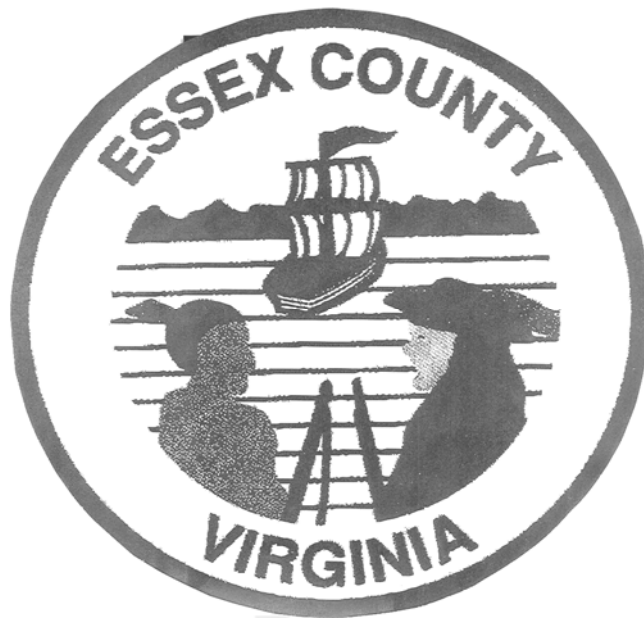


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2017

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

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

E. Stanley Langford, Jr.

John C. Magruder

School Board

Denise Hammond, Chairperson
Jacob Plummer, Vice Chairperson

Keren Ellis
Larry Lenz

Raymond Whitaker

Department of Social Services Board

Nancy Haynes, Chairperson
Wright Andrews, Vice Chairperson

Sydney Johnson
Cherlanda Sidney-Ross
Janie Mitchell

Other Officials

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

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 4-10, 71-72, and 73-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Essex, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
November 22, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Essex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,055,556 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$287,695 (Exhibit 5) after making contributions totaling \$7,514,243 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$10,443,484, an increase of \$287,695 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,257,528 or 26.5% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$1,522,918 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,055,556 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Essex, Virginia's Net Position

| | Governmental Activities | |
|-----------------------------------|-----------------------------|-----------------------------|
| | 2017 | 2016 |
| Current and other assets | \$ 19,286,032 | \$ 18,772,913 |
| Capital assets | <u>32,006,223</u> | <u>33,515,604</u> |
| Total assets | \$ <u>51,292,255</u> | \$ <u>52,288,517</u> |
| Deferred inflows of resources | \$ <u>799,270</u> | \$ <u>511,395</u> |
| Current liabilities | \$ 385,664 | \$ 445,349 |
| Long-term liabilities outstanding | <u>32,297,757</u> | <u>33,820,675</u> |
| Total liabilities | \$ <u>32,683,421</u> | \$ <u>34,266,024</u> |
| Deferred inflows of resources | \$ <u>7,352,548</u> | \$ <u>7,404,529</u> |
| Net position: | | |
| Net investment in capital assets | \$ 5,001,291 | \$ 4,595,339 |
| Restricted for: | | |
| Glebe fund | 31,770 | 57,537 |
| Forfeited assets | 84,597 | 84,598 |
| Law library | 7,328 | 7,328 |
| Asset forfeiture - Comm. Atty | 2,860 | 3,455 |
| Reading program donations | 1,300 | 1,300 |
| Poor house park | 13,344 | 10,000 |
| Animal shelter | 52,844 | 25,656 |
| Capital projects | 2,291,849 | 2,864,317 |
| Unrestricted | <u>4,568,373</u> | <u>3,479,829</u> |
| Total net position | \$ <u><u>12,055,556</u></u> | \$ <u><u>11,129,359</u></u> |

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$926,197 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

| | Governmental Activities | |
|---|--------------------------------|-----------------------------|
| | 2017 | 2016 |
| Charges for services | \$ 601,400 | \$ 563,077 |
| Operating grants and contributions | 4,190,196 | 3,439,628 |
| General property taxes | 14,994,625 | 15,939,496 |
| Other local taxes | 2,398,930 | 2,494,704 |
| Grants and other contributions not restricted | 1,533,034 | 1,512,974 |
| Other general revenues | 356,019 | 395,360 |
| Total revenues | <u>\$ 24,074,204</u> | <u>\$ 24,345,239</u> |
| General government administration | \$ 1,805,722 | \$ 1,623,756 |
| Judicial administration | 797,726 | 726,774 |
| Public safety | 4,290,214 | 4,443,293 |
| Public works | 1,964,911 | 1,672,349 |
| Health and welfare | 3,192,335 | 2,451,160 |
| Education | 9,163,741 | 8,616,832 |
| Parks, recreation, and cultural | 443,243 | 713,163 |
| Community development | 148,955 | 208,534 |
| Interest and other fiscal charges | <u>1,341,160</u> | <u>1,515,344</u> |
| Total expenses | <u>\$ 23,148,007</u> | <u>\$ 21,971,205</u> |
| Change in net position | \$ 926,197 | \$ 2,374,034 |
| Net position, beginning of year | 11,129,359 | 8,755,325 |
| Net position, end of year | <u><u>\$ 12,055,556</u></u> | <u><u>\$ 11,129,359</u></u> |

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$10,443,484, an increase of \$287,695. Approximately 60% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources of the General Fund exceed budgetary estimates in the amount of \$214,981. Expenditures and other financing uses did not exceed budgetary estimates by \$978,929, resulting in a positive variance of \$1,193,910.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2017 amounted to \$32,006,223 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and intangible assets.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$30,122,729. Of this amount, \$17,214,729 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

The County's bonded debt decreased by \$2,079,696 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2018 fiscal year.

The fiscal year 2018 budget increased approximately 5% over the prior year. The County's tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Position
June 30, 2017

| | Primary Government | Component Units | | |
|---|----------------------------|-----------------------|------------------|----------------------|
| | Governmental Activities | School Board | EDA | Airport |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 7,506,785 | \$ 1,609,239 | \$ 23 | \$ 358,273 |
| Cash in custody of others | 2,156,089 | - | - | - |
| Investments | - | - | 78,719 | - |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 8,762,562 | - | - | - |
| Accounts receivable | 85,590 | 275 | - | 3,743 |
| Due from other governmental units | 775,006 | 344,823 | - | 5,164 |
| Inventories | - | 13,005 | - | - |
| Prepaid items | - | - | - | 2,820 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land and land improvements | 1,149,371 | 42,822 | - | 4,774,900 |
| Buildings and improvements | 27,514,477 | 8,282,265 | - | 3,439,316 |
| Intangibles | 1,428,534 | - | - | - |
| Equipment | 1,369,597 | 570,621 | - | 12,008 |
| Infrastructure | - | - | - | 3,318,713 |
| Construction in progress | 544,244 | - | - | 33,272 |
| Total assets | <u>\$ 51,292,255</u> | <u>\$ 10,863,050</u> | <u>\$ 78,742</u> | <u>\$ 11,948,209</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Items related to measurement of net pension liability | \$ 442,861 | \$ 981,585 | \$ - | \$ - |
| Pension contributions subsequent to measurement date | 356,409 | 1,221,313 | - | - |
| Total deferred outflows of resources | <u>\$ 799,270</u> | <u>\$ 2,202,898</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 116,930 | \$ 307,491 | \$ - | \$ 842 |
| Accrued liabilities | - | 1,623,574 | - | 4,538 |
| Accrued interest payable | 235,239 | - | - | - |
| Unearned revenue | 33,495 | - | - | - |
| Long-term liabilities: | | | | |
| Due within one year | 2,811,773 | 66,817 | - | 45,164 |
| Due in more than one year | 29,485,984 | 15,665,863 | - | 898,921 |
| Total liabilities | <u>\$ 32,683,421</u> | <u>\$ 17,663,745</u> | <u>\$ -</u> | <u>\$ 949,465</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue - property taxes | \$ 7,305,105 | \$ - | \$ - | \$ - |
| Items related to measurement of net pension liability | 47,443 | 871,449 | - | - |
| Total deferred inflows of resources | <u>\$ 7,352,548</u> | <u>\$ 871,449</u> | <u>\$ -</u> | <u>\$ -</u> |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 5,001,291 | \$ 8,789,451 | \$ - | \$ 10,634,124 |
| Restricted: | | | | |
| Glebe fund | 31,770 | - | - | - |
| Forfeited assets | 84,597 | - | - | - |
| Law library | 7,328 | - | - | - |
| Asset forfeiture - Comm. Atty | 2,860 | - | - | - |
| Poor house park | 13,344 | - | - | - |
| Animal shelter | 52,844 | - | - | - |
| Reading program donations | 1,300 | - | - | - |
| Capital projects | 2,291,849 | - | - | - |
| Unrestricted (deficit) | 4,568,373 | (14,258,697) | \$ 78,742 | 364,620 |
| Total net position | <u>\$ 12,055,556</u> | <u>\$ (5,469,246)</u> | <u>\$ 78,742</u> | <u>\$ 10,998,744</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, 2017

| | | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|---------------|-------------------------|--|--|--|-----------------|-------------|---------------|
| Program Revenues | | | | | Primary Government | Component Units | | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | School Board | EDA | Airport |
| PRIMARY GOVERNMENT: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government administration | \$ 1,805,722 | \$ - | \$ 205,304 | \$ - | \$ (1,600,418) | | | |
| Judicial administration | 797,726 | 123,242 | 464,061 | - | (210,423) | | | |
| Public safety | 4,290,214 | 441,631 | 1,127,648 | - | (2,720,935) | | | |
| Public works | 1,964,911 | - | 56,846 | - | (1,908,065) | | | |
| Health and welfare | 3,192,335 | - | 1,940,662 | - | (1,251,673) | | | |
| Education | 9,163,741 | - | - | - | (9,163,741) | | | |
| Parks, recreation, and cultural | 443,243 | 36,493 | - | - | (406,750) | | | |
| Community development | 148,955 | 34 | - | - | (148,921) | | | |
| Interest on long-term debt | 1,341,160 | - | 395,675 | - | (945,485) | | | |
| Total governmental activities | \$ 23,148,007 | \$ 601,400 | \$ 4,190,196 | \$ - | \$ (18,356,411) | | | |
| Total primary government | \$ 23,148,007 | \$ 601,400 | \$ 4,190,196 | \$ - | | | | |
| COMPONENT UNITS: | | | | | | | | |
| School Board | \$ 17,694,648 | \$ 137,222 | \$ 9,798,812 | \$ - | | \$ (7,758,614) | \$ - | \$ - |
| Economic Development Authority | 39,500 | - | - | - | | - | (39,500) | - |
| Airport Authority | 794,076 | 268,116 | 59,802 | 37,291 | | - | - | (428,867) |
| Total component unit | \$ 18,528,224 | \$ 405,338 | \$ 9,858,614 | \$ 37,291 | | \$ (7,758,614) | \$ (39,500) | \$ (428,867) |
| General revenues: | | | | | | | | |
| General property taxes | | | | | \$ 14,994,625 | \$ - | \$ - | \$ - |
| Other local taxes: | | | | | | | | |
| Local sales and use tax | | | | | 1,750,367 | - | - | - |
| Consumers' utility taxes | | | | | 248,314 | - | - | - |
| Motor vehicle licenses | | | | | 370,499 | - | - | - |
| Taxes on recordation and wills | | | | | 29,750 | - | - | - |
| Unrestricted revenues from use of money and property | | | | | 216,596 | 13,617 | 200 | 326 |
| Miscellaneous | | | | | 139,423 | 187,771 | 10,874 | - |
| Payments from Essex County | | | | | - | 8,304,771 | - | 80,033 |
| Grants and contributions not restricted to specific programs | | | | | 1,533,034 | - | - | - |
| Total general revenues | | | | | \$ 19,282,608 | \$ 8,506,159 | \$ 11,074 | \$ 80,359 |
| Change in net position | | | | | 926,197 | 747,545 | (28,426) | (348,508) |
| Net position - beginning | | | | | 11,129,359 | (6,216,791) | 107,168 | 11,347,252 |
| Net position - ending | | | | | 12,055,556 | \$ (5,469,246) | \$ 78,742 | \$ 10,998,744 |

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

FUND FINANCIAL STATEMENTS

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County of Essex, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

| | <u>General</u> | <u>Capital Projects</u> | <u>Special Revenue Fund</u> | <u>Total</u> |
|---|----------------------|-----------------------------|-------------------------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 5,460,723 | \$ 143,105 | \$ 1,902,957 | \$ 7,506,785 |
| Cash in custody of others | - | 2,156,089 | - | 2,156,089 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 8,762,562 | - | - | 8,762,562 |
| Accounts receivable | 85,590 | - | - | 85,590 |
| Due from other governmental units | 775,006 | - | - | 775,006 |
| Total assets | <u>\$ 15,083,881</u> | <u>\$ 2,299,194</u> | <u>\$ 1,902,957</u> | <u>\$ 19,286,032</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 100,735 | \$ 7,345 | \$ 8,850 | \$ 116,930 |
| Unearned revenue | 33,495 | - | - | 33,495 |
| Total liabilities | <u>\$ 134,230</u> | <u>\$ 7,345</u> | <u>\$ 8,850</u> | <u>\$ 150,425</u> |
| Deferred inflows of resources: | | | | |
| Unavailable revenue - property taxes | \$ 8,692,123 | \$ - | \$ - | \$ 8,692,123 |
| Total deferred inflow of resources | <u>\$ 8,692,123</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,692,123</u> |
| Fund balances: | | | | |
| Restricted | \$ - | \$ 2,291,849 | \$ 194,043 | \$ 2,485,892 |
| Committed: | | | | |
| Debt service funds | - | - | 1,700,064 | 1,700,064 |
| Unassigned | 6,257,528 | - | - | 6,257,528 |
| Total fund balances | <u>\$ 6,257,528</u> | <u>\$ 2,291,849</u> | <u>\$ 1,894,107</u> | <u>\$ 10,443,484</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 15,083,881</u> | <u>\$ 2,299,194</u> | <u>\$ 1,902,957</u> | <u>\$ 19,286,032</u> |

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

County of Essex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

| | | |
|--|----|------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ | 10,443,484 |
|--|----|------------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

| | | |
|--------------------------|---------------------|------------|
| Capital assets, cost | \$ 47,653,103 | |
| Accumulated depreciation | <u>(15,646,880)</u> | 32,006,223 |

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

| | | |
|--|-----------------|-----------|
| Unavailable revenue - property taxes | \$ 1,387,018 | |
| Deferred inflows related to measurement of net pension liability | <u>(47,443)</u> | 1,339,575 |

| | | |
|--|--|---------|
| Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds. | | 356,409 |
|--|--|---------|

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 | \$ (12,908,000) | |
| Literary fund loan | (180,000) | |
| General obligation bonds | (17,034,729) | |
| Bond premiums | (874,116) | |
| Accrued interest payable | (235,239) | |
| Deferred outflows related to measurement of net pension liability | 442,861 | |
| Compensated absences | (334,618) | |
| Net pension liability | <u>(966,294)</u> | (32,090,135) |

| | | |
|---|----|--------------------------|
| Net position of governmental activities | \$ | <u><u>12,055,556</u></u> |
|---|----|--------------------------|

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, 2017

| | <u>General</u> | <u>Capital Projects</u> | <u>Special Revenue Fund</u> | <u>Total</u> |
|--|----------------------|-----------------------------|-------------------------------------|----------------------|
| REVENUES | | | | |
| General property taxes | \$ 15,046,123 | \$ - | \$ - | \$ 15,046,123 |
| Other local taxes | 2,398,930 | - | - | 2,398,930 |
| Permits, privilege fees, and regulatory licenses | 118,351 | - | - | 118,351 |
| Fines and forfeitures | 55,931 | - | - | 55,931 |
| Revenue from the use of money and property | 121,432 | 71,081 | 24,083 | 216,596 |
| Charges for services | 427,118 | - | - | 427,118 |
| Miscellaneous | 105,946 | - | 33,477 | 139,423 |
| Recovered costs | 71,741 | - | - | 71,741 |
| Intergovernmental: | | | | |
| Commonwealth | 4,220,238 | - | - | 4,220,238 |
| Federal | 1,502,992 | - | - | 1,502,992 |
| Total revenues | <u>\$ 24,068,802</u> | <u>\$ 71,081</u> | <u>\$ 57,560</u> | <u>\$ 24,197,443</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,626,900 | \$ - | \$ - | \$ 1,626,900 |
| Judicial administration | 735,637 | - | 599 | 736,236 |
| Public safety | 4,002,774 | - | 2,945 | 4,005,719 |
| Public works | 1,925,317 | - | - | 1,925,317 |
| Health and welfare | 3,156,629 | - | - | 3,156,629 |
| Education | 7,529,643 | - | - | 7,529,643 |
| Parks, recreation, and cultural | 450,070 | - | - | 450,070 |
| Community development | 185,454 | - | - | 185,454 |
| Capital projects | - | 643,549 | 49,847 | 693,396 |
| Debt service: | | | | |
| Principal retirement | 2,160,196 | - | - | 2,160,196 |
| Interest and other fiscal charges | 1,520,688 | - | - | 1,520,688 |
| Total expenditures | <u>\$ 23,293,308</u> | <u>\$ 643,549</u> | <u>\$ 53,391</u> | <u>\$ 23,990,248</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 775,494</u> | <u>\$ (572,468)</u> | <u>\$ 4,169</u> | <u>\$ 207,195</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ - | \$ 300,000 | \$ 300,000 |
| Transfers out | (300,000) | - | - | (300,000) |
| Proceeds of notes payable | 80,500 | - | - | 80,500 |
| Total other financing sources (uses) | <u>\$ (219,500)</u> | <u>\$ -</u> | <u>\$ 300,000</u> | <u>\$ 80,500</u> |
| Net change in fund balances | \$ 555,994 | \$ (572,468) | \$ 304,169 | \$ 287,695 |
| Fund balances - beginning | 5,701,534 | 2,864,317 | 1,589,938 | 10,155,789 |
| Fund balances - ending | <u>\$ 6,257,528</u> | <u>\$ 2,291,849</u> | <u>\$ 1,894,107</u> | <u>\$ 10,443,484</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, 2017

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 287,695 |
|--|----|---------|

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

| | | |
|---|--------------------|-------------|
| Capital asset additions | \$ 834,793 | |
| Transfer of joint tenancy assets to Component Unit School Board from Primary Government | (790,528) | |
| Depreciation expense | <u>(1,553,646)</u> | (1,509,381) |

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 are as follows:

| | | |
|---|----------------|---------|
| Property taxes | \$ (51,498) | |
| Decrease (increase) in deferred inflows related to measurement of net pension liability | <u>317,165</u> | 265,667 |

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

| | | |
|--|----------------|-----------|
| Issuance of long-term debt | \$ (80,500) | |
| Principal retired on lease revenue bonds | 1,227,000 | |
| Principal retired on note payable | 80,500 | |
| Principal retired on literary fund loans | 90,000 | |
| Principal retired on school general obligation bonds | 762,696 | |
| Amortization of bond premium | <u>108,105</u> | 2,187,801 |

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:

| | | |
|---|-----------------|-----------|
| Decrease (increase) in compensated absences | \$ (53,256) | |
| Decrease (increase) in accrued interest payable | 71,423 | |
| Decrease (increase) in net pension liability | (611,627) | |
| Increase (decrease) in deferred outflows related to measurement of net pension liability | 298,999 | |
| (Decrease) increase in deferred outflows related to pension payments subsequent to the measurement date | <u>(11,124)</u> | (305,585) |

| | | |
|---|----|-----------------------|
| Change in net position of governmental activities | \$ | <u><u>926,197</u></u> |
|---|----|-----------------------|

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

County of Essex, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

| | Agency <u>Funds</u> |
|--|------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 4,646 |
| | <u><u>4,646</u></u> |
| LIABILITIES | |
| Amounts held for social services clients | \$ 4,646 |
| | <u><u>4,646</u></u> |

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

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2017

Note 1—Summary of Significant Accounting Policies:

The County of Essex, Virginia (the "County") is governed by an elected four member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, sanitation services, recreational activities, cultural events, education, and social services.

