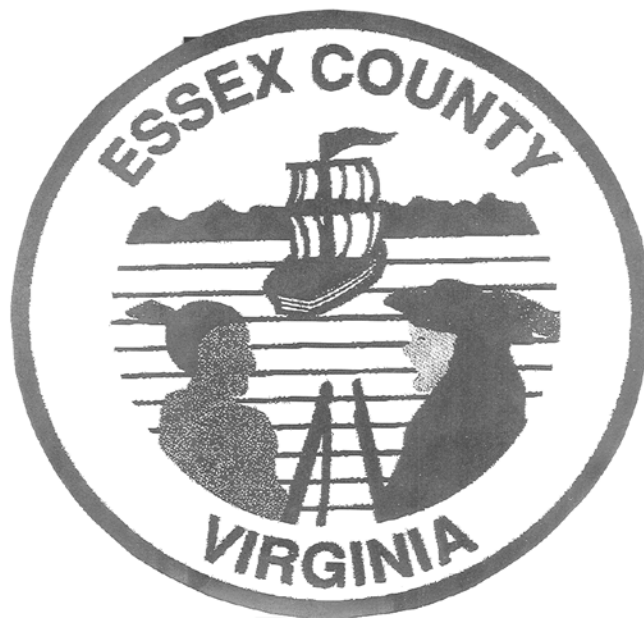


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

Edwin E. Smith, Jr., Chairperson
E. Stanley Langford, Jr., Vice Chairperson

Angelo S. Stevens

Margaret H. Davis

School Board

Keren Slack-Ellis, Chairperson
Charles W. Slaughter, Vice Chairperson

Larry R. Bullis
Raymond Whitaker

Mary Gaskins

Department of Social Services Board

S. Roy Foster, Chairperson
James H. Cary, Vice Chairperson

Franklin Rixey

Other Officials

Judge of the Circuit Court	Harry T. Taliaferro, III
Clerk of the Circuit Court	G.J. Ashworth
Judge of the General District Court	Gordon Wilkins
Judge of the Juvenile and Domestic Relations Court	J. Maston Davis
Commonwealth's Attorney	MacDowell I. Garrett
Commissioner of the Revenue	T.M. Blackwell
Treasurer	A.L. Taylor
Sheriff	Stanley S. Clarke
Superintendent of Schools	Dr. Joseph Melvin
Director of Social Services	Paul Oswell
County Administrator	David Whitlow
County Attorney	Daniel M. Siegel

COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Essex, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the County of Essex, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

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 unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Essex, Virginia's financial statements as a whole. The combining and individual fund financial statements and schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules, 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 5, 2012

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, 2011.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,068,964 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources of \$105,769 (Exhibit 5) after making contributions totaling \$5,768,188 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$1,712,223, a decrease of \$105,769 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,635,201 or 9% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$952,003 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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 one major governmental fund – the General Fund and one non-major governmental fund – the County 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 for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit - School Board. The School Board does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$5,068,964 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Essex, Virginia's Net Assets

		Governmental Activities	
		2011	2010
Current and other assets	\$	7,967,560	\$ 7,826,186
Capital assets		<u>21,583,001</u>	<u>22,785,518</u>
Total assets	\$	<u>29,550,561</u>	\$ <u>30,611,704</u>
Current liabilities	\$	5,323,855	\$ 5,097,836
Long-term liabilities outstanding		<u>19,157,742</u>	<u>20,109,745</u>
Total liabilities	\$	<u>24,481,597</u>	\$ <u>25,207,581</u>
Net assets:			
Invested in capital assets, net of related debt	\$	3,058,791	\$ 3,266,535
Restricted to:			
Unrestricted		<u>2,010,173</u>	<u>2,137,588</u>
Total net assets	\$	<u><u>5,068,964</u></u>	\$ <u><u>5,404,123</u></u>

Government-wide Financial Analysis (Continued)

Governmental activities decreased the County's net assets by \$335,159 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Assets		
	Governmental Activities	
	2011	2010
Charges for services	\$ 191,355	\$ 207,305
Operating grants and contributions	2,852,656	2,854,011
General property taxes	11,453,029	10,726,095
Other local taxes	2,036,898	2,136,779
Grants and other contributions not restricted	1,438,018	1,453,937
Other general revenues	114,460	124,981
Total revenues	\$ 18,086,416	\$ 17,503,108
General government administration	\$ 1,867,378	\$ 1,566,816
Judicial administration	804,345	774,468
Public safety	4,066,458	3,740,261
Public works	1,261,620	1,272,981
Health and welfare	2,491,948	2,567,021
Education	6,480,939	6,138,655
Parks, recreation, and cultural	453,444	452,127
Community development	60,121	84,723
Interest and other fiscal charges	935,322	916,097
Total expenses	\$ 18,421,575	\$ 17,513,149
Change in net assets	\$ (335,159)	\$ (10,041)
Net assets, beginning of year	5,404,123	5,414,164
Net assets, end of year	\$ 5,068,964	\$ 5,404,123

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 \$1,712,223, a decrease of \$105,769 in comparison with the prior year. Approximately 95.5% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$367,736 and was due strictly to an increase in education expenditures.

During the year, revenues and other financing sources of the General Fund did not exceed budgetary estimates by \$212,164. Expenditures and other financing uses did not exceed budgetary estimates by \$473,273, resulting in a positive variance of \$261,109.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2011 amounts to \$21,583,001 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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 \$18,270,200. Of this amount, \$9,205,670 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds and capital leases).

The County's bonded debt decreased by \$781,315 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

- < The unemployment rate for the County was 7.2 percent compared to state's average unemployment rate of 6.5 percent.
- < Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

The fiscal year 2012 budget increased by approximately 1.3 percent. 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, 205 Cross Street, Tappahannock, Virginia 22560.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

County of Essex, Virginia
Statement of Net Assets
June 30, 2011

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School Board</u>
ASSETS		
Cash and cash equivalents	\$ 605,548	\$ -
Receivables (net of allowance for uncollectibles):		
Taxes receivable	6,035,757	-
Accounts receivable	67,898	-
Due from other governmental units	1,101,802	665,282
Inventories	-	11,291
Other assets:		
Unamortized bond issue costs	156,555	-
Capital assets (net of accumulated depreciation):		
Land and land improvements	1,143,271	42,822
Buildings and improvements	16,324,110	4,156,924
Intangibles	1,845,183	-
Equipment	2,270,437	866,973
Total assets	<u>\$ 29,550,561</u>	<u>\$ 5,743,292</u>
LIABILITIES		
Accounts payable	\$ 167,979	\$ 120,534
Accrued interest payable	434,135	-
Due to other governmental units	-	469,303
Unearned revenue	4,721,741	-
Long-term liabilities:		
Due within one year	1,054,813	3,976
Due in more than one year	18,102,929	35,780
Total liabilities	<u>\$ 24,481,597</u>	<u>\$ 629,593</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 3,058,791	\$ 5,066,719
Unrestricted (deficit)	2,010,173	46,980
Total net assets	<u>\$ 5,068,964</u>	<u>\$ 5,113,699</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, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>		<u>Primary Government</u>	<u>Component Unit</u>	
			<u>Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>	<u>School Board</u>
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,867,378	\$ -	\$ 187,727	\$ -	\$ -	(1,679,651)	
Judicial administration	804,345	117,409	344,443	-		(342,493)	
Public safety	4,066,458	53,796	729,481	-		(3,283,181)	
Public works	1,261,620	-	-	-		(1,261,620)	
Health and welfare	2,491,948	-	1,583,885	-		(908,063)	
Education	6,480,939	-	-	-		(6,480,939)	
Parks, recreation, and cultural	453,444	20,079	-	-		(433,365)	
Community development	60,121	71	7,120	-		(52,930)	
Interest on long-term debt	935,322	-	-	-		(935,322)	
Total governmental activities	\$ 18,421,575	\$ 191,355	\$ 2,852,656	\$ -	\$ -	(15,377,564)	
Total primary government	\$ 18,421,575	\$ 191,355	\$ 2,852,656	\$ -			
COMPONENT UNIT:							
School Board	\$ 16,536,410	\$ 197,618	\$ 10,031,197	\$ -		\$ (6,307,595)	
Total component unit	\$ 16,536,410	\$ 197,618	\$ 10,031,197	\$ -		\$ (6,307,595)	
General revenues:					\$	11,453,029	\$ -
General property taxes							-
Other local taxes:							-
Local sales and use tax						1,533,549	-
Consumers' utility taxes						238,508	-
Motor vehicle licenses						246,010	-
Other local taxes						18,831	-
Unrestricted revenues from use of money and property						79,070	10,088
Miscellaneous						35,390	40,773
Payments from Essex County						-	6,482,453
Grants and contributions not restricted to specific programs						1,438,018	-
Total general revenues					\$	15,042,405	\$ 6,533,314
Change in net assets						(335,159)	225,719
Net assets - beginning						5,404,123	4,887,980
Net assets - ending					\$	5,068,964	\$ 5,113,699

