\$ 50,033	\$ 43,777	\$ 6,256
Debt service:				
Principal retirement	\$ 3,490,566	\$ 12,137,265	\$ 9,749,259	\$ 2,388,006
Bond issuance costs	-	-	197,419	(197,419)
Interest and other fiscal charges	190,556	43,645	1,112,830	(1,069,185)
Total debt service	\$ 3,681,122	\$ 12,180,910	\$ 10,862,089	\$ 1,318,821
Total Debt Service Fund	\$ 3,904,361	\$ 12,404,149	\$ 11,060,514	\$ 1,343,635
Capital Projects Fund:				
Capital projects:				
Capital projects	\$ 847,894	\$ 972,869	\$ 226,599	\$ 746,270
Total capital projects	\$ 847,894	\$ 972,869	\$ 226,599	\$ 746,270
Total Capital Projects Fund	\$ 847,894	\$ 972,869	\$ 226,599	\$ 746,270
Total Primary Government	\$ 26,260,373	\$ 37,503,945	\$ 33,586,497	\$ 3,917,448
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,204,710	\$ 1,204,710	\$ 1,285,714	\$ (81,004)
Instruction costs	12,959,890	12,959,890	12,251,361	708,529
Technology	944,010	944,010	1,023,259	(79,249)
Pupil transportation	1,562,134	1,562,134	1,476,899	85,235
Operation and maintenance of school plant	1,185,765	952,765	1,192,282	(239,517)
Total education	\$ 17,856,509	\$ 17,623,509	\$ 17,229,515	\$ 393,994
Total School Operating Fund	\$ 17,856,509	\$ 17,623,509	\$ 17,229,515	\$ 393,994
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 790,000	\$ 790,000	\$ 548,814	\$ 241,186
Commodities	-	71,700	71,700	-
Total school food services	\$ 790,000	\$ 861,700	\$ 620,514	\$ 241,186
Total education	\$ 790,000	\$ 861,700	\$ 620,514	\$ 241,186
Total School Cafeteria Fund	\$ 790,000	\$ 861,700	\$ 620,514	\$ 241,186
School Activity Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ -	\$ -	\$ 44,131	\$ (44,131)
Total School Activity Fund	\$ -	\$ -	\$ 44,131	\$ (44,131)
Total Discretely Presented Component Unit - School Board	\$ 18,646,509	\$ 18,485,209	\$ 17,894,160	\$ 591,049

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OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	County of Essex, Virginia										Interest on Long-Term Debt	Total
	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total		
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		
2019-20	2,807,973	743,556	4,535,912	2,031,809	3,490,526	7,359,643	522,444	129,892	1,147,488	22,769,243		
2020-21	3,263,956	749,254	5,235,347	2,317,627	3,729,097	11,109,312	386,532	293,825	864,938	27,949,888		

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
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			
2019-20	536,449	4,385,515	-	15,488,417	2,626,777	122,163	159,443	1,489,684	24,808,448			
2020-21	537,727	6,210,035	156,587	15,903,259	2,851,456	54,118	165,677	1,546,164	27,425,023			

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

Fiscal Year	General				Parks, Recreation, and Cultural Education (2)				Debt Service	Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation, and Cultural	Community Development		
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
2019-20	2,318,867	719,912	4,226,076	1,909,906	3,289,345	6,838,799	486,068	120,640	4,064,257	23,973,870
2020-21	2,460,823	759,646	5,154,714	2,354,721	3,737,883	17,902,649	392,687	298,591	11,059,508	44,121,222

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

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
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
2019-20	15,488,417	2,626,777	81,150	23,620	122,163	796,496	330,398	33,405	16,187,176	35,689,602
2020-21	15,738,251	2,851,456	99,002	26,635	50,731	418,893	403,844	107,675	18,392,911	38,089,398

(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
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%
2019-20	15,704,996	15,083,438	96.04%	548,641	15,632,079	99.54%	1,665,267	10.60%
2020-21	16,558,989	15,983,069	96.52%	490,611	16,473,680	99.48%	2,134,933	12.89%