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

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

Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2017.

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, 2017.

The Essex County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. The Authority does not issue a separate financial report.

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

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

None

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

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

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

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

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

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

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

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

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

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

1. Governmental Funds

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

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

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

The County reports the following 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, forfeited assets, Glebe Fund, and debt service reserve 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. Agency funds include the Special Welfare Fund.

E. Cash and Cash Equivalents

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

F. Investments

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

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

F. Investments (Continued)

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

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portions of the interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$206,882 at June 30, 2017 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

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

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

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

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

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

I. Compensated Absences

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

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

J. Use of Estimates

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

K. Fund Equity

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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

K. Fund Equity (Continued)

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

| | General Fund | Capital Projects | Other Governmental Funds | Total |
|--|---------------------|---------------------|--------------------------------|----------------------|
| Fund Balances: | | | | |
| Restricted: | | | | |
| Glebe fund | \$ - | \$ - | \$ 31,770 | \$ 31,770 |
| Forfeited assets - Sheriff | - | - | 84,597 | 84,597 |
| Forfeited assets - Commonwealth's Attorney | - | - | 2,860 | 2,860 |
| Law library | - | - | 7,328 | 7,328 |
| Poor House park | - | - | 13,344 | 13,344 |
| Animal shelter | - | - | 52,844 | 52,844 |
| Reading program donations | - | - | 1,300 | 1,300 |
| Capital projects | - | 2,291,849 | - | 2,291,849 |
| Total Restricted Fund Balance | \$ - | \$ 2,291,849 | \$ 194,043 | \$ 2,485,892 |
| Committed: | | | | |
| Debt service | \$ - | \$ - | \$ 1,700,064 | \$ 1,700,064 |
| Unassigned | \$ 6,257,528 | \$ - | \$ - | \$ 6,257,528 |
| Total Fund Balances | \$ 6,257,528 | \$ 2,291,849 | \$ 1,894,107 | \$ 10,443,484 |

L. Pensions

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

M. Net Position

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

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

N. Net Position Flow Assumption

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

O. Long-term Obligations

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

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two items that qualify for reporting in this category. The first is comprised of certain items related to the measurement of the net pension liability (asset). These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2017

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

P. Deferred Outflows/Inflows of Resources (Continued)

contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Q. Prepaid Items

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2017.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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, 2017 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

County’s Rated Debt Investments’ Values

| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> | |
|----------------------------------|-----------------------------|-----------|
| | <u>AAAm</u> | |
| Local Government Investment Pool | \$ | 5,796,179 |

Interest Rate Risk

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

| <u>Investment Maturities (in years)</u> | | |
|---|---------------------|-----------------------------|
| <u>Investment Type</u> | | |
| | <u>Fair Value</u> | <u>Less Than 1 Year</u> |
| Local Government Investment Pool | <u>\$ 5,796,179</u> | <u>\$ 5,796,179</u> |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The fair value of the position in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provision of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participation.

Note 4—Due from/to Other Governments:

At June 30, 2017, the County has receivables from other governments as follows:

| | Primary Government | Component Unit School Board | Component Unit Airport |
|---------------------------------------|-----------------------|-----------------------------------|------------------------------|
| Commonwealth of Virginia: | | | |
| Local sales tax | \$ 324,277 | \$ - | \$ - |
| Court fines and forfeitures | 9,965 | - | - |
| Rolling stock tax | 49 | - | - |
| Mobile home titling tax | 4,267 | - | - |
| State sales Tax | - | 302,898 | - |
| Victim witness | 10,744 | - | - |
| Constitutional officer reimbursements | 98,793 | - | - |
| Recordation tax | 6,868 | - | - |
| Clerk's fees on deeds | 12,406 | - | - |
| Comprehensive services act | 96,600 | - | - |
| Selective enforcement | 3,990 | - | - |
| Domestic violence grant | 11,250 | - | - |
| Welfare | 50,234 | - | - |
| Communications tax | 54,638 | - | - |
| Wireless grant | 7,290 | - | - |
| Federal Government: | | | |
| School fund grants | - | 41,925 | - |
| Welfare | 79,534 | - | - |
| Airport | - | - | 5,164 |
| Refugee | 4,101 | - | - |
| Total due from other governments | \$ 775,006 | \$ 344,823 | \$ 5,164 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 |
|---|-------------------------|----------------|--------------|--------------------------|
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 1,149,371 | \$ - | \$ - | \$ 1,149,371 |
| Construction in progress | 46,164 | 573,696 | 75,616 | 544,244 |
| Total capital assets not subject to depreciation | \$ 1,195,535 | \$ 573,696 | \$ 75,616 | \$ 1,693,615 |
| Capital assets subject to depreciation: | | | | |
| Buildings and improvements | \$ 3,844,965 | \$ 95,078 | \$ - | \$ 3,940,043 |
| Equipment | 4,862,024 | 241,635 | 109,377 | 4,994,282 |
| Intangibles | 2,816,258 | - | - | 2,816,258 |
| Jointly owned assets | 35,277,052 | - | 1,068,147 | 34,208,905 |
| Total capital assets subject to depreciation | \$ 46,800,299 | \$ 336,713 | \$ 1,177,524 | \$ 45,959,488 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 1,646,071 | \$ 97,254 | \$ - | \$ 1,743,325 |
| Equipment | 3,194,394 | 539,668 | 109,377 | 3,624,685 |
| Intangibles | 1,314,570 | 73,154 | - | 1,387,724 |
| Jointly owned assets | 8,325,195 | 843,570 | 277,619 | 8,891,146 |
| Total accumulated depreciation | \$ 14,480,230 | \$ 1,553,646 | \$ 386,996 | \$ 15,646,880 |
| Total capital assets subject to depreciation, net | \$ 32,320,069 | \$ (1,216,933) | \$ 790,528 | \$ 30,312,608 |
| Governmental activities capital assets, net | \$ 33,515,604 | \$ (643,237) | \$ 866,144 | \$ 32,006,223 |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets: (Continued)

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 |
|---|-------------------------|--------------|----------------|--------------------------|
| Component Unit-School Board: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 42,822 | \$ - | \$ - | \$ 42,822 |
| Total capital assets not subject to depreciation | \$ 42,822 | \$ - | \$ - | \$ 42,822 |
| Capital assets subject to depreciation: | | | | |
| Equipment | \$ 3,422,353 | \$ 213,108 | \$ 13,915 | \$ 3,621,546 |
| Jointly owned assets | 10,122,701 | - | (1,068,147) | 11,190,848 |
| Total capital assets subject to depreciation | \$ 13,545,054 | \$ 213,108 | \$ (1,054,232) | \$ 14,812,394 |
| Accumulated depreciation: | | | | |
| Equipment | \$ 2,891,286 | \$ 170,075 | \$ 10,436 | \$ 3,050,925 |
| Jointly owned assets | 2,388,903 | 242,061 | (277,619) | 2,908,583 |
| Total accumulated depreciation | \$ 5,280,189 | \$ 412,136 | \$ (267,183) | \$ 5,959,508 |
| Total capital assets subject to depreciation, net | \$ 8,264,865 | \$ (199,028) | \$ (787,049) | \$ 8,852,886 |
| Component unit school board capital assets, net | \$ 8,307,687 | \$ (199,028) | \$ (787,049) | \$ 8,895,708 |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Capital Assets: (Continued)

| | Balance July 1, 2016 | Additions | Deletions | Balance June 30, 2017 |
|---|-------------------------|--------------|-----------|--------------------------|
| Component Unit-Airport: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 4,774,900 | \$ - | \$ - | \$ 4,774,900 |
| Construction in progress | 8,789 | 24,483 | - | 33,272 |
| Total capital assets not subject to depreciation | \$ 4,783,689 | \$ 24,483 | \$ - | \$ 4,808,172 |
| Capital assets subject to depreciation: | | | | |
| Improvements other than buildings | \$ 576,503 | \$ - | \$ - | \$ 576,503 |
| Buildings | 4,096,677 | - | - | 4,096,677 |
| Infrastructure | 6,454,784 | - | - | 6,454,784 |
| Furniture | 25,799 | - | - | 25,799 |
| Equipment | 25,803 | - | - | 25,803 |
| Total capital assets subject to depreciation | \$ 11,179,566 | \$ - | \$ - | \$ 11,179,566 |
| Accumulated depreciation: | | | | |
| Improvements other than buildings | \$ 201,859 | \$ 28,825 | \$ - | \$ 230,684 |
| Buildings | 866,624 | 136,556 | - | 1,003,180 |
| Infrastructure | 2,812,163 | 323,908 | - | 3,136,071 |
| Furniture | 22,506 | 2,580 | - | 25,086 |
| Equipment | 11,178 | 3,330 | - | 14,508 |
| Total accumulated depreciation | \$ 3,914,330 | \$ 495,199 | \$ - | \$ 4,409,529 |
| Total capital assets subject to depreciation, net | \$ 7,265,236 | \$ (495,199) | \$ - | \$ 6,770,037 |
| Component unit airport capital assets, net | \$ 12,048,925 | \$ (470,716) | \$ - | \$ 11,578,209 |

Depreciation expense was charged to functions/programs as follows:

| | |
|-----------------------------------|--------------|
| Primary Government: | |
| Governmental activities: | |
| General government administration | \$ 52,859 |
| Judicial administration | 59,974 |
| Public safety | 490,227 |
| Public works | 96,261 |
| Education | 843,570 |
| Parks, recreation and cultural | 10,755 |
| Total Governmental activities | \$ 1,553,646 |
| Component Unit School Board | \$ 412,136 |
| Component Unit Airport | \$ 495,199 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

| | Balance at July 1, 2016 | Issuances/ Increases | Retirements/ Decreases | Balance at June 30, 2017 | Amounts Due Within One Year |
|--|----------------------------|-------------------------|---------------------------|-----------------------------|-----------------------------------|
| Governmental Activities Obligations: | | | | | |
| Incurred by County: | | | | | |
| Compensated absences | \$ 281,362 | \$ 81,392 | \$ 28,136 | \$ 334,618 | \$ 33,462 |
| Lease revenue bond | 5,250,567 | - | 445,597 | 4,804,970 | 481,045 |
| Add deferred amounts: | | | | | |
| For issuance premium | 642,917 | - | 71,435 | 571,482 | - |
| Net pension liability | 354,667 | 1,475,562 | 863,935 | 966,294 | - |
| Notes payable | - | 80,500 | 80,500 | - | - |
| Total incurred by County | \$ 6,529,513 | \$ 1,637,454 | \$ 1,489,603 | \$ 6,677,364 | \$ 514,507 |
| Incurred by School Board: | | | | | |
| State Literary Fund Loan | \$ 270,000 | \$ - | \$ 90,000 | \$ 180,000 | \$ 90,000 |
| General obligation bonds | 17,797,425 | - | 762,696 | 17,034,729 | 1,367,311 |
| Add deferred amounts: | | | | | |
| For issuance premium | 339,304 | - | 36,670 | 302,634 | - |
| Lease revenue bonds | 8,884,433 | - | 781,403 | 8,103,030 | 839,955 |
| Total incurred by School Board | \$ 27,291,162 | \$ - | \$ 1,670,769 | \$ 25,620,393 | \$ 2,297,266 |
| Total Governmental Activities Obligations, Primary Government | \$ 33,820,675 | \$ 1,637,454 | \$ 3,160,372 | \$ 32,297,757 | \$ 2,811,773 |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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 | |
| | Bond | |
| | Principal | Interest |
| 2018 | \$ 481,045 | \$ 139,252 |
| 2019 | 494,523 | 124,208 |
| 2020 | 509,970 | 109,014 |
| 2021 | 476,764 | 93,736 |
| 2022 | 493,411 | 78,453 |
| 2023 | 509,258 | 62,053 |
| 2024 | 526,676 | 45,018 |
| 2025 | 543,723 | 27,333 |
| 2026 | 374,400 | 13,804 |
| 2027 | 395,200 | 4,637 |
| Total | <u>\$ 4,804,970</u> | <u>\$ 697,508</u> |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

| Year Ending June 30 | School Obligations | | | | | |
|---------------------------|-----------------------------|------------------|-----------------------------|---------------------|------------------------|---------------------|
| | State Literary Fund Loan | | General Obligation Bonds | | Lease Revenue Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 90,000 | \$ 7,200 | \$ 1,367,311 | \$ 362,924 | \$ 839,955 | \$ 249,788 |
| 2019 | 90,000 | 3,600 | 1,372,167 | 333,868 | 864,477 | 222,082 |
| 2020 | - | - | 1,377,279 | 304,556 | 893,029 | 194,174 |
| 2021 | - | - | 1,380,311 | 277,324 | 815,237 | 166,206 |
| 2022 | - | - | 1,383,500 | 249,932 | 845,589 | 138,363 |
| 2023 | - | - | 912,093 | 227,298 | 874,741 | 108,221 |
| 2024 | - | - | 913,986 | 210,404 | 907,325 | 76,822 |
| 2025 | - | - | 917,352 | 192,038 | 938,277 | 44,143 |
| 2026 | - | - | 920,895 | 173,496 | 561,600 | 20,706 |
| 2027 | - | - | 924,621 | 154,769 | 562,800 | 6,955 |
| 2028 | - | - | 1,473,545 | 124,810 | - | - |
| 2029 | - | - | 1,125,555 | 89,870 | - | - |
| 2030 | - | - | 1,150,556 | 66,404 | - | - |
| 2031 | - | - | 1,170,558 | 43,339 | - | - |
| 2032 | - | - | 645,000 | 14,673 | - | - |
| Total | <u>\$ 180,000</u> | <u>\$ 10,800</u> | <u>\$ 17,034,729</u> | <u>\$ 2,825,705</u> | <u>\$ 8,103,030</u> | <u>\$ 1,227,460</u> |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

General Obligations:

Incurred by County:

Lease Revenue Bond:

| | |
|--|---------------------|
| \$9,310,000 lease revenue refunding bond issued March 24, 2016, due in varying annual installments through December 2026, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 40.00% of this debt. | \$ 3,455,200 |
| \$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 31.39% of this debt. | <u>1,349,770</u> |
| Total Lease Revenue Bonds | \$ <u>4,804,970</u> |
| Compensated absences (payable by General Fund) | \$ <u>334,618</u> |
| Net pension liability | \$ <u>966,294</u> |
| Unamortized Premium | \$ <u>571,482</u> |
| Total Incurred by County | \$ <u>6,677,364</u> |

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board:

State Literary Fund Loan:

| | |
|---|-------------------|
| \$1,800,000 State Literary Fund loan issued February 15, 1999, due in annual principal installments of \$900,000 through 2019, interest payable annually at 4%. | \$ <u>180,000</u> |
|---|-------------------|

Lease Revenue Bonds:

| | |
|--|--------------|
| \$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 68.61% of this debt. | \$ 2,950,230 |
|--|--------------|

| | |
|---|------------------|
| \$9,310,000 lease revenue refunding bond issued March 24, 2016, due in varying annual installments through December 2026, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 60.00% of this debt. | <u>5,152,800</u> |
|---|------------------|

| | |
|---------------------------|---------------------|
| Total Lease Revenue Bonds | \$ <u>8,103,030</u> |
|---------------------------|---------------------|

General Obligation Bonds:

| | |
|---|--------------|
| \$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%. | \$ 3,929,155 |
|---|--------------|

| | |
|--|-----------|
| \$10,000,000 qualified school construction bond issued December 15, 2011, due in varying annual installments through December 1, 2030, interest at 4.250%. | 9,000,000 |
|--|-----------|

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

| | |
|--|------------------|
| \$4,340,228 bond, issued November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%. | <u>1,135,574</u> |
|--|------------------|

| | |
|--------------------------------|----------------------|
| Total General Obligation Bonds | \$ <u>17,034,729</u> |
|--------------------------------|----------------------|

| | |
|---------------------|-------------------|
| Unamortized premium | \$ <u>302,634</u> |
|---------------------|-------------------|

| | |
|--------------------------------|----------------------|
| Total Incurred by School Board | \$ <u>25,620,393</u> |
|--------------------------------|----------------------|

| | |
|---|-----------------------------|
| Total Long-Term Obligations, Primary Government | <u><u>\$ 32,297,757</u></u> |
|---|-----------------------------|

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Long-Term Obligations: (Continued)

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2017.

| | Balance at July 1, 2016 | Increases | Decreases | Balance at June 30, 2017 | Due Within One Year |
|-----------------------------------|----------------------------|---------------------|---------------------|-----------------------------|------------------------|
| Component Unit-School Board: | | | | | |
| Capital leases | \$ 287,504 | \$ - | \$ 181,247 | \$ 106,257 | \$ 52,631 |
| Compensated absences | 137,451 | 18,150 | 13,746 | 141,855 | 14,186 |
| Net pension liability | 13,814,024 | 3,858,854 | 2,188,310 | 15,484,568 | - |
| Total Component Unit-School Board | <u>\$ 14,238,979</u> | <u>\$ 3,877,004</u> | <u>\$ 2,383,303</u> | <u>\$ 15,732,680</u> | <u>\$ 66,817</u> |

Details of long-term obligations:

Capital Leases:

\$263,247 capital lease for the purchase of three school buses issued October 27, 2014, due in annual installments of \$54,639 through 2019, interest payable annually at an interest rate of 1.89%. The cost of the school buses was \$263,247. At June 30, 2017, accumulated depreciation for the school buses amounted to \$65,812.

\$ 106,257

Total Capital Leases

\$ 106,257

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Long-Term Obligations: (Continued)

Component Unit Airport:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2017.

| | Balance at July 1, 2016 | Increases | Decreases | Balance at June 30, 2017 | Due Within One Year |
|-------------------------|----------------------------|-----------|-----------|-----------------------------|------------------------|
| Component Unit-Airport: | | | | | |
| Revenue bond | \$ 987,287 | \$ - | \$ 43,202 | \$ 944,085 | \$ 45,164 |

| Year Ending June 30 | Revenue Bond | |
|---------------------------|--------------|------------|
| | Principal | Interest |
| 2018 | \$ 45,164 | \$ 42,393 |
| 2019 | 47,218 | 40,340 |
| 2020 | 49,368 | 38,189 |
| 2021 | 51,620 | 35,938 |
| 2022 | 53,977 | 33,580 |
| 2023-2027 | 309,327 | 128,460 |
| 2028-2032 | 387,411 | 50,376 |
| Total | \$ 944,085 | \$ 369,276 |

Revenue Bond:

\$1,272,000 taxable revenue bond dated March 21, 2007, 4.54% interest, due in semi-annual combined principal and interest installments of \$87,557 beginning January 1, 2009 through July 1, 2032. \$ 944,085

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition of school buses for the Component Unit School Board. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 7—Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

| | <u>Component Unit School Board</u> |
|--------------------------------|--|
| Assets: | |
| Equipment - buses | \$ 263,247 |
| Less: accumulated depreciation | <u>(65,812)</u> |
| Total | <u><u>\$ 197,435</u></u> |

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2017, are as follows:

| <u>Year Ended June 30</u> | <u>Component Unit School Board</u> |
|---|--|
| 2018 | \$ 54,639 |
| 2019 | <u>54,639</u> |
| Total minimum lease payments | \$ 109,278 |
| Less: amount representing interest | <u>(3,021)</u> |
| Present value of minimum lease payments | <u><u>\$ 106,257</u></u> |

Note 8—Unearned and Deferred/Unavailable Revenue:

Deferred/Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned and deferred/unavailable revenue totaling \$8,725,618 is comprised of the following:

Deferred/Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$8,456,411 at June 30, 2017.

Deferred/Unavailable Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$235,712 at June 30, 2017.

Other Unearned Revenue - Other unearned revenue items totaled \$33,495, which consisted of asset forfeiture grant funding.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 9—Commitments and Contingent Liabilities:

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

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

The following construction contract was outstanding at June 30, 2017:

| <u>Project</u> | <u>Contractor</u> | <u>Contract Amount</u> | <u>Balance</u> |
|-------------------------|--------------------|----------------------------|----------------|
| Radio Tower Replacement | Harris Corporation | \$ 1,703,691 | \$ 1,192,584 |

Note 10—Litigation:

At June 30, 2017, there were no matters of litigation involving the County, School Board, or EDA which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

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

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

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

| RETIREMENT PLAN PROVISIONS | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. |

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

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

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

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

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

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

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

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

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

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

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

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

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

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

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. | Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits. |
| Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay. | Purchase of Prior Service Same as Plan 1. | Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable. |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | Primary Government | Component Unit School Board Nonprofessional |
|--|-----------------------|---|
| Inactive members or their beneficiaries currently receiving benefits | 38 | 40 |
| Inactive members: | | |
| Vested inactive members | 9 | 6 |
| Non-vested inactive members | 11 | 9 |
| Inactive members active elsewhere in VRS | 38 | 7 |
| Total inactive members | 58 | 22 |
| Active members | 79 | 35 |
| Total covered employees | 175 | 97 |

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 9.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$356,409 and \$367,533 for the years ended June 30, 2017 and June 30, 2016, respectively.

Note 12—Pension Plan: (Continued)

Contributions (Continued)

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 8.37% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$53,137 and \$72,072 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability (Asset)

The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities (assets) were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County’s and Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Note 12—Pension Plan: (Continued)**Actuarial Assumptions - Public Safety Employees**

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

The remainder of this page left blank intentionally.

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

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---------------------------|----------------------|---|--|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | Primary Government | | |
|---|--------------------------------------|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | \$ 14,221,904 | \$ 13,867,237 | \$ 354,667 |
| Changes for the year: | | | |
| Service cost | \$ 491,937 | \$ - | \$ 491,937 |
| Interest | 974,990 | - | 974,990 |
| Benefit changes | | | |
| Differences between expected and actual experience | (67,129) | - | (67,129) |
| Contributions - employer | - | 363,638 | (363,638) |
| Contributions - employee | - | 188,815 | (188,815) |
| Net investment income | - | 244,353 | (244,353) |
| Benefit payments, including refunds | | | |
| Refunds of employee contributions | (586,951) | (586,951) | - |
| Administrative expenses | - | (8,532) | 8,532 |
| Other changes | - | (103) | 103 |
| Net changes | \$ 812,847 | \$ 201,220 | \$ 611,627 |
| Balances at June 30, 2016 | \$ 15,034,751 | \$ 14,068,457 | \$ 966,294 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability

| | Component School Board (nonprofessional) | | |
|---|--|--|--|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | \$ 4,473,115 | \$ 4,116,091 | \$ 357,024 |
| Changes for the year: | | | |
| Service cost | \$ 61,703 | \$ - | \$ 61,703 |
| Interest | 302,496 | - | 302,496 |
| Benefit changes | | | |
| Differences between expected and actual experience | (82,927) | - | (82,927) |
| Contributions - employer | - | 69,993 | (69,993) |
| Contributions - employee | - | 30,098 | (30,098) |
| Net investment income | - | 67,292 | (67,292) |
| Benefit payments, including refunds | | | |
| Refunds of employee contributions | (303,484) | (303,484) | - |
| Administrative expenses | - | (2,626) | 2,626 |
| Other changes | - | (29) | 29 |
| Net changes | \$ (22,212) | \$ (138,756) | \$ 116,544 |
| Balances at June 30, 2016 | \$ 4,450,903 | \$ 3,977,335 | \$ 473,568 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | Rate | | |
|---|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| County | | | |
| Net Pension Liability (Asset) | \$ 2,792,682 | \$ 966,294 | \$ (560,248) |
| Component Unit School Board (nonprofessional) | | | |
| Net Pension Liability (Asset) | \$ 938,617 | \$ 473,568 | \$ 76,277 |

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$359,101 and (\$11,632) respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Primary Government | | Component Unit School Board (nonprofessional) | |
|--|--------------------------------|-------------------------------|---|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 84,660 | \$ 47,443 | \$ - | \$ 70,449 |
| Net difference between projected and actual earnings on pension plan investments | 358,201 | - | 103,585 | - |
| Employer contributions subsequent to the measurement date | 356,409 | - | 53,137 | - |
| Total | <u>\$ 799,270</u> | <u>\$ 47,443</u> | <u>\$ 156,722</u> | <u>\$ 70,449</u> |

\$356,409 and \$53,137 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction or component (since asset isn't reduced) of the Net Pension Liability (Asset) in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year ended June 30 | Primary Government | Component Unit School Board (nonprofessional) |
|--------------------|--------------------|---|
| 2018 | \$ 41,551 | \$ (59,037) |
| 2019 | 7,806 | (13,289) |
| 2020 | 201,093 | 62,736 |
| 2021 | 144,968 | 42,726 |
| Thereafter | - | - |

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2016 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,168,176 and \$1,177,998 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$15,011,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.10711% as compared to 0.10692% at June 30, 2015.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$1,184,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience \$ | - | \$ 486,000 |
| Net difference between projected and actual earnings on pension plan investments | 857,000 | 315,000 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 21,000 | - |
| Employer contributions subsequent to the measurement date | <u>1,168,176</u> | <u>-</u> |
| Total | <u>\$ 2,046,176</u> | <u>\$ 801,000</u> |

\$1,168,176 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year ended June 30</u> | |
|---------------------------|--------------|
| 2018 | \$ (207,000) |
| 2019 | (207,000) |
| 2020 | 299,000 |
| 2021 | 224,000 |
| Thereafter | (32,000) |

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

| | | Teacher Employee Retirement Plan |
|---|----|-------------------------------------|
| Total Pension Liability | \$ | 44,182,326 |
| Plan Fiduciary Net Position | | 30,168,211 |
| Employers' Net Pension Liability (Asset) | \$ | <u>14,014,115</u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | 68.28% |

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

Note 12—Pension Plan: (Continued)**Component Unit School Board (professional) (Continued)****Long-Term Expected Rate of Return**

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

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|---------------------------|----------------------|---|--|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 12—Pension Plan: (Continued)**Component Unit School Board (professional) (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | Rate | | |
|--|------------------------|-----------------------------|------------------------|
| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
| School Board's proportionate share of the VRS Teacher Employee Retirement Plan | | | |
| Net Pension Liability (Asset) \$ | 21,398,000 | \$ 15,011,000 | \$ 9,749,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2017

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 |
| B. A. "Penny" Davis, Treasurer | 300,000 |
| T. M. Blackwell, Commissioner of the Revenue | 3,000 |
| Stanley S. Clarke, Sheriff | 30,000 |
| U. S. Fidelity and Guaranty Company - Surety: | |
| Social Services Employees - Blanket Bonds | 100,000 |
| Commonwealth of Virginia, Division of Risk Management: | |
| County and Component Unit - School Board Employees | 1,000,000 |

Note 14—Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

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

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and

Note 14—Upcoming Pronouncements: (Continued)

other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Essex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>(Negative)</u> |
| REVENUES | | | | |
| General property taxes | \$ 14,830,167 | \$ 14,830,167 | \$ 15,046,123 | \$ 215,956 |
| Other local taxes | 2,292,857 | 2,292,857 | 2,398,930 | 106,073 |
| Permits, privilege fees, and regulatory licenses | 72,950 | 92,872 | 118,351 | 25,479 |
| Fines and forfeitures | 40,000 | 40,000 | 55,931 | 15,931 |
| Revenue from the use of money and property | 44,994 | 44,994 | 121,432 | 76,438 |
| Charges for services | 510,850 | 510,850 | 427,118 | (83,732) |
| Miscellaneous | 408,100 | 454,558 | 105,946 | (348,612) |
| Recovered costs | 70,443 | 70,443 | 71,741 | 1,298 |
| Intergovernmental: | | | | |
| Commonwealth | 3,827,027 | 4,198,696 | 4,220,238 | 21,542 |
| Federal | 1,098,693 | 1,318,384 | 1,502,992 | 184,608 |
| Total revenues | <u>\$ 23,196,081</u> | <u>\$ 23,853,821</u> | <u>\$ 24,068,802</u> | <u>\$ 214,981</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,635,480 | \$ 1,728,043 | \$ 1,626,900 | \$ 101,143 |
| Judicial administration | 732,410 | 801,263 | 735,637 | 65,626 |
| Public safety | 4,258,917 | 4,362,287 | 4,002,774 | 359,513 |
| Public works | 1,732,134 | 1,934,632 | 1,925,317 | 9,315 |
| Health and welfare | 2,902,527 | 3,546,990 | 3,156,629 | 390,361 |
| Education | 7,784,478 | 7,784,478 | 7,529,643 | 254,835 |
| Parks, recreation, and cultural | 521,437 | 521,437 | 450,070 | 71,367 |
| Community development | 196,513 | 198,013 | 185,454 | 12,559 |
| Debt service: | | | | |
| Principal retirement | 2,341,443 | 2,341,443 | 2,160,196 | 181,247 |
| Interest and other fiscal charges | 1,271,562 | 1,353,651 | 1,520,688 | (167,037) |
| Total expenditures | <u>\$ 23,376,901</u> | <u>\$ 24,572,237</u> | <u>\$ 23,293,308</u> | <u>\$ 1,278,929</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (180,820)</u> | <u>\$ (718,416)</u> | <u>\$ 775,494</u> | <u>\$ 1,493,910</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ - | \$ - | \$ (300,000) | \$ (300,000) |
| Proceeds of notes payable | - | 80,500 | 80,500 | - |
| Total other financing sources (uses) | <u>\$ -</u> | <u>\$ 80,500</u> | <u>\$ (219,500)</u> | <u>\$ (300,000)</u> |
| Net change in fund balances | <u>\$ (180,820)</u> | <u>\$ (637,916)</u> | <u>\$ 555,994</u> | <u>\$ 1,193,910</u> |
| Fund balances - beginning | 180,820 | 637,916 | 5,701,534 | 5,063,618 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,257,528</u> | <u>\$ 6,257,528</u> |

County of Essex, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

| | Budgeted Amounts | | | Variance with |
|---|------------------|--------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 14,000 | \$ 24,770 | \$ 24,083 | \$ (687) |
| Miscellaneous | - | 2,945 | 33,477 | 30,532 |
| Intergovernmental: | | | | |
| Commonwealth | - | 599 | - | (599) |
| Total revenues | \$ 14,000 | \$ 28,314 | \$ 57,560 | \$ 29,246 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Judicial administration | \$ - | \$ 599 | \$ 599 | \$ - |
| Public safety | - | 2,945 | 2,945 | - |
| Capital projects | - | 58,077 | 49,847 | 8,230 |
| Total expenditures | \$ - | \$ 61,621 | \$ 53,391 | \$ 8,230 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 14,000 | \$ (33,307) | \$ 4,169 | \$ 37,476 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ - | \$ 47,307 | \$ 300,000 | \$ 252,693 |
| Net change in fund balances | \$ 14,000 | \$ 14,000 | \$ 304,169 | \$ 290,169 |
| Fund balances - beginning | - | - | 1,589,938 | 1,589,938 |
| Fund balances - ending | \$ 14,000 | \$ 14,000 | \$ 1,894,107 | \$ 1,880,107 |

County of Essex, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2017

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

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

County of Essex, Virginia
Schedule of Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2017

| | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Total pension liability | | | |
| Service cost | \$ 61,703 | \$ 93,039 | \$ 106,774 |
| Interest | 302,496 | 302,607 | 292,655 |
| Differences between expected and actual experience | (82,927) | (85,304) | - |
| Benefit payments, including refunds of employee contributions | (303,484) | (320,380) | (194,111) |
| Net change in total pension liability | \$ (22,212) | \$ (10,038) | \$ 205,318 |
| Total pension liability - beginning | 4,473,115 | 4,483,153 | 4,277,835 |
| Total pension liability - ending (a) | \$ 4,450,903 | \$ 4,473,115 | \$ 4,483,153 |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 69,993 | \$ 67,266 | \$ 101,076 |
| Contributions - employee | 30,098 | 29,178 | 42,330 |
| Net investment income | 67,292 | 183,178 | 571,427 |
| Benefit payments, including refunds of employee contributions | (303,484) | (320,380) | (194,111) |
| Administrative expense | (2,626) | (2,695) | (3,092) |
| Other | (29) | (39) | 30 |
| Net change in plan fiduciary net position | \$ (138,756) | \$ (43,492) | \$ 517,660 |
| Plan fiduciary net position - beginning | 4,116,091 | 4,159,583 | 3,641,923 |
| Plan fiduciary net position - ending (b) | \$ 3,977,335 | \$ 4,116,091 | \$ 4,159,583 |
| School Board's net pension liability - ending (a) - (b) | \$ 473,568 | \$ 357,024 | \$ 323,570 |
| Plan fiduciary net position as a percentage of the total pension liability | 89.36% | 92.02% | 92.78% |
| Covered payroll | \$ 643,497 | \$ 618,647 | \$ 846,582 |
| School Board's net pension liability as a percentage of covered payroll | 73.59% | 57.71% | 38.22% |

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

County of Essex, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

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

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

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|--|--|---|---|---|---|
| Primary Government | | | | | |
| 2017 | \$ 356,409 | \$ 356,409 | \$ - | \$ 3,832,357 | 9.30% |
| 2016 | 367,533 | 367,533 | - | 3,832,457 | 9.59% |
| 2015 | 342,507 | 342,507 | - | 3,571,499 | 9.59% |
| 2014 | 336,185 | 336,185 | - | 3,382,143 | 9.94% |
| 2013 | 319,935 | 319,935 | - | 3,218,662 | 9.94% |
| 2012 | 206,975 | 206,975 | - | 2,969,511 | 6.97% |
| 2011 | 191,871 | 191,871 | - | 2,752,815 | 6.97% |
| 2010 | 152,538 | 152,538 | - | 2,666,757 | 5.72% |
| 2009 | 149,056 | 149,056 | - | 2,605,867 | 5.72% |
| 2008 | 138,646 | 138,646 | - | 2,458,258 | 5.64% |
| Component Unit School Board (nonprofessional) | | | | | |
| 2017 | \$ 53,137 | \$ 53,137 | \$ - | \$ 634,849 | 8.37% |
| 2016 | 72,072 | 72,072 | - | 643,497 | 11.20% |
| 2015 | 69,288 | 69,288 | - | 618,647 | 11.20% |
| 2014 | 102,436 | 102,436 | - | 846,582 | 12.10% |
| 2013 | 107,076 | 107,076 | - | 884,923 | 12.10% |
| 2012 | 59,778 | 59,778 | - | 826,804 | 7.23% |
| 2011 | 61,526 | 61,526 | - | 850,976 | 7.23% |
| 2010 | 68,492 | 68,492 | - | 930,592 | 7.36% |
| 2009 | 69,651 | 69,651 | - | 946,344 | 7.36% |
| 2008 | 74,233 | 74,233 | - | 931,402 | 7.97% |
| Component Unit School Board (professional) | | | | | |
| 2017 | \$ 1,168,176 | \$ 1,168,176 | \$ - | \$ 7,968,458 | 14.66% |
| 2016 | 1,177,998 | 1,177,998 | - | 8,378,364 | 14.06% |
| 2015 | 1,117,453 | 1,117,453 | - | 7,706,572 | 14.50% |
| 2014 | 924,793 | 924,793 | - | 7,931,329 | 11.66% |
| 2013 | 918,386 | 918,386 | - | 7,876,381 | 11.66% |
| 2012 | 970,068 | 970,068 | - | 8,561,942 | 11.33% |
| 2011 | 764,312 | 764,312 | - | 8,558,925 | 8.93% |
| 2010 | 1,250,583 | 1,250,583 | - | 9,055,634 | 13.81% |
| 2009 | 1,252,171 | 1,252,171 | - | 9,067,133 | 13.81% |
| 2008 | 1,312,467 | 1,312,467 | - | 8,578,216 | 15.30% |

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Component Unit School Board - Professional Employees

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Essex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2017

| | Capital Projects Fund | | | | |
|---|-----------------------|----------------|---------------|---|--|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | | |
| REVENUES | | | | | |
| Revenue from the use of money and property | \$ 61,498 | \$ 77,297 | \$ 71,081 | \$ (6,216) | |
| Miscellaneous | - | 875,000 | - | (875,000) | |
| Total revenues | \$ 61,498 | \$ 952,297 | \$ 71,081 | \$ (881,216) | |
| EXPENDITURES | | | | | |
| Capital projects | \$ - | \$ 3,658,777 | \$ 643,549 | \$ 3,015,228 | |
| Total expenditures | \$ - | \$ 3,658,777 | \$ 643,549 | \$ 3,015,228 | |
| Excess (deficiency) of revenues over (under) expenditures | \$ 61,498 | \$ (2,706,480) | \$ (572,468) | \$ 2,134,012 | |
| Net change in fund balances | \$ 61,498 | \$ (2,706,480) | \$ (572,468) | \$ 2,134,012 | |
| Fund balances - beginning | (61,498) | 2,706,480 | 2,864,317 | 157,837 | |
| Fund balances - ending | \$ - | \$ - | \$ 2,291,849 | \$ 2,291,849 | |

County of Essex, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2017

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Special Welfare Fund: | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 932 | \$ 14,524 | \$ 10,810 | \$ 4,646 |
| Liabilities: | | | | |
| Amounts held for social services clients | \$ 932 | \$ 14,524 | \$ 10,810 | \$ 4,646 |

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Essex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

| | School Operating <u>Fund</u> | School Cafeteria <u>Fund</u> | Total Governmental <u>Funds</u> |
|---|------------------------------------|------------------------------------|---------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,550,484 | \$ 58,755 | \$ 1,609,239 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts receivable | 275 | - | 275 |
| Due from other governmental units | 305,983 | 38,840 | 344,823 |
| Inventories | - | 13,005 | 13,005 |
| Total assets | <u>\$ 1,856,742</u> | <u>\$ 110,600</u> | <u>\$ 1,967,342</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 290,734 | \$ 16,757 | \$ 307,491 |
| Accrued liabilities | 1,566,008 | 57,566 | 1,623,574 |
| Total liabilities | <u>\$ 1,856,742</u> | <u>\$ 74,323</u> | <u>\$ 1,931,065</u> |
| Fund balances: | | | |
| Nonspendable | \$ - | \$ 13,005 | \$ 13,005 |
| Committed | - | 23,272 | 23,272 |
| Total fund balances | <u>\$ -</u> | <u>\$ 36,277</u> | <u>\$ 36,277</u> |
| Total liabilities and fund balances | <u>\$ 1,856,742</u> | <u>\$ 110,600</u> | <u>\$ 1,967,342</u> |

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

Total fund balances per above \$ 36,277

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds. The following is a summary of items supporting this adjustment:

| | | |
|--------------------------|--------------------|-----------|
| Capital assets, cost | \$ 14,855,216 | |
| Accumulated depreciation | <u>(5,959,508)</u> | 8,895,708 |

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

| | |
|--|-----------|
| Deferred inflows related to measurement of net pension liability | (871,449) |
|--|-----------|

| | |
|---|-----------|
| Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. | 1,221,313 |
|---|-----------|

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:

| | | |
|---|------------------|--------------|
| Capital lease | \$ (106,257) | |
| Net pension liability | (15,484,568) | |
| Deferred outflows related to measurement of net pension liability | 981,585 | |
| Compensated absences | <u>(141,855)</u> | (14,751,095) |

| | |
|---|-----------------------|
| Net position of governmental activities | <u>\$ (5,469,246)</u> |
|---|-----------------------|

County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|---|-----------------------------|-----------------------------|--------------------------------|
| REVENUES | | | |
| Revenue from the use of money and property | \$ 13,587 | \$ 30 | \$ 13,617 |
| Charges for services | 2,500 | 134,722 | 137,222 |
| Miscellaneous | 184,065 | 3,706 | 187,771 |
| Intergovernmental: | | | |
| Local government | 7,514,243 | - | 7,514,243 |
| Commonwealth | 8,141,270 | 31,063 | 8,172,333 |
| Federal | 951,843 | 674,636 | 1,626,479 |
| Total revenues | <u>\$ 16,807,508</u> | <u>\$ 844,157</u> | <u>\$ 17,651,665</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Education | \$ 16,807,508 | \$ 867,344 | \$ 17,674,852 |
| Total expenditures | <u>\$ 16,807,508</u> | <u>\$ 867,344</u> | <u>\$ 17,674,852</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ (23,187)</u> | <u>\$ (23,187)</u> |
| Net change in fund balances | \$ - | \$ (23,187) | \$ (23,187) |
| Fund balances - beginning | - | 59,464 | 59,464 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 36,277</u> | <u>\$ 36,277</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 \$ (23,187)

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 asset additions | \$ 213,108 | |
| Transfer of joint tenancy assets to Component Unit from Primary Government | 790,528 | |
| Loss on disposal | (3,479) | |
| Depreciation expense | <u>(412,136)</u> | 588,021 |

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

(Increase) decrease in deferred inflows related to measurement of net pension liability 723,584

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

181,247

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 net pension liability | \$ (1,670,544) | |
| Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date | (28,757) | |
| Increase (decrease) in deferred outflows related to measurement of net pension liability | 981,585 | |
| (Increase) decrease in compensated absences | <u>(4,404)</u> | (722,120) |

Change in net position of governmental activities \$ 747,545

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, 2017

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------|---------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 2,000 | \$ 2,000 | \$ 13,587 | \$ 11,587 |
| Charges for services | - | - | 2,500 | 2,500 |
| Miscellaneous | 90,000 | 90,000 | 184,065 | 94,065 |
| Intergovernmental: | | | | |
| Local government | 7,769,078 | 7,769,078 | 7,514,243 | (254,835) |
| Commonwealth | 8,277,272 | 8,277,272 | 8,141,270 | (136,002) |
| Federal | 1,395,281 | 1,395,281 | 951,843 | (443,438) |
| Total revenues | \$ 17,533,631 | \$ 17,533,631 | \$ 16,807,508 | \$ (726,123) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | \$ 17,533,631 | \$ 17,533,631 | \$ 16,807,508 | \$ 726,123 |
| Total expenditures | \$ 17,533,631 | \$ 17,533,631 | \$ 16,807,508 | \$ 726,123 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ - | \$ - |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

County of Essex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

| | School Cafeteria Fund | | | |
|---|-----------------------|-------------------|--------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 200 | \$ 200 | \$ 30 | \$ (170) |
| Charges for services | 172,000 | 172,000 | 134,722 | (37,278) |
| Miscellaneous | - | - | 3,706 | 3,706 |
| Intergovernmental: | | | | |
| Commonwealth | 34,068 | 36,741 | 31,063 | (5,678) |
| Federal | 672,564 | 726,352 | 674,636 | (51,716) |
| Total revenues | <u>\$ 878,832</u> | <u>\$ 935,293</u> | <u>\$ 844,157</u> | <u>\$ (91,136)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>\$ 878,832</u> | <u>\$ 932,620</u> | <u>\$ 867,344</u> | <u>\$ 65,276</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ 2,673</u> | <u>\$ (23,187)</u> | <u>\$ (25,860)</u> |
| Net change in fund balances | \$ - | \$ 2,673 | \$ (23,187) | \$ (25,860) |
| Fund balances - beginning | - | - | 59,464 | 59,464 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ 2,673</u> | <u>\$ 36,277</u> | <u>\$ 33,604</u> |

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Essex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2017

ASSETS

| | |
|---------------------------|-------------|
| Cash and cash equivalents | \$ 23 |
| Investments | 78,719 |
| | <hr/> |
| Total assets | \$ 78,742 |
| | <hr/> <hr/> |

NET POSITION

| | |
|--------------|-------------|
| Unrestricted | \$ 78,742 |
| | <hr/> <hr/> |

County of Essex, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

| | |
|--|-------------|
| Operating revenues: | |
| Bond issue fees | \$ 10,874 |
| Operating expenses: | |
| Other charges | \$ 38,250 |
| Operating income (loss) | \$ (27,376) |
| Nonoperating revenues (expenses): | |
| Interest income | \$ 200 |
| Contributions | (1,250) |
| Total nonoperating revenues (expenses) | \$ (1,050) |
| Change in net position | \$ (28,426) |
| Net position, beginning of year | 107,168 |
| Net position, end of year | \$ 78,742 |

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2017

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Receipts from customers and users | \$ 10,874 |
| Payments for operating activities | <u>(38,250)</u> |
| Net cash provided by (used for) operating activities | <u>\$ (27,376)</u> |
| Cash flows from noncapital financing activities: | |
| Contributions | <u>\$ (1,250)</u> |
| Net cash provided by (used for) financing activities | <u>\$ (1,250)</u> |
| Cash flows from investing activities: | |
| Proceeds from sale of investments | <u>\$ 17,266</u> |
| Net cash provided by (used for) investing activities | <u>\$ 17,266</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (11,360) |
| Cash and cash equivalents, beginning of year | <u>11,383</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 23</u></u> |

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County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 11,375,000 | \$ 11,375,000 | \$ 11,200,411 | \$ (174,589) |
| Real and personal public service corporation taxes | 400,000 | 400,000 | 431,445 | 31,445 |
| Personal property taxes | 2,591,467 | 2,591,467 | 2,888,343 | 296,876 |
| Mobile home taxes | 38,200 | 38,200 | 47,732 | 9,532 |
| Machinery and tools taxes | 32,500 | 32,500 | 62,924 | 30,424 |
| Merchant's capital taxes | 85,000 | 85,000 | 81,403 | (3,597) |
| Penalties | 178,000 | 178,000 | 188,195 | 10,195 |
| Interest | 130,000 | 130,000 | 145,670 | 15,670 |
| Total general property taxes | \$ 14,830,167 | \$ 14,830,167 | \$ 15,046,123 | \$ 215,956 |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 1,700,000 | \$ 1,700,000 | \$ 1,750,367 | \$ 50,367 |
| Consumers' utility taxes | 225,000 | 225,000 | 248,314 | 23,314 |
| Motor vehicle licenses | 342,857 | 342,857 | 370,499 | 27,642 |
| Taxes on recordation and wills | 25,000 | 25,000 | 29,750 | 4,750 |
| Total other local taxes | \$ 2,292,857 | \$ 2,292,857 | \$ 2,398,930 | \$ 106,073 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 6,000 | \$ 6,000 | \$ 6,221 | \$ 221 |
| Transfer fees | 400 | 400 | 480 | 80 |
| Permits and other licenses | 66,550 | 86,472 | 111,650 | 25,178 |
| Total permits, privilege fees, and regulatory licenses | \$ 72,950 | \$ 92,872 | \$ 118,351 | \$ 25,479 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 40,000 | \$ 40,000 | \$ 55,931 | \$ 15,931 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 14,000 | \$ 14,000 | \$ 40,346 | \$ 26,346 |
| Revenue from use of property | 30,994 | 30,994 | 81,086 | 50,092 |
| Total revenue from use of money and property | \$ 44,994 | \$ 44,994 | \$ 121,432 | \$ 76,438 |
| Charges for services: | | | | |
| Charges for courthouse maintenance | \$ 8,000 | \$ 8,000 | \$ 10,329 | \$ 2,329 |
| Criminal/traffic cases fees-security | 50,000 | 50,000 | 56,240 | 6,240 |
| Charges for correction and detention | 1,500 | 1,500 | 1,043 | (457) |
| Charges for Commonwealth's Attorney | 750 | 750 | 742 | (8) |
| Charges for community development | 100 | 100 | 34 | (66) |
| Charges for EMS | 358,500 | 358,500 | 274,163 | (84,337) |
| Charges for selective enforcement | 50,000 | 50,000 | 48,074 | (1,926) |
| Charges for parks and recreation | 42,000 | 42,000 | 36,493 | (5,507) |
| Total charges for services | \$ 510,850 | \$ 510,850 | \$ 427,118 | \$ (83,732) |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 408,100 | \$ 454,558 | \$ 105,946 | \$ (348,612) |
| Recovered costs: | | | | |
| Town's share of refuse disposal | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ - |
| Credit card convenience fee | 37,843 | 37,843 | - | (37,843) |
| Town's erosion and sediment control | 2,600 | 2,600 | 40,500 | 37,900 |
| Sheriff-EHS security | - | - | 1,241 | 1,241 |
| Total recovered costs | \$ 70,443 | \$ 70,443 | \$ 71,741 | \$ 1,298 |
| Total revenue from local sources | \$ 18,270,361 | \$ 18,336,741 | \$ 18,345,572 | \$ 8,831 |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Communications taxes | \$ 337,000 | \$ 337,000 | \$ 332,348 | \$ (4,652) |
| Mobile home titling tax | 16,000 | 16,000 | 22,080 | 6,080 |
| Rolling stock tax | 1,000 | 1,000 | 226 | (774) |
| Auto rental tax | 100 | 100 | - | (100) |
| State recordation tax | 105,000 | 105,000 | 120,108 | 15,108 |
| Personal property tax relief funds | 1,054,171 | 1,054,171 | 1,054,171 | - |
| Total noncategorical aid | \$ 1,513,271 | \$ 1,513,271 | \$ 1,528,933 | \$ 15,662 |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 221,720 | \$ 221,720 | \$ 219,509 | \$ (2,211) |
| Sheriff | 626,036 | 626,036 | 608,897 | (17,139) |
| Commissioner of revenue | 87,285 | 94,502 | 93,129 | (1,373) |
| Treasurer | 73,295 | 73,295 | 71,730 | (1,565) |
| Registrar/electoral board | 60,188 | 60,188 | 37,029 | (23,159) |
| Clerk of the Circuit Court | 170,713 | 179,113 | 175,094 | (4,019) |
| Total shared expenses | \$ 1,239,237 | \$ 1,254,854 | \$ 1,205,388 | \$ (49,466) |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 379,218 | \$ 484,867 | \$ 495,202 | \$ 10,335 |
| Emergency medical services - four for life | 11,500 | 11,500 | - | (11,500) |
| Emergency services | 13,000 | 26,316 | - | (26,316) |
| Library | 15,000 | 15,000 | - | (15,000) |
| Tornado assistance | - | 30,000 | 198,893 | 168,893 |
| E911 system grant | - | 149,894 | 149,894 | - |
| Comprehensive services act | 500,000 | 502,659 | 458,401 | (44,258) |
| Litter control | 7,644 | 7,644 | 7,346 | (298) |
| Wireless funds | 40,000 | 40,000 | 42,869 | 2,869 |
| DMV grant | 13,773 | 13,773 | - | (13,773) |
| Victim-witness grant | 23,027 | 23,027 | 7,810 | (15,217) |
| Rescue squad | - | 18,868 | 18,454 | (414) |
| Domestic violence grant | 45,000 | 45,000 | 45,000 | - |
| Fire programs fund | 26,357 | 26,357 | 28,479 | 2,122 |
| Clerk records grant | - | 34,666 | 30,153 | (4,513) |
| Other state funds | - | 1,000 | 3,416 | 2,416 |
| Total other categorical aid | \$ 1,074,519 | \$ 1,430,571 | \$ 1,485,917 | \$ 55,346 |
| Total categorical aid | \$ 2,313,756 | \$ 2,685,425 | \$ 2,691,305 | \$ 5,880 |
| Total revenue from the Commonwealth | \$ 3,827,027 | \$ 4,198,696 | \$ 4,220,238 | \$ 21,542 |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | \$ 3,675 | \$ 3,675 | \$ 4,101 | \$ 426 |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 700,618 | \$ 895,809 | \$ 914,902 | \$ 19,093 |
| Comprehensive services | - | - | 72,157 | 72,157 |
| Transportation safety | - | - | 5,162 | 5,162 |
| Disaster assistance | - | - | 30,000 | 30,000 |
| Crime victim assistance | - | - | 29,150 | 29,150 |
| Edward Byrne justice assistance grant | - | - | 2,345 | 2,345 |
| Rural development grants | - | 24,500 | 49,500 | 25,000 |
| QSCB Interest subsidy | 394,400 | 394,400 | 395,675 | 1,275 |
| Total categorical aid | \$ 1,095,018 | \$ 1,314,709 | \$ 1,498,891 | \$ 184,182 |
| Total revenue from the federal government | \$ 1,098,693 | \$ 1,318,384 | \$ 1,502,992 | \$ 184,608 |
| Total General Fund | \$ 23,196,081 | \$ 23,853,821 | \$ 24,068,802 | \$ 214,981 |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-----------------------------|-----------------------------|-----------------------------|---|
| Special Revenue Fund: | | | | |
| County Special Revenue Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 3 | \$ 3 |
| Revenue from the use of property | 14,000 | 24,770 | 24,080 | (690) |
| Total revenue from use of money and property | <u>\$ 14,000</u> | <u>\$ 24,770</u> | <u>\$ 24,083</u> | <u>\$ (687)</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ - | \$ 2,945 | \$ 33,477 | \$ 30,532 |
| Total revenue from local sources | <u>\$ 14,000</u> | <u>\$ 27,715</u> | <u>\$ 57,560</u> | <u>\$ 29,845</u> |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Forfeited assets | \$ - | \$ 599 | \$ - | \$ (599) |
| Total revenue from the Commonwealth | <u>\$ -</u> | <u>\$ 599</u> | <u>\$ -</u> | <u>\$ (599)</u> |
| Total County Special Revenue Fund | <u><u>\$ 14,000</u></u> | <u><u>\$ 28,314</u></u> | <u><u>\$ 57,560</u></u> | <u><u>\$ 29,246</u></u> |
| Capital Projects Fund: | | | | |
| Capital Projects Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 9,583 | \$ 9,583 |
| Revenue from the use of property | 61,498 | 77,297 | 61,498 | (15,799) |
| Total revenue from use of money and property | <u>\$ 61,498</u> | <u>\$ 77,297</u> | <u>\$ 71,081</u> | <u>\$ (6,216)</u> |
| Miscellaneous: | | | | |
| Miscellaneous | \$ - | \$ 875,000 | \$ - | \$ (875,000) |
| Total revenue from local sources | <u>\$ 61,498</u> | <u>\$ 952,297</u> | <u>\$ 71,081</u> | <u>\$ (881,216)</u> |
| Total Capital Projects Fund | <u><u>\$ 61,498</u></u> | <u><u>\$ 952,297</u></u> | <u><u>\$ 71,081</u></u> | <u><u>\$ (881,216)</u></u> |
| Total Primary Government | <u><u>\$ 23,271,579</u></u> | <u><u>\$ 24,834,432</u></u> | <u><u>\$ 24,197,443</u></u> | <u><u>\$ (636,989)</u></u> |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of property | \$ 2,000 | \$ 2,000 | \$ 13,587 | \$ 11,587 |
| Charges for services: | | | | |
| Charges for education | \$ - | \$ - | \$ 2,500 | \$ 2,500 |
| Miscellaneous: | | | | |
| Miscellaneous | \$ 90,000 | \$ 90,000 | \$ 184,065 | \$ 94,065 |
| Total revenue from local sources | <u>\$ 92,000</u> | <u>\$ 92,000</u> | <u>\$ 200,152</u> | <u>\$ 108,152</u> |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| Intergovernmental: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Essex, Virginia | \$ 7,769,078 | \$ 7,769,078 | \$ 7,514,243 | \$ (254,835) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 1,714,229 | \$ 1,714,229 | \$ 1,677,766 | \$ (36,463) |
| Basic school aid | 3,743,849 | 3,743,849 | 3,717,914 | (25,935) |
| Remedial summer education | 49,834 | 49,834 | 37,589 | (12,245) |
| Gifted and talented | 37,514 | 37,514 | 37,118 | (396) |
| Remedial education | 244,625 | 244,625 | 242,042 | (2,583) |
| Special education | 480,653 | 480,653 | 475,578 | (5,075) |
| Textbook payment | 85,798 | 85,798 | 84,893 | (905) |
| Mentor teacher program | 3,614 | 3,614 | 2,317 | (1,297) |
| GED funding | 7,859 | 7,859 | 8,418 | 559 |
| Vocational education | 80,587 | 80,587 | 83,810 | 3,223 |
| School fringes | 785,981 | 785,981 | 719,166 | (66,815) |
| State lottery payments | 40,969 | 40,969 | 40,644 | (325) |
| Early reading intervention | 25,983 | 25,983 | 25,983 | - |
| Homebound | 9,625 | 9,625 | 6,624 | (3,001) |
| At risk payments | 273,329 | 273,329 | 270,633 | (2,696) |
| Primary class size | 296,774 | 296,774 | 279,452 | (17,322) |
| Technology | 177,600 | 177,600 | 142,521 | (35,079) |
| Preschool initiative | 125,332 | 125,332 | 125,332 | - |
| Security grant | - | - | 2,620 | 2,620 |
| SOL Algebra readiness | 22,876 | 22,876 | 24,833 | 1,957 |
| English as a second language | 13,601 | 13,601 | 16,174 | 2,573 |
| Other state aid | 56,640 | 56,640 | 119,843 | 63,203 |
| Total categorical aid | \$ 8,277,272 | \$ 8,277,272 | \$ 8,141,270 | \$ (136,002) |
| Total revenue from the Commonwealth | 8,277,272 | 8,277,272 | 8,141,270 | (136,002) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 517,560 | \$ 517,560 | \$ 483,350 | \$ (34,210) |
| Title VI-B | 608,074 | 608,074 | 323,118 | (284,956) |
| Title VI-B - rural and low income | 56,749 | 56,749 | 45,550 | (11,199) |
| Preschool grant | 19,095 | 19,095 | 15,581 | (3,514) |
| Vocational education | 33,362 | 33,362 | 29,011 | (4,351) |
| Title III