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

FUND FINANCIAL STATEMENTS

County of Essex, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 593,567	\$ 11,981	\$ 605,548
Receivables (net of allowance for uncollectibles):			
Taxes receivable	6,035,757	-	6,035,757
Accounts receivable	67,898	-	67,898
Due from other governmental units	1,101,802	-	1,101,802
Total assets	<u>\$ 7,799,024</u>	<u>\$ 11,981</u>	<u>\$ 7,811,005</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 167,979	\$ -	\$ 167,979
Deferred revenue	5,930,803	-	5,930,803
Total liabilities	<u>\$ 6,098,782</u>	<u>\$ -</u>	<u>\$ 6,098,782</u>
Fund balances:			
Restricted	\$ 65,041	\$ 11,981	\$ 77,022
Unassigned	1,635,201	-	1,635,201
Total fund balances	<u>\$ 1,700,242</u>	<u>\$ 11,981</u>	<u>\$ 1,712,223</u>
Total liabilities and fund balances	<u>\$ 7,799,024</u>	<u>\$ 11,981</u>	<u>\$ 7,811,005</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 Assets
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,712,223
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$ 30,492,659		
Accumulated depreciation	(8,909,658)		21,583,001

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,209,062
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Long-term liabilities, including bonds payable, 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:

Lease revenue bonds and notes	\$ (7,114,000)		
Literary fund loans	(720,000)		
General obligation bonds	(8,689,680)		
Capital lease	(2,000,530)		
Accrued interest payable	(434,135)		
OPEB liability	(152,251)		
Unamortized bond issue costs	156,555		
Compensated absences	(481,281)		(19,435,322)

Net assets of governmental activities	\$	5,068,964
---------------------------------------	----	-----------

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, 2011

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,396,506	\$ -	\$ 11,396,506
Other local taxes	2,036,898	-	2,036,898
Permits, privilege fees, and regulatory licenses	53,796	-	53,796
Fines and forfeitures	19,104	-	19,104
Revenue from the use of money and property	79,070	-	79,070
Charges for services	118,455	-	118,455
Miscellaneous	30,737	4,653	35,390
Recovered costs	48,831	-	48,831
Intergovernmental revenues:			
Commonwealth	3,389,047	-	3,389,047
Federal	901,627	-	901,627
Total revenues	<u>\$ 18,074,071</u>	<u>\$ 4,653</u>	<u>\$ 18,078,724</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,836,494	\$ -	\$ 1,836,494
Judicial administration	696,193	-	696,193
Public safety	3,721,774	-	3,721,774
Public works	1,211,682	-	1,211,682
Health and welfare	2,542,294	-	2,542,294
Education	5,774,624	-	5,774,624
Parks, recreation, and cultural	443,490	-	443,490
Community development	63,246	-	63,246
Debt service:			
Principal retirement	961,250	-	961,250
Interest and other fiscal charges	933,446	-	933,446
Total expenditures	<u>\$ 18,184,493</u>	<u>\$ -</u>	<u>\$ 18,184,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (110,422)</u>	<u>\$ 4,653</u>	<u>\$ (105,769)</u>
Net change in fund balances	\$ (110,422)	\$ 4,653	\$ (105,769)
Fund balances - beginning	1,810,664	7,328	1,817,992
Fund balances - ending	<u>\$ 1,700,242</u>	<u>\$ 11,981</u>	<u>\$ 1,712,223</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, 2011

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

Net change in fund balances - total governmental funds	\$	(105,769)
--	----	-----------

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. The following is a summary of items supporting this adjustment:

Capital outlay	\$	31,580	
Transfer of joint tenancy assets to Component Unit from primary Government		(308,722)	
Depreciation expense		(925,375)	(1,202,517)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of changes in deferred taxes.		56,523
---	--	--------

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 assets. The following is a summary of items supporting this adjustment:

Principal retired on county lease revenue bond	\$	75,000	
Principal retired on county capital lease		179,935	
Principal retired on school literary fund loans		90,000	
Principal retired on school general obligation bonds		616,315	
Amortization of bond premium		33,523	
Amortization of bond issuance cost		(4,954)	989,819

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:

(Increase)decrease in accrued leave	\$	(970)	
(Increase)decrease in OPEB liability		(41,800)	
(Increase)decrease in interest payable		(30,445)	(73,215)

Change in net assets of governmental activities	\$	(335,159)
---	----	-----------

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

County of Essex, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,836
	<u><u>2,836</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 2,836
	<u><u>2,836</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2011

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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 Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

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

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2011.

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 Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2011.

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 County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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.

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

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

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

1. Governmental Funds

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

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for 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.

The County reports the following non-major governmental funds:

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 and the forfeited assets transactions.

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

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.

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

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

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

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."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$330,788 at June 30, 2011 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, 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 estimated fair market value at the date of donation.

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

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

H. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Building Improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10
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 Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension cost as it accrues.

K. Use of Estimates

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

L. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

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

L. Fund Equity (Continued)

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

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

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:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Fund Balances:			
Restricted for:			
Glebe fund	\$ 65,041	\$ -	\$ 65,041
Forfeited assets	-	4,653	4,653
Law library	-	7,328	7,328
Total Restricted Fund Balance	<u>\$ 65,041</u>	<u>\$ 11,981</u>	<u>\$ 77,022</u>
Unassigned Fund Balance	<u>\$ 1,635,201</u>	<u>\$ -</u>	<u>\$ 1,635,201</u>
Total Fund Balances	<u><u>\$ 1,700,242</u></u>	<u><u>\$ 11,981</u></u>	<u><u>\$ 1,712,223</u></u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

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

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. 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 following fund at June 30, 2011 due to the inclusion of commodities, a non-cash transaction:

School Cafeteria

\$53,076

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2011 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

		Fair Quality Ratings	
		AAAm	
Local Government Investment Pool	\$		34,896
Money Market Mutual Fund			95,536
Total	\$		<u>130,432</u>

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 4—Due from/to Other Governments:

At June 30, 2011, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Essex County School Board	\$ 469,303	\$ -
Commonwealth of Virginia:		
Local sales tax	281,236	-
Welfare	40,608	-
Rolling stock tax	998	-
Mobile home titling tax	1,296	-
State sales Tax	-	228,483
Victim witness	3,517	-
Constitutional officer reimbursements	93,232	-
Recordation tax	7,345	-
Comprehensive services act	43,224	-
Domestic violence grant	9,719	-
Communications tax	55,864	-
Fire program funds	2,586	-
Wireless grant	6,667	-
Federal Government:		
School fund grants	-	436,799
Homeland security	13,316	-
Welfare	72,891	-
Total due from other governments	<u>\$ 1,101,802</u>	<u>\$ 665,282</u>

At June 30, 2011, amounts due to other local governments are as follows:

Other Local Governments:		
County of Essex	<u>\$ -</u>	<u>\$ 469,303</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Total capital assets not subject to depreciation	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,558,066	\$ 6,980	\$ -	\$ 3,565,046
Equipment	3,640,094	16,650	-	3,656,744
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	19,621,022	7,950	308,722	19,320,250
Total capital assets being depreciated	\$ 29,626,530	\$ 31,580	\$ 308,722	\$ 29,349,388
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,098,528	\$ 89,800	\$ -	\$ 1,188,328
Equipment	1,026,459	359,848	-	1,386,307
Intangibles	891,981	70,184	-	962,165
Jointly owned assets	4,967,315	490,916	85,373	5,372,858
Total accumulated depreciation	\$ 7,984,283	\$ 1,010,748	\$ 85,373	\$ 8,909,658
Total capital assets subject to depreciation, net	\$ 21,642,247	\$ (979,168)	\$ 223,349	\$ 20,439,730
Governmental activities capital assets, net	\$ 22,785,518	\$ (979,168)	\$ 223,349	\$ 21,583,001

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 5—Capital Assets: (Continued)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Capital assets subject to depreciation:				
Equipment	\$ 2,780,949	\$ 286,656	\$ 12,500	\$ 3,055,105
Jointly owned assets	5,449,545	308,722	-	5,758,267
Total capital assets subject to depreciation	\$ 8,230,494	\$ 595,378	\$ 12,500	\$ 8,813,372
Less accumulated depreciation for:				
Equipment	\$ 2,024,170	\$ 176,462	\$ 12,500	\$ 2,188,132
Jointly owned assets	1,379,623	136,347	(85,373)	1,601,343
Total accumulated depreciation	\$ 3,403,793	\$ 312,809	\$ (72,873)	\$ 3,789,475
Total capital assets subject to depreciation, net	\$ 4,826,701	\$ 282,569	\$ 85,373	\$ 5,023,897
Component unit school board capital assets, net	<u>\$ 4,869,523</u>	<u>\$ 282,569</u>	<u>\$ 85,373</u>	<u>\$ 5,066,719</u>

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government administration	\$ 17,001
Judicial administration	62,878
Public safety	340,902
Public works	81,708
Health and welfare	9,228
Education	490,916
Parks, recreation and cultural	8,115

Total Governmental activities \$ 1,010,748

Component Unit School Board \$ 312,809

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	<u>Amounts Payable at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 480,311	\$ 49,001	\$ 48,031	\$ 481,281	\$ 48,128
Lease revenue bonds	2,347,278	-	75,000	2,272,278	95,695
Bond anticipation note	50,000	-	-	50,000	-
OPEB liability	110,451	96,200	54,400	152,251	-
Capital lease (see Note 7)	2,180,465	-	179,935	2,000,530	187,493
Total incurred by County	<u>\$ 5,168,505</u>	<u>\$ 145,201</u>	<u>\$ 357,366</u>	<u>\$ 4,956,340</u>	<u>\$ 331,316</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 810,000	\$ -	\$ 90,000	\$ 720,000	\$ 90,000
General obligation bonds	9,051,985	-	616,315	8,435,670	599,192
Add deferred amounts:					
For issuance premium	287,533	-	33,523	254,010	-
Lease revenue bond	4,791,722	-	-	4,791,722	34,305
Total incurred by School Board	<u>\$ 14,941,240</u>	<u>\$ -</u>	<u>\$ 739,838</u>	<u>\$ 14,201,402</u>	<u>\$ 723,497</u>
Total Governmental Obligations, Primary Government	<u>\$ 20,109,745</u>	<u>\$ 145,201</u>	<u>\$ 1,097,204</u>	<u>\$ 19,157,742</u>	<u>\$ 1,054,813</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations			
	Lease Revenue			
	Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2012	\$ 95,695	\$ 106,456	\$ 187,493	\$ 84,022
2013	15,695	102,517	195,367	76,148
2014	154,439	101,778	203,573	67,942
2015	162,286	94,504	212,123	59,392
2016	169,506	86,860	221,032	50,483
2017	177,667	78,876	230,315	41,200
2018	185,829	70,508	239,988	31,526
2019	194,932	61,756	250,068	21,447
2020	204,035	52,574	260,571	10,944
2021	165,739	42,964	-	-
2022	173,901	35,158	-	-
2023	182,062	26,967	-	-
2024	190,851	18,392	-	-
2025	199,641	9,403	-	-
Total	<u>\$ 2,272,278</u>	<u>\$ 888,713</u>	<u>\$ 2,000,530</u>	<u>\$ 443,104</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations					
	State Literary Fund Loans		General Obligation Bonds		Lease Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 90,000	\$ 28,800	\$ 599,192	\$ 407,977	\$ 34,305	\$ 225,690
2013	90,000	25,200	546,420	378,481	34,305	224,074
2014	90,000	21,600	550,182	350,518	337,561	222,459
2015	90,000	18,000	554,143	322,357	354,714	206,559
2016	90,000	14,400	558,310	293,990	370,494	189,853
2017	90,000	10,800	562,696	265,404	388,333	172,402
2018	90,000	7,200	567,311	236,589	406,171	154,112
2019	90,000	3,600	572,167	207,532	426,068	134,981
2020	-	-	577,279	178,221	445,965	114,913
2021	-	-	580,311	150,989	362,261	93,908
2022	-	-	583,500	123,597	380,099	76,846
2023	-	-	356,537	100,963	397,938	58,943
2024	-	-	358,431	84,069	417,149	40,200
2025	-	-	361,797	65,703	436,359	20,553
2026	-	-	365,339	47,161	-	-
2027	-	-	369,066	28,434	-	-
2028	-	-	372,989	9,511	-	-
Total	<u>\$ 720,000</u>	<u>\$ 129,600</u>	<u>\$ 8,435,670</u>	<u>\$ 3,251,496</u>	<u>\$ 4,791,722</u>	<u>\$ 1,935,493</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

Incurred by County:

Lease Revenue Bonds Payable:

\$6,984,000 lease revenue refunding bond issued January 28, 2011, due in annual installments through June 2025, interest payable annually at a coupon rate of 4.71%. The County is responsible for 31.39% of this debt

	\$	2,192,278
--	----	-----------

\$620,000 VPPSA lease revenue bond issued May 1, 1993, due in varying annual installments through May 1, 2012, interest payable semi-annually at various rates between 5.10% and 5.50%.

		80,000
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Total Lease Revenue Bonds	\$	2,272,278
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Capital Lease Payable:

\$2,518,870 Capital lease issued January 1, 2008, due in annual installments through 2020, interest payable annually at an interest rate of 4.20%.

	\$	2,000,530
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Bond Anticipation Note:

\$800,000 bond anticipation note issued April 8, 2009 in anticipation to match federal stimulus money. However the County did not get the funds approved and they have not drawn down any additional funds. The County was required to draw down \$50,000 at closing. Interest payable at 3%. Matures on April 01, 2012.

	\$	50,000
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Compensated absences (payable by General Fund)	\$	481,281
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OPEB liability (payable by General fund)	\$	152,251
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Total Incurred by County	\$	4,956,340
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Incurred by School Board:

State Literary Fund Loans:

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

	\$	720,000
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Lease Revenue Bonds Payable:

\$6,984,000 lease revenue refunding bond issued January 28, 2011, due in annual installments through June 2025, interest payable annually at a coupon rate of 4.71%. The School Board is responsible for 68.61% of this debt.

	\$	4,791,722
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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board: (Continued)

General Obligation Bonds:

\$631,395 bond, issued July 31, 1991, maturing annually in installments of varying amounts through July 15, 2011; interest at varying rates ranging from 4.8% to 6.6%. \$ 37,716

\$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%. 5,942,890

\$378,387 bond, issued May 12, 1999, maturing annually in installments of \$42,429 through May 10, 2012, interest at 6.78%. 17,853

\$4,340,228 bond, dated November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%. 2,437,211

Unamortized premium		254,010
Total General Obligation Bonds	\$	8,689,680
Total incurred by School Board	\$	14,201,402
Total General obligations, primary government	\$	19,157,742

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2011.

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 55,657	\$ -	\$ 15,901	\$ 39,756	\$ 3,976
Total Component Unit-School Board	\$ 55,657	\$ -	\$ 15,901	\$ 39,756	\$ 3,976

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 7—Capital Lease:

The government has entered into a lease agreement as lessee for financing the acquisition E-911 equipment for the County. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	<u>Primary Government</u>
Asset:	
Equipment	\$ 2,764,966
Less: accumulated depreciation	<u>(691,241)</u>
Total	<u><u>\$ 2,073,725</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2012	\$ 271,515
2013	271,515
2014	271,515
2015	271,515
2016	271,515
2017	271,515
2018	271,514
2019	271,514
2020	<u>271,515</u>
Total minimum lease payments	\$ 2,443,633
Less: amount representing interest	<u>(443,103)</u>
Present value of minimum lease payments	<u><u>\$ 2,000,530</u></u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 8—Deferred Revenue:

Deferred 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. Deferred revenue totaling \$5,930,803 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$5,839,776 at June 30, 2011.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2011 but paid in advance by the taxpayers totaled \$91,027 at June 30, 2011.

Note 9—Contingent Liabilities:

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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, 2011, there were no matters of litigation involving the County or 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 Unit 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 and Component Unit 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 and Component Unit pay an annual premium to the pools for general insurance through member premiums. The County and Component Unit continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12—Defined Benefit Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 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. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation.

Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 12—Defined Benefit Pension Plan (Continued):

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950) as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional's contribution rate for the fiscal year ended 2011 was 11.97% and 7.23% of annual covered payroll, respectively.

The School Board's professional employees contributed \$336,366, \$568,177, and \$798,815 to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010, and 2009, respectively, and these contributions represented 3.93%, 8.81% (for July 2009 through March 2010, and 0.00% April through June 2010), and 8.81% respectively, of current covered payroll.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2011

Note 12—Defined Benefit Pension Plan (continued):

C. Annual Pension Cost

For fiscal year 2011, the County's annual pension cost of \$191,871 (which does not include the portion of the employee share assumed by the employer which was \$137,641) was equal to the County's required and actual contributions.

For fiscal year 2011, the County School Board's annual pension cost for the Board's non-professional employees was \$61,526 (which does not include the employees portion assumed by the School Board of \$42,549) which was equal to the Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2011	\$ 191,871	100%	\$ -
June 30, 2010	152,460	100%	-
June 30, 2009	149,054	100%	-
School Board:			
Non-Professional:			
June 30, 2011	\$ 61,526	100%	\$ -
June 30, 2010	68,492	100%	-
June 30, 2009	70,134	100%	-

(1) Employer portion only

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 12—Defined Benefit Pension Plan (continued):

D. Funded Status and Funding Progress:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 91.04% funded. The actuarial accrued liability for benefits was \$11,074,505, and the actuarial value of assets was \$10,082,202, resulting in an unfunded actuarial accrued liability (UAAL) of \$992,303. The covered payroll (annual payroll of active employees covered by the plan) was \$2,685,512, and ratio of the UAAL to the covered payroll was 36.95%.

As of June 30, 2010, the most recent actuarial valuation date, the School Board's Non-Professional plan was 87.52% funded. The actuarial accrued liability for benefits was \$3,813,663 and the actuarial value of assets was \$3,337,816, resulting in an unfunded actuarial accrued liability (UAAL) of \$475,847. The covered payroll (annual payroll of active employees covered by the plan) was \$909,049 and ratio of the UAAL to the covered payroll was 52.35%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 13—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
A. L. Taylor, Treasurer	300,000
T. M. Blackwell, Commissioner of the Revenue	3,000
Stanley S. Clarke, Sheriff	30,000
U. S. Fidelity and Guaranty Company - Surety:	
Social Services Employees - Blanket Bonds	100,000
Commonwelath of Virginia, Division of Risk Management:	
County and Component Unit - School Board Employees	1,000,000

Note 14-Other Post-Employment Benefits (OPEB):

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 12.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2011, 2010, and 2009 were \$51,354, \$67,072, and \$97,925, respectively and equaled the required contributions for each year.

Note 15–Postemployment Benefits Other Than Pensions:

A. Plan Description

The County allows retirees that retire at the age of 50 with at least 10 years and 60 points (age plus years of service on July 1, 2007) with the County to remain on their health insurance plan. Health benefits include medical, dental and vision. The County contributes up to \$3,000 per year up to age 65. Benefits are offered to the retiree and spouse for the lifetime of the retiree. If the retiree dies then spouse may continue coverage through COBRA only. Retirees that are medicare eligible may not continue medical benefits.

The School Board allows the retiree to receive medical benefits upon retirement if they meet at least one of the following criteria:

- Be active before July 1, 2006 and be at least age 60 with a least 10 years of service with the School System at retirement.
- Be active before July 1, 2006 and be a least age 55 with a least 15 years of service with the School System at retirement.
- Retire under disability retirement and be at least age 50 with at least 10 years of service with the School System at retirement. Employees hired July 1, 2006 and later are eligible for the disability benefit only.

The plan offers medical and vision to eligible retirees and spouses. Coverage is for the life of the retiree. Coverage for the spouse ends at the earlier of the spouse's death and the retiree's death. The School System contributes \$300 toward the premium for pre-65 retirees who elect coverage. The School System is phasing out the subsidy for retirees 65 and older. For retirees over 65 receive \$100 until September 30, 2011 and \$0.00 thereafter.

B. Funding Policy

The funding policies of both groups of retirees are described above. The Schools currently have 32 retirees and 8 spouses on their plan. The County has 25 retirees with 0 spouses.

C. Annual OPEB Cost and Net OPEB Obligation

The County and School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 15-Postemployment Benefits Other Than Pensions: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board. The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation to the Retiree Health Plan:

	Primary Government	Component Unit School Board
Annual required contribution	\$ 96,200	\$ 270,700
Interest on net OPEB obligation	4,418	-
Adjustment to annual required contribution	(4,418)	-
Annual OPEB cost (expense)	\$ 96,200	\$ 270,700
Estimated Contributions made	(54,400)	(270,700)
Increase in net OPEB obligation	41,800	-
Net OPEB obligation-beginning of year	110,451	-
Net OPEB obligation-end of year	\$ 152,251	\$ -

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2010	\$ 181,751	39.23%	\$ 110,451
6/30/2011	96,200	56.55%	152,251
Schools:			
6/30/2010	\$ 578,600	100.00%	\$ -
6/30/2011	270,700	100.00%	-

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 15-Postemployment Benefits Other Than Pensions: (Continued)

D Funded Status and Funding Progress

As of June 30, 2009, most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$1,453,700, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,605,847, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 55.79 percent.

As of June 30, 2011, most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$1,859,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,713,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.15 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2011 using Scale AA.

Coverage elections -The actuarial assumed that 40% of eligible retirees will elect coverage and that 30% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The actuarial has a payroll growth of 3.75%. The remaining amortization period for the County at June 30, 2009 was thirty years. The remaining amortization period for the School Board at June 30, 2011 was 10.57 years.

REQUIRED SUPPLEMENTARY INFORMATION

County of Essex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
General property taxes	\$ 11,284,200	\$ 11,284,200	\$ 11,396,506	\$ 112,306
Other local taxes	2,536,000	2,536,000	2,036,898	(499,102)
Permits, privilege fees, and regulatory licenses	62,900	62,900	53,796	(9,104)
Fines and forfeitures	20,000	20,000	19,104	(896)
Revenue from the use of money and property	8,000	8,000	79,070	71,070
Charges for services	115,000	115,000	118,455	3,455
Miscellaneous	24,700	24,700	30,737	6,037
Recovered costs	78,500	78,500	48,831	(29,669)
Intergovernmental revenues:				
Commonwealth	3,317,241	3,317,241	3,389,047	71,806
Federal	839,694	839,694	901,627	61,933
Total revenues	<u>\$ 18,286,235</u>	<u>\$ 18,286,235</u>	<u>\$ 18,074,071</u>	<u>\$ (212,164)</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,718,335	\$ 2,718,335	\$ 1,836,494	\$ 881,841
Judicial administration	685,712	685,712	696,193	(10,481)
Public safety	3,430,340	3,430,340	3,721,774	(291,434)
Public works	1,182,644	1,182,644	1,211,682	(29,038)
Health and welfare	2,724,426	2,724,426	2,542,294	182,132
Education	5,884,044	6,251,780	5,774,624	477,156
Parks, recreation, and cultural	414,134	414,134	443,490	(29,356)
Community development	71,772	71,772	63,246	8,526
Debt service:				
Principal retirement	710,184	710,184	961,250	(251,066)
Interest and other fiscal charges	468,439	468,439	933,446	(465,007)
Total expenditures	<u>\$ 18,290,030</u>	<u>\$ 18,657,766</u>	<u>\$ 18,184,493</u>	<u>\$ 473,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,795)</u>	<u>\$ (371,531)</u>	<u>\$ (110,422)</u>	<u>\$ 261,109</u>
Net change in fund balances	\$ (3,795)	\$ (371,531)	\$ (110,422)	\$ 261,109
Fund balances - beginning	3,795	371,531	1,810,664	1,439,133
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700,242</u>	<u>\$ 1,700,242</u>

County of Essex, Virginia
Schedule of Pension Funding Progress
As of June 30, 2011

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2010	\$ 10,082,202	\$ 11,074,505	992,303	91.04%	\$ 2,685,512	36.95%
6/30/2009	9,922,881	10,215,591	292,710	97.13%	2,631,999	11.12%
6/30/2008	9,722,245	9,741,035	18,790	99.81%	2,499,246	0.75%
6/30/2007	8,771,925	8,928,843	156,918	98.24%	2,339,918	6.71%
6/30/2006	7,801,682	8,210,115	408,433	95.03%	2,272,077	17.98%
6/30/2005	7,394,828	8,046,993	652,165	91.90%	2,106,508	30.96%
6/30/2004	7,259,859	7,152,839	(107,020)	101.50%	2,098,828	-5.10%
6/30/2003	7,126,371	6,638,813	(487,558)	107.34%	1,935,080	-25.20%
6/30/2002	7,059,514	6,046,354	(1,013,160)	116.76%	1,971,863	-51.38%
6/30/2001	6,862,875	5,603,046	(1,259,829)	122.48%	1,866,956	-66.77%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

6/30/2010	\$ 3,337,816	\$ 3,813,663	\$ 475,847	87.52%	\$ 909,049	52.35%
6/30/2009	3,305,008	3,607,332	302,324	91.62%	944,948	31.99%
6/30/2008	3,217,928	3,377,441	159,513	95.28%	927,558	17.20%
6/30/2007	2,893,711	3,073,160	179,449	94.16%	911,540	19.69%
6/30/2006	2,545,467	2,774,236	228,769	91.75%	834,880	27.40%
6/30/2005	2,368,113	2,713,219	345,106	87.28%	841,800	41.00%
6/30/2004	2,258,487	2,424,817	166,330	93.14%	748,216	22.23%
6/30/2003	2,196,943	2,291,359	94,416	95.88%	728,452	12.96%
6/30/2002	2,124,208	2,121,681	(2,527)	100.12%	687,959	-0.37%
6/30/2001	1,997,776	1,944,193	(53,583)	102.76%	632,474	-8.47%

County of Essex, Virginia
Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
County:						
6/30/2009	\$ -	\$ 1,453,700	\$ 1,453,700	0.00%	\$ 2,605,847	55.79%
Schools:						
6/30/2009	\$ -	\$ 2,123,300	\$ 2,123,300	0.00%	\$ 10,690,800	19.86%
6/30/2011	-	1,859,900	1,859,900	0.00%	9,713,900	19.15%

OTHER SUPPLEMENTARY INFORMATION

*COMBINING AND INDIVIDUAL FUNDS STATEMENTS
AND SCHEDULES*

County of Essex, Virginia
Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 4,653	\$ 4,653
Total revenues	\$ -	\$ -	\$ 4,653	\$ 4,653
 Excess (deficiency) of revenues over (under) expenditures	 \$ -	 \$ -	 \$ 4,653	 \$ 4,653
 Net change in fund balances	 \$ -	 \$ -	 \$ 4,653	 \$ 4,653
Fund balances - beginning	-	-	7,328	7,328
Fund balances - ending	\$ -	\$ -	\$ 11,981	\$ 11,981

County of Essex, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 7,900	\$ 3,158	\$ 8,222	\$ 2,836
Liabilities:				
Amounts held for social services clients	\$ 7,900	\$ 3,158	\$ 8,222	\$ 2,836

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

County of Essex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Receivables (net of allowance for uncollectibles):			
Due from other governmental units	\$ 576,203	\$ 89,079	\$ 665,282
Inventories	-	11,291	11,291
Total assets	<u>\$ 576,203</u>	<u>\$ 100,370</u>	<u>\$ 676,573</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 106,900	\$ 13,634	\$ 120,534
Due to other governmental units	469,303	-	469,303
Total liabilities	<u>\$ 576,203</u>	<u>\$ 13,634</u>	<u>\$ 589,837</u>
Fund balances:			
Nonspendable	\$ -	\$ 11,291	\$ 11,291
Committed	-	75,445	75,445
Total fund balances	<u>\$ -</u>	<u>\$ 86,736</u>	<u>\$ 86,736</u>
Total liabilities and fund balances	<u>\$ 576,203</u>	<u>\$ 100,370</u>	<u>\$ 676,573</u>

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

Total fund balances per above	\$ 86,736
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Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$ 8,856,194	
Accumulated depreciation	<u>(3,789,475)</u>	5,066,719

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:

Compensated absences	<u>\$ (39,756)</u>	(39,756)
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Net assets of governmental activities	<u>\$ 5,113,699</u>
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County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 9,913	\$ 175	\$ 10,088
Charges for services	14,950	182,668	197,618
Miscellaneous	39,579	1,194	40,773
Recovered costs	116,101	-	116,101
Intergovernmental revenues:			
Local government	5,754,531	13,657	5,768,188
Commonwealth	7,786,536	15,735	7,802,271
Federal	1,673,354	555,572	2,228,926
Total revenues	<u>\$ 15,394,964</u>	<u>\$ 769,001</u>	<u>\$ 16,163,965</u>
EXPENDITURES			
Current:			
Education	\$ 15,394,964	\$ 756,379	\$ 16,151,343
Total expenditures	<u>\$ 15,394,964</u>	<u>\$ 756,379</u>	<u>\$ 16,151,343</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 12,622	\$ 12,622
Net change in fund balances	\$ -	\$ 12,622	\$ 12,622
Fund balances - beginning	-	74,114	74,114
Fund balances - ending	<u>\$ -</u>	<u>\$ 86,736</u>	<u>\$ 86,736</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 \$ 12,622

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. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 286,656	
Transfer of joint tenancy assets to Component Unit from Primary Government	308,722	
Depreciation expense	<u>(398,182)</u>	197,196

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:

(Increase)decrease in accrued leave	<u>\$ 15,901</u>	15,901
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Change in net assets of governmental activities \$ 225,719

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, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 9,913	\$ 9,913	\$ -
Charges for services	31,000	31,000	14,950	(16,050)
Miscellaneous	18,000	28,237	39,579	11,342
Recovered costs	50,000	93,782	116,101	22,319
Intergovernmental revenues:				
Local government	5,877,608	6,245,344	5,754,531	(490,813)
Commonwealth	8,112,117	8,123,809	7,786,536	(337,273)
Federal	1,184,085	1,719,381	1,673,354	(46,027)
Total revenues	\$ 15,277,810	\$ 16,251,466	\$ 15,394,964	\$ (856,502)
EXPENDITURES				
Current:				
Education	\$ 15,277,810	\$ 16,192,877	\$ 15,394,964	\$ 797,913
Total expenditures	\$ 15,277,810	\$ 16,192,877	\$ 15,394,964	\$ 797,913
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 58,589	\$ -	\$ (58,589)
Net change in fund balances	\$ -	\$ 58,589	\$ -	\$ (58,589)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ 58,589	\$ -	\$ (58,589)

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, 2011

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 175	\$ (825)
Charges for services	229,000	229,950	182,668	(47,282)
Miscellaneous	-	1,194	1,194	-
Intergovernmental revenues:				
Local government	-	-	13,657	13,657
Commonwealth	18,650	18,650	15,735	(2,915)
Federal	339,372	452,509	555,572	103,063
Total revenues	<u>\$ 588,022</u>	<u>\$ 703,303</u>	<u>\$ 769,001</u>	<u>\$ 65,698</u>
EXPENDITURES				
Current:				
Education	\$ 588,022	\$ 703,303	\$ 756,379	\$ (53,076)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 12,622	\$ 12,622
Net change in fund balances	\$ -	\$ -	\$ 12,622	\$ 12,622
Fund balances - beginning	-	-	74,114	74,114
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,736</u>	<u>\$ 86,736</u>

County of Essex, Virginia
Statement of Fiduciary Net Assets
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2011

	Chesapeake Bay Governor's <u>School</u>
ASSETS	
Cash and cash equivalents	\$ 12,324
Total assets	<u>\$ 12,324</u>
LIABILITIES	
Accounts payable	\$ 4,395
Total liabilities	<u>\$ 4,395</u>
NET ASSETS	
Held in trust for governor's school	<u><u>\$ 7,929</u></u>

County of Essex, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2011

	Chesapeake Bay Governor's <u>School</u>
ADDITIONS	
Contributions:	
Revenue from the Commonwealth	\$ 447,571
Tuition	715,514
Total contributions	<u>\$ 1,163,085</u>
 Total additions	 <u>\$ 1,163,085</u>
 DEDUCTIONS	
Operating	<u>\$ 1,286,334</u>
 Change in net assets	 \$ (123,249)
 Net assets - beginning	 <u>\$ 131,178</u>
Net assets - ending	<u><u>\$ 7,929</u></u>

SUPPORTING SCHEDULES

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 9,347,000	\$ 9,347,000	\$ 8,979,439	\$ (367,561)
Real and personal public service corporation taxes	-	-	239,530	239,530
Personal property taxes	1,570,300	1,570,300	1,753,113	182,813
Mobile home taxes	41,100	41,100	36,114	(4,986)
Machinery and tools taxes	46,000	46,000	57,179	11,179
Merchant's capital taxes	67,100	67,100	65,554	(1,546)
Penalties	120,000	120,000	156,471	36,471
Interest	92,700	92,700	109,106	16,406
Total general property taxes	\$ 11,284,200	\$ 11,284,200	\$ 11,396,506	\$ 112,306
Other local taxes:				
Local sales and use taxes	\$ 1,676,000	\$ 1,676,000	\$ 1,533,549	\$ (142,451)
Consumers' utility taxes	575,000	575,000	238,508	(336,492)
Motor vehicle licenses	240,000	240,000	246,010	6,010
Taxes on recordation and wills	45,000	45,000	18,831	(26,169)
Total other local taxes	\$ 2,536,000	\$ 2,536,000	\$ 2,036,898	\$ (499,102)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 8,398	\$ 398
Transfer fees	500	500	389	(111)
Permits and other licenses	54,400	54,400	45,009	(9,391)
Total permits, privilege fees, and regulatory licenses	\$ 62,900	\$ 62,900	\$ 53,796	\$ (9,104)
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 19,104	\$ (896)
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 8,000	\$ 5,244	\$ (2,756)
Revenue from use of property	-	-	73,826	73,826
Total revenue from use of money and property	\$ 8,000	\$ 8,000	\$ 79,070	\$ 71,070
Charges for services:				
Court costs	\$ 27,000	\$ 27,000	\$ 25,326	\$ (1,674)
Charges for courthouse maintenance	14,500	14,500	11,195	(3,305)
Criminal/traffic cases fees-security	55,000	55,000	61,283	6,283
Charges for Commonwealth's Attorney	500	500	501	1
Charges for community development	3,000	3,000	71	(2,929)
Charges for parks and recreation	15,000	15,000	20,079	5,079
Total charges for services	\$ 115,000	\$ 115,000	\$ 118,455	\$ 3,455
Miscellaneous revenue:				
Miscellaneous	\$ 24,700	\$ 24,700	\$ 30,737	\$ 6,037

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's erosion and sediment control	2,500	2,500	3,125	625
Jurors payments	1,000	1,000	-	(1,000)
Health department rent	30,000	30,000	-	(30,000)
Sheriff-EHS security	15,000	15,000	15,706	706
Total recovered costs	\$ 78,500	\$ 78,500	\$ 48,831	\$ (29,669)
Total revenue from local sources	\$ 14,129,300	\$ 14,129,300	\$ 13,783,397	\$ (345,903)
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ -	\$ -	\$ 366,844	\$ 366,844
Mobile home titling tax	20,000	20,000	5,561	(14,439)
Rolling stock tax	800	800	998	198
Auto rental tax	1,200	1,200	442	(758)
State recordation tax	80,000	80,000	94,050	14,050
Personal property tax relief funds	1,050,000	1,050,000	1,054,171	4,171
Reduction in aid to local governments	(86,400)	(86,400)	(84,048)	2,352
Total noncategorical aid	\$ 1,065,600	\$ 1,065,600	\$ 1,438,018	\$ 372,418
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 155,000	\$ 155,000	\$ 152,906	\$ (2,094)
Sheriff	605,000	605,000	592,957	(12,043)
Commissioner of revenue	84,000	84,000	81,509	(2,491)
Treasurer	71,000	71,000	68,207	(2,793)
Medical examiner	250	250	-	(250)
Registrar/electoral board	46,500	46,500	38,011	(8,489)
Clerk of the Circuit Court	165,000	165,000	169,619	4,619
Total shared expenses	\$ 1,126,750	\$ 1,126,750	\$ 1,103,209	\$ (23,541)
Other categorical aid:				
Public assistance and welfare administration	\$ 417,526	\$ 417,526	\$ 427,111	\$ 9,585
Emergency medical services - four for life	9,500	9,500	13,259	3,759
Emergency services	10,000	10,000	-	(10,000)
Law enforcement block grant	-	-	1,891	1,891
Comprehensive services act	550,000	550,000	272,334	(277,666)
Litter control	5,000	5,000	7,120	2,120
Wireless funds	-	-	38,285	38,285
LYNX grant	46,500	46,500	-	(46,500)
Victim-witness grant	25,000	25,000	21,918	(3,082)
Domestic violence grant	40,000	40,000	39,581	(419)
Fire programs fund	21,365	21,365	26,321	4,956
Total other categorical aid	\$ 1,124,891	\$ 1,124,891	\$ 847,820	\$ (277,071)
Total categorical aid	\$ 2,251,641	\$ 2,251,641	\$ 1,951,029	\$ (300,612)
Total revenue from the Commonwealth	\$ 3,317,241	\$ 3,317,241	\$ 3,389,047	\$ 71,806

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 839,694	\$ 839,694	\$ 858,972	\$ 19,278
Public assistance and welfare administration - ARRA	-	-	25,468	25,468
Homeland security grant	-	-	13,316	13,316
Transportation safety	-	-	3,871	3,871
Total categorical aid	\$ 839,694	\$ 839,694	\$ 901,627	\$ 61,933
Total revenue from the federal government	\$ 839,694	\$ 839,694	\$ 901,627	\$ 61,933
Total General Fund	\$ 18,286,235	\$ 18,286,235	\$ 18,074,071	\$ (212,164)
Special Revenue Fund:				
County Special Revenue Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 4,653	\$ 4,653
Total miscellaneous revenue	\$ -	\$ -	\$ 4,653	\$ 4,653
Total County Special Revenue Fund	\$ -	\$ -	\$ 4,653	\$ 4,653
Total Primary Government	\$ 18,286,235	\$ 18,286,235	\$ 18,078,724	\$ (207,511)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 5,000	\$ 9,913	\$ 9,913	\$ -
Charges for services:				
Charges for education	\$ 6,000	\$ 6,000	\$ 6,750	\$ 750
Tuition and payments from other divisions	25,000	25,000	8,200	(16,800)
Total charges for services	\$ 31,000	\$ 31,000	\$ 14,950	\$ (16,050)
Miscellaneous revenue:				
Miscellaneous	\$ 18,000	\$ 28,237	\$ 39,579	\$ 11,342
Recovered costs:				
E-rates	\$ 50,000	\$ 93,782	\$ 116,101	\$ 22,319
Total recovered costs	\$ 50,000	\$ 93,782	\$ 116,101	\$ 22,319
Total revenue from local sources	\$ 104,000	\$ 162,932	\$ 180,543	\$ 17,611
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 5,877,608	\$ 6,245,344	\$ 5,754,531	\$ (490,813)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,285,227	\$ 1,285,227	\$ 1,337,766	\$ 52,539
Basic school aid	3,782,660	3,782,660	3,562,013	(220,647)
Remedial summer education	47,009	47,009	42,308	(4,701)
Gifted and talented	36,719	36,719	36,668	(51)
Remedial education	165,646	165,646	165,412	(234)
Special education	555,688	555,688	554,905	(783)
Textbook payment	42,872	42,872	42,812	(60)
GED funding	7,859	7,859	7,859	-
Vocational education	84,659	87,576	85,099	(2,477)
School fringes	368,011	368,011	367,492	(519)
Educational Technology	128,000	128,000	94,292	(33,708)
State lottery payments	990,753	990,753	896,203	(94,550)
Early reading intervention	24,949	24,949	20,271	(4,678)
Homebound	3,107	6,877	6,877	-
At risk payments	344,612	344,612	319,685	(24,927)
Primary class size	215,750	215,750	214,772	(978)
SOL Algebra readiness	19,177	19,177	20,737	1,560
English as a second language	9,419	9,419	8,865	(554)
Other state aid	-	5,005	2,500	(2,505)
Total categorical aid	\$ 8,112,117	\$ 8,123,809	\$ 7,786,536	\$ (337,273)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 408,480	\$ 573,829	\$ 761,972	\$ 188,143
Title I - ARRA	-	-	131,797	131,797
Title VI-B	380,000	380,000	361,511	(18,489)
Title VI-B - special education - ARRA	-	141,384	175,263	33,879
Preschool grant	19,000	19,000	16,937	(2,063)
State fiscal stabilization fund - ARRA	-	221,076	130,027	(91,049)
Vocational education	33,000	33,000	27,162	(5,838)
Drug free schools	6,673	6,673	2,076	(4,597)
Title III	2,100	2,100	-	(2,100)
School improvement	250,000	250,000	-	(250,000)
Title II-A	80,637	80,637	54,827	(25,810)
Title II-D - ARRA	-	-	8,900	8,900
Title II-D	4,195	11,682	2,882	(8,800)
Total categorical aid	\$ 1,184,085	\$ 1,719,381	\$ 1,673,354	\$ (46,027)
Total School Operating Fund	\$ 15,277,810	\$ 16,251,466	\$ 15,394,964	\$ (856,502)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 175	\$ (825)
Charges for services:				
Cafeteria sales	\$ 229,000	\$ 229,950	\$ 182,668	\$ (47,282)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 1,194	\$ 1,194	\$ -
Total revenue from local sources	\$ 230,000	\$ 232,144	\$ 184,037	\$ (48,107)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ -	\$ -	\$ 13,657	\$ 13,657
Total revenues from local governments	\$ -	\$ -	\$ 13,657	\$ 13,657
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 18,650	\$ 18,650	\$ 15,735	\$ (2,915)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 339,372	\$ 452,509	\$ 513,036	\$ 60,527
Commodities	-	-	42,536	42,536
Total categorical aid	\$ 339,372	\$ 452,509	\$ 555,572	\$ 103,063
Total revenue from the federal government	\$ 339,372	\$ 452,509	\$ 555,572	\$ 103,063
Total School Cafeteria Fund	\$ 588,022	\$ 703,303	\$ 769,001	\$ 65,698
Total Discretely Presented Component Unit - School Board	\$ 15,865,832	\$ 16,954,769	\$ 16,163,965	\$ (790,804)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 1,715,954	\$ 1,715,954	\$ 821,153	\$ 894,801
General and financial administration:				
County administrator	\$ 409,307	\$ 409,307	\$ 409,207	\$ 100
Commissioner of revenue	237,479	237,479	252,415	(14,936)
Independent Auditor	35,000	35,000	39,948	(4,948)
Treasurer	212,138	212,138	217,558	(5,420)
Total general and financial administration	\$ 893,924	\$ 893,924	\$ 919,128	\$ (25,204)
Board of elections:				
Electoral board and officials	\$ 24,947	\$ 24,947	\$ 14,862	\$ 10,085
Registrar	83,510	83,510	81,351	2,159
Total board of elections	\$ 108,457	\$ 108,457	\$ 96,213	\$ 12,244
Total general government administration	\$ 2,718,335	\$ 2,718,335	\$ 1,836,494	\$ 881,841
Judicial administration:				
Courts:				
Circuit court	\$ 19,157	\$ 19,157	\$ 17,358	\$ 1,799
General district court	6,219	6,219	5,859	360
Sheriff	22,780	22,780	52,811	(30,031)
Juvenile and domestic relations court	83,285	83,285	81,448	1,837
Northern Neck Essex County Group Home Commission	31,232	31,232	39,040	(7,808)
Clerk of the circuit court	256,780	256,780	237,691	19,089
Total courts	\$ 419,453	\$ 419,453	\$ 434,207	\$ (14,754)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 266,259	\$ 266,259	\$ 261,986	\$ 4,273
Total judicial administration	\$ 685,712	\$ 685,712	\$ 696,193	\$ (10,481)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 936,410	\$ 936,410	\$ 1,231,423	\$ (295,013)
Fire and rescue services:				
Fire department	\$ 138,690	\$ 138,690	\$ 123,046	\$ 15,644
Ambulance and rescue services	688,320	688,320	844,459	(156,139)
Forestry service	7,100	7,100	7,114	(14)
Total fire and rescue services	\$ 834,110	\$ 834,110	\$ 974,619	\$ (140,509)
Correction and detention:				
Sheriff	\$ 1,256,369	\$ 1,256,369	\$ 1,124,439	\$ 131,930
Inspections:				
Building	\$ 199,607	\$ 199,607	\$ 210,701	\$ (11,094)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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)				
Other protection:				
Animal control	\$ 122,717	\$ 122,717	\$ 122,711	\$ 6
Emergency services	80,877	80,877	57,881	22,996
Medical examiner	250	250	-	250
Total other protection	\$ 203,844	\$ 203,844	\$ 180,592	\$ 23,252
Total public safety	\$ 3,430,340	\$ 3,430,340	\$ 3,721,774	\$ (291,434)
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 644,030	\$ 644,030	\$ 703,626	\$ (59,596)
Refuse collection	190,408	190,408	5,016	185,392
Total sanitation and waste removal	\$ 834,438	\$ 834,438	\$ 708,642	\$ 125,796
Maintenance of general buildings and grounds:				
General properties	\$ 348,206	\$ 348,206	\$ 503,040	\$ (154,834)
Total public works	\$ 1,182,644	\$ 1,182,644	\$ 1,211,682	\$ (29,038)
Health and welfare:				
Health:				
Supplement of local health department	\$ 108,155	\$ 108,155	\$ 79,683	\$ 28,472
Mental health and mental retardation:				
Community services board	\$ 32,553	\$ 32,553	\$ 59,767	\$ (27,214)
Welfare:				
Public assistance and welfare administration	\$ 1,712,403	\$ 1,712,403	\$ 1,773,729	\$ (61,326)
Bay transit	75,700	75,700	75,700	-
Comprehensive services act	750,000	750,000	516,784	233,216
Contributions to other civic organizations	45,615	45,615	36,631	8,984
Total welfare	\$ 2,583,718	\$ 2,583,718	\$ 2,402,844	\$ 180,874
Total health and welfare	\$ 2,724,426	\$ 2,724,426	\$ 2,542,294	\$ 182,132
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 6,436	\$ 6,436	\$ 6,436	\$ -
Contribution to County School Board	5,877,608	6,245,344	5,768,188	477,156
Total education	\$ 5,884,044	\$ 6,251,780	\$ 5,774,624	\$ 477,156
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 145,899	\$ 145,899	\$ 137,584	\$ 8,315
Swimming pool and park	92,078	92,078	97,793	(5,715)
Total parks and recreation	\$ 237,977	\$ 237,977	\$ 235,377	\$ 2,600

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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: (Continued)				
Cultural enrichment:				
Museum	\$ 17,000	\$ 17,000	\$ 35,450	\$ (18,450)
Library:				
Contribution to county library	\$ 159,157	\$ 159,157	\$ 172,663	\$ (13,506)
Total parks, recreation, and cultural	\$ 414,134	\$ 414,134	\$ 443,490	\$ (29,356)
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 15,500	\$ 15,500	\$ 11,620	\$ 3,880
Total planning and community development	\$ 15,500	\$ 15,500	\$ 11,620	\$ 3,880
Environmental management:				
Contribution to soil and water conservation district	\$ 11,875	\$ 11,875	\$ 11,875	\$ -
Litter control program	2,000	2,000	2,020	(20)
Total environmental management	\$ 13,875	\$ 13,875	\$ 13,895	\$ (20)
Cooperative extension program:				
Extension office	\$ 42,397	\$ 42,397	\$ 37,731	\$ 4,666
Total community development	\$ 71,772	\$ 71,772	\$ 63,246	\$ 8,526
Debt service:				
Principal retirement	\$ 710,184	\$ 710,184	\$ 961,250	\$ (251,066)
Interest and other fiscal charges	468,439	468,439	924,096	(455,657)
Bond issuance cost	-	-	9,350	(9,350)
Total debt service	\$ 1,178,623	\$ 1,178,623	\$ 1,894,696	\$ (716,073)
Total General Fund	\$ 18,290,030	\$ 18,657,766	\$ 18,184,493	\$ 473,273
Total Primary Government	\$ 18,290,030	\$ 18,657,766	\$ 18,184,493	\$ 473,273

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 996,236	\$ 1,139,264	\$ 893,165	\$ 246,099
Instruction costs	11,851,493	12,316,577	11,965,258	351,319
Pupil transportation	1,070,635	1,345,080	1,331,230	13,850
Operation and maintenance of school plant	1,359,446	1,391,956	1,205,311	186,645
Total education	\$ 15,277,810	\$ 16,192,877	\$ 15,394,964	\$ 797,913
Total School Operating Fund	\$ 15,277,810	\$ 16,192,877	\$ 15,394,964	\$ 797,913
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 588,022	\$ 703,303	\$ 713,843	\$ (10,540)
Commodities	-	-	42,536	(42,536)
Total school food services	\$ 588,022	\$ 703,303	\$ 756,379	\$ (53,076)
Total education	\$ 588,022	\$ 703,303	\$ 756,379	\$ (53,076)
Total School Cafeteria Fund	\$ 588,022	\$ 703,303	\$ 756,379	\$ (53,076)
Total Discretely Presented Component Unit - School Board	\$ 15,865,832	\$ 16,896,180	\$ 16,151,343	\$ 744,837

OTHER STATISTICAL INFORMATION

Table 1

County of Essex, Virginia
Government-Wide Expenses by Function
Last Nine Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2002-03	\$ 1,331,963	\$ 469,632	\$ 1,979,437	\$ 1,158,272	\$ 1,625,402	\$ 4,817,352	\$ 266,103	\$ 459,878	\$ 428,246	\$ 12,536,285
2003-04	1,202,809	574,385	2,102,504	1,294,730	1,653,966	4,990,305	294,255	61,135	402,084	12,576,173
2004-05	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575
2005-06	1,806,010	702,243	2,588,662	1,173,164	2,249,567	5,139,957	421,983	57,745	429,931	14,569,262
2006-07	1,680,451	737,022	2,762,429	1,327,043	2,256,548	5,757,576	469,444	64,931	955,334	16,010,778
2007-08	1,882,055	770,077	2,830,590	1,157,611	3,056,909	5,052,164	411,997	1,063,524	883,657	17,108,584
2008-09	1,568,632	700,133	3,451,014	1,354,988	2,645,966	8,194,820	427,867	91,643	1,046,589	19,481,652
2009-10	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575

(1) Information has only been available for nine years.

Table 2

County of Essex, Virginia
Government-Wide Revenues
Last Nine Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES								
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General			Other		Unrestricted		Grants and Contributions Not Restricted to Specific Programs	Total
				Property Taxes	Local Taxes	Earnings	Miscellaneous					
2002-03	\$ 145,476	\$ 2,378,172	\$ 430,140	\$ 6,087,052	\$ 1,850,522	\$ 76,641	\$ 23,377	\$ 1,102,843	\$ 12,094,223			
2003-04	243,366	2,341,867	-	6,861,360	2,021,596	46,619	24,740	1,199,160	12,738,708			
2004-05	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416			
2005-06	315,666	2,536,302	-	7,954,220	2,790,987	110,792	35,161	1,243,410	14,986,538			
2006-07	254,479	2,781,182	-	8,961,879	2,959,126	480,937	71,592	1,179,123	16,688,318			
2007-08	305,834	3,649,195	214,103	10,104,272	2,723,813	138,994	132,002	1,190,595	18,458,808			
2008-09	216,826	3,245,589	208,140	10,638,177	2,581,539	54,714	67,214	1,066,074	18,078,273			
2009-10	207,305	2,854,011	-	10,726,095	2,136,779	39,235	85,746	1,453,937	17,503,108			
2010-11	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416			

(1) Information has only been available for nine years.

Table 3

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

Fiscal Year	General			Parks,				Debt		
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Recreation, and Cultural	Community Development	Service	Total
2001-02	\$ 1,083,584	\$ 454,052	\$ 1,967,676	\$ 1,170,695	\$ 1,494,472	\$ 12,047,326	\$ 266,194	\$ 381,585	\$ 5,310,228	\$ 24,175,812
2002-03	1,329,003	462,585	1,989,524	1,205,273	1,620,452	12,244,486	266,836	465,524	1,053,224	20,636,907
2003-04	1,188,244	514,059	2,117,068	1,337,864	1,662,231	13,146,496	292,555	61,135	970,811	21,290,463
2004-05	1,283,740	520,491	2,297,532	1,283,460	1,818,040	13,669,677	316,073	49,916	1,048,292	22,287,221
2005-06	2,566,088	643,287	2,588,658	1,218,893	2,245,207	14,481,828	401,242	57,745	1,049,188	25,252,136
2006-07	1,615,589	687,338	2,718,932	1,255,696	2,255,040	15,393,625	472,872	64,931	1,595,676	26,059,699
2007-08	1,854,877	705,787	3,225,150	1,373,317	3,074,857	16,415,089	419,815	81,674	1,631,400	28,781,966
2008-09	1,561,628	635,967	6,059,597	1,386,767	2,640,100	17,113,270	422,557	91,643	2,531,253	32,442,782
2009-10	1,516,867	705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685
2010-11	1,836,494	696,193	3,721,774	1,211,682	2,542,294	16,171,436	443,490	63,246	1,894,696	28,581,305

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

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

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

Table 4

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

Fiscal Year	General Property Taxes		Other Local Taxes		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property		Charges for Services		Miscellaneous		Recovered Costs		Inter- governmental (2)		Total
	\$		\$		\$		\$		\$		\$		\$		\$		\$		\$
2001-02	5,659,772		1,961,849		58,333		38,550		63,936		222,681		241,214		839,351		10,829,643		19,915,329
2002-03	6,120,576		1,850,522		57,508		27,493		78,987		275,927		241,361		47,249		11,566,548		20,266,171
2003-04	6,767,686		2,021,596		77,979		36,320		62,003		353,044		368,369		62,893		11,462,450		21,212,340
2004-05	7,311,584		2,351,868		107,142		45,812		66,119		380,864		129,467		80,724		11,868,105		22,341,685
2005-06	7,936,224		2,790,987		133,626		31,953		113,892		406,127		119,477		45,749		12,351,867		23,929,902
2006-07	8,955,083		2,959,126		127,766		22,451		158,986		362,006		150,669		37,001		14,183,804		26,956,892
2007-08	9,944,811		2,723,813		149,560		26,643		135,976		392,803		248,544		57,273		15,296,604		28,976,027
2008-09	10,124,022		2,581,539		68,100		11,056		62,754		382,227		233,054		50,424		15,465,980		28,979,156
2009-10	10,771,461		2,136,779		63,642		15,020		44,039		346,237		154,753		180,490		15,502,028		29,214,449
2010-11	11,396,506		2,036,898		53,796		19,104		89,158		316,073		76,163		164,932		14,321,871		28,474,501

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

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Delinquent Tax Collections		
2001-02	\$ 6,710,097	\$ 6,353,551	94.69%	\$ 143,748	\$ 6,497,299	96.83%	\$ 459,994	6.86%	
2002-03	7,247,743	6,818,534	94.08%	98,241	6,916,775	95.43%	505,145	6.97%	
2003-04	7,900,376	7,571,684	95.84%	104,501	7,676,185	97.16%	624,008	7.90%	
2004-05	8,253,021	7,925,141	96.03%	209,930	8,135,071	98.57%	595,900	7.22%	
2005-06	8,332,662	8,632,952	103.60%	50,903	8,683,855	104.21%	743,774	8.93%	
2006-07	10,103,491	9,482,844	93.86%	274,547	9,757,391	96.57%	766,958	7.59%	
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%	
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%	
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%	
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,169,386	9.57%	

(1) Exclusive of penalties and interest.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)			Total
					Real Estate	Personal Property		
2001-02	\$ 690,995,192	\$ 72,961,276	\$ 5,540,821	\$ 1,076,947	\$ 31,997,499	\$ 15,988	\$	802,587,723
2002-03	763,477,472	75,162,736	6,586,780	1,006,220	32,353,642	54,167		878,641,017
2003-04	787,924,966	74,416,595	3,048,121	1,131,318	32,931,405	99,116		899,551,521
2004-05	809,803,080	73,567,793	3,042,496	1,232,474	28,711,283	90,467		916,447,593
2005-06	843,771,375	80,431,913	2,864,967	1,310,886	25,350,924	68,638		953,798,703
2006-07	866,975,291	88,602,590	1,145,886	1,534,735	22,814,835	87,574		981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642		1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107		1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211		1,627,201,997
2010-11	1,492,473,385	85,051,484	1,633,681	1,759,440	39,121,599	81,257		1,620,120,846

(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
2001-02	\$ 0.58	\$ 0.58	\$ 3.50	\$ 3.75	\$ 3.50
2002-03	0.58	0.58	3.50	3.75	3.50
2003-04	0.58/0.70	0.58	3.50	3.75	3.50
2004-05	0.68	0.70	3.50	3.75	3.50
2005-06	0.68/0.78	0.68	3.50	3.75	3.50
2006-07	0.78	0.78	3.50	3.75	3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.605	0.53	3.50	3.75	3.50
2010-11	0.605	0.605	3.50	3.75	3.50

(1) Per \$100 of assessed value.

Table 8

County of Essex, Virginia
Ratio of Net General Obligation 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
2001-02	9,989	\$ 802,587,723	\$ 7,208,961	\$ 7,208,961	0.90%	\$ 722
2002-03	9,989	878,641,017	6,734,571	6,734,571	0.77%	674
2003-04	9,989	899,551,521	6,288,212	6,288,212	0.70%	630
2004-05	9,989	916,447,593	5,825,811	5,825,811	0.64%	583
2005-06	9,989	953,798,703	5,366,726	5,366,726	0.56%	537
2006-07	9,989	981,160,911	4,874,092	4,874,092	0.50%	488
2007-08	9,989	1,603,457,440	11,715,737	11,715,737	0.73%	1,173
2008-09	9,989	1,613,936,980	10,658,109	10,658,109	0.66%	1,067
2009-10	11,151	1,627,201,997	9,911,985	9,911,985	0.61%	889
2010-11	11,151	1,620,120,846	9,205,670	9,205,670	0.57%	826

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

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

*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
Tappahannock, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Essex, Virginia's basic financial statements and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Essex, Virginia's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 5, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

*Independent Auditors' Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133*

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

Compliance

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. The County of Essex, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Essex, Virginia's management. Our responsibility is to express an opinion on the County of Essex, Virginia's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination of the County of Essex, Virginia's compliance with those requirements.

In our opinion, the County of Essex, Virginia complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the County of Essex, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Essex, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 5, 2012

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	0950109/0950110	\$ 14,393
Temporary assistance for needy families	93.558	0400109/0400110	106,532
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	305
Low income home energy assistance	93.568	0600409/00600410	5,788
Child Care and Development Cluster:			
Child care and development block grant	93.575	0770109/0770110	119,122
ARRA - Child care and development block grant	93.713	0740109/0780109	10,277
Child care mandatory and matching funds of the child care development fund	93.596	0760109/0760110	101,731
Chafee education and training vouchers	93.599	0760109/0760110	4,000
Stephanie Tubbs Jones child welfare services program	93.645	0900109/090110	518
Foster care - Title IV-E	93.658	1100109/1100110	129,216
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	5,575
Total CFDA# 93.658			<u>134,791</u>
Adoption assistance	93.659	1120109/1120110	44,100
ARRA - Adoption assistance	93.659	1120109/1120110	2,829
Total CFDA# 93.659			<u>46,929</u>
Social services block grant	93.667	1000109/1000110	71,560
Chafee foster care independence program	93.674	9150109/9150110	2,851
Children's health insurance program	93.767	0540109/0540110	4,692
Medical assistance program	93.778	1200109/1200110	95,931
Total Department of Health and Human Services			<u>\$ 719,420</u>
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency management performance grant	97.042	77501-52749	\$ 13,316
Total U.S. Department of Homeland Security			<u>\$ 13,316</u>
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Child Nutrition Cluster:			
Food Distribution	10.555	17901-45707	\$ 42,536
<i>Department of Education:</i>			
Child Nutrition Cluster:			
National school lunch program	10.555	17901-45707	383,838
Total CFDA# 10.555			<u>\$ 426,374</u>
School breakfast program	10.553	17901-40591	129,198

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
<i>Department of Social Services:</i>			
SNAP Cluster:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/0010100	\$ 158,233
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	0040109/0040110	6,787
			<u>\$ 720,592</u>
Total Department of Agriculture			
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and community highway safety program	20.600	60507-50287	\$ 3,871
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I, Part A Cluster:			
Title I grants to local educational agencies	84.010	17901-42901-42999	\$ 761,972
ARRA - Title I grants to local educational agencies	84.389	17901-42913	131,797
Special Education Cluster:			
Special education - grants to states	84.027	17901-43071-61234	361,511
ARRA - Special education - grants to states	84.391	17901-61245	175,263
Special education - preschool grants	84.173	17901-62521	16,937
Career and technical education - basic grants to states	84.048	17901-61095	27,162
Safe and drug free schools and communities - state grants	84.186	17901-60511	2,076
Education technology state grants	84.318	17901-61600	2,882
Improving teacher quality state grants	84.367	17901-61480	54,827
ARRA - educational technology	84.386	17901-60897	8,900
ARRA - State fiscal stabilization funds - education state grants	84.394	17901-62532	130,027
			<u>\$ 1,673,354</u>
Total Department of Education			
Total Expenditures of Federal Awards			<u>\$ 3,130,553</u>

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, 2011

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Essex, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 assets, 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - 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	\$ 901,627
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Component Unit Public Schools:

School Operating Fund	\$ 1,673,354
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School Special Revenue Fund	555,572
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Total component unit public schools	<u>\$ 2,228,926</u>
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Total federal expenditures per basic financial statements	<u>\$ 3,130,553</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,130,553</u></u>
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County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies 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 deficiencies identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance
for major programs: unqualified

Any findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? _____ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	State Fiscal Stabilization Funds - Education
	State Grants, Recovery Act
84.010/84.389	Title I, Part A
84.027/84.173/84.391	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A
and type B programs: \$300,000

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

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2011

There were no prior year findings and questioned costs.