(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) Real Estate	Personal Property	Total
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
2019-20	1,302,914,819	142,008,510	7,742,088	2,701,373	44,766,212	5,951	1,500,138,953
2020-21	1,402,522,505	149,647,224	9,317,920	2,408,750	45,272,053	2,976	1,609,171,428

(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
2011-12	0.695	0.695	\$ 3.50	\$ 3.75	\$ 3.50
2012-13	0.695/0.84	0.695	3.50	3.75	3.50
2013-14	0.84/0.86	0.84	3.50	3.75	3.50
2014-15	0.86/0.88	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
2019-20	0.86	0.86	4.00	3.75	1.20
2020-21	0.86/0.74	0.86/0.74	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
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
2019-20	11,151	1,500,138,953	21,742,971	21,742,971	1.45%	1,950
2020-21	10,849	1,609,171,428	18,167,661	18,167,661	1.13%	1,675

(1) Weldon Cooper Center for Public Service for 2010 Census counts and 2020 population estimates.

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

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

COMPLIANCE

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**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, 2021, 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 December 1, 2021.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

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*.

County of Essex Virginia's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
December 1, 2021



**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, 2021. 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 \$45,193 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, 2021. 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, 2021.

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.



Richmond, Virginia
December 1, 2021

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Health and Human Services:				
Pass Through Payments:				
<i>Department of Education:</i>				
Temporary Assistance for Needy Families	93.558	Not Available	\$ 23,978	\$ -
<i>Department of Social Services:</i>				
Temporary Assistance for Needy Families	93.558	0400120/0400121	104,640	-
	Total Assistance Listing #93.558		\$ 128,618	\$ -
Promoting Safe and Stable Families	93.556	0950120/0950121	\$ 11,057	\$ -
Refugee and Entrant Assistance - State Administered Programs	93.566	0500120/0500121	186	-
Low Income Home Energy Assistance	93.568	0600420/0600421	15,433	-
Child Care Mandatory and Matching Funds of the Child Care Development Fund (CCDF Cluster)	93.596	0760120/0760121	22,736	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900120/0900121	85	-
Foster Care - Title IV-E	93.658	1100120/1100121	215,965	-
Adoption Assistance	93.659	1130120/1130121	72,781	-
Social Services Block Grant	93.667	1000120/1000121	118,694	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150120/9150121	1,062	-
Children's Health Insurance Program	93.767	0540120/0540121	2,338	-
Medical Assistance Program (Medicaid Cluster)	93.778	1200120/1200121	185,568	-
Total Department of Health and Human Services			\$ 774,523	\$ -
U.S. Election Assistance Commission:				
Pass Through Payments:				
<i>State Board of Elections:</i>				
COVID-19 HAVA Election Security Grants	90.404	Not Available	\$ 41,283	\$ -
Total U.S. Election Assistance Commission				
Department of Homeland Security:				
Pass Through Payments:				
<i>Department of Emergency Management:</i>				
Emergency Management Performance Grants	97.042	77501-52749	\$ 13,316	\$ -
BRIC: Building Resilient Infrastructure and Communities	97.047	Not Available	316,041	-
Total Department of Homeland Security			\$ 329,357	\$ -
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
<i>Department of Agriculture:</i>				
Food Distribution	10.555	Not Available	\$ 71,700	\$ -
<i>Department of Education:</i>				
National School Lunch Program	10.555	17901-45707	181,741	-
COVID-19 National School Lunch Program - CARES Act			29,329	-
	Total Assistance Listing #10.555		\$ 282,770	\$ -
School Breakfast Program	10.553	17901-40591	\$ 111,632	\$ -
COVID-19 School Breakfast Program - CARES Act	10.553	17901-40591	23,115	-
	Total Assistance Listing #10.553		\$ 134,747	\$ -
Total Child Nutrition Cluster			\$ 417,517	\$ -
<i>Department of Social Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010120/0010121	\$ 249,129	\$ -
Total Department of Agriculture			\$ 666,646	\$ -

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2021

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures Passed Through to Subrecipients
Department of Transportation:				
Pass Through Payments:				
<i>Department of Motor Vehicles:</i>				
State and Community Highway Safety (Highway Safety Cluster)	20.600	60507-50287	\$ 4,500	\$ -
Department of Treasury:				
Pass Through Payments:				
<i>Office of the Attorney General:</i>				
COVID-19 Coronavirus Relief Fund	21.019	10110-728021	\$ 1,579,474	\$ -
COVID-19 Coronavirus Relief Fund - Delinquent Utility Relief	21.019	10110-728021	114,746	114,746
COVID-19 Coronavirus Relief Fund - Schools	21.019	10110-728021	219,835	-
Total Assistance Listing #21.019			\$ 1,914,055	\$ 114,746
Department of Justice:				
Pass Through Payments:				
<i>Department of Criminal Justice Service:</i>				
Crime Victim Assistance	16.575	39001-76000	\$ 12,849	\$ -
Department of Housing and Urban Development:				
Pass Through Payments:				
<i>Department of Housing and Community Development:</i>				
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	14.228	533005	\$ 156,587	\$ -
Department of Education:				
Pass Through Payments:				
<i>Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 478,411	\$ -
Special Education Cluster:				
Special Education - Grants to States	84.027	17901-43071-61234	480,601	-
Special Education - Preschool Grants	84.173	17901-62521	17,274	-
Total Special Education Cluster			\$ 497,875	\$ -
Career and Technical Education - Basic Grants to States	84.048	17901-61095	28,752	-
Rural Education	84.358	17901- 43481	14,257	-
School Improvement Grants	84.377	17901-43040	33,341	-
English Language Acquisition State Grants	84.365	17901	2,897	-
Supporting Effective Instruction State Grant	84.367	17901-61480	34,962	-
Governor's Emergency Education Relief (GEER) Fund	84.425C	Not Available	36,462	-
Student Support and Academic Enrichment Program	84.424	17901-61910	14,024	-
Total Department of Education			\$ 1,140,981	\$ -
Total Expenditures of Federal Awards			\$ 5,040,781	\$ 114,746

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, 2021

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, 2021. 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

\$114,746 of 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	\$	3,323,204
Special Revenue Funds:		
County Special Revenue Fund		316,041
Total primary government	\$	3,639,245

Component Unit - School Board:

School Operating Fund	\$	1,384,794
School Special Revenue Fund		417,517
Total component unit School Board	\$	1,802,311

Total federal expenditures per basic financial statements	\$	5,441,556
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Federal interest subsidy	\$	(400,775)
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	5,040,781
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Note 6 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of Essex, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

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:

Assistance Listing Number(s)
21.019

Name of Federal Program or Cluster
Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? ✓ yes no

County of Essex, Virginia
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

Section II-Financial Statement Findings

2021-001

School Board Expenditure Documentation and Approval

- Criteria: Approved invoices should be retained to document expenditures made with School Board's funds. Lack of approved invoices to support expenditures indicates a material weakness exists. Internal controls should be in place that provide assurance that expenditures are properly documented and approved.
- Condition: Documentation was missing for numerous expenditures processed by the School Board during fiscal year ended June 30, 2021. In cases where documentation was missing, approval could not be verified either.
- Effect of Condition: There is a reasonable possibility that a material misstatement of the School Board's financial statements will not be prevented or detected by the School Board's system of internal controls.
- Cause of Condition: Due to the ongoing pandemic, for the fiscal year ended June 30, 2021, many functions of the School Board Office were performed remotely, including processing of expenditures. In process, invoices were misplaced.
- Recommendation: Procedures should be in place to provide for maintaining paid invoices and the related approval of said invoices as supporting documentation for expenditures made.
- Management's Response: The School Board has a new Finance Director in place who is addressing the situation.

Section III-Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Findings - Major Federal Programs:

2020-001: (Significant Deficiency)

Eligibility of Child Nutrition Program Applications

Condition:

An application for the Child Nutrition Program was improperly determined to be eligible for federal

Recommendation:

Steps should be taken to ensure only eligible applications are approved for federal awards.

Current Status:

The County has become eligible for all students to receive Child Nutrition Program benefits. Applications are no longer required for the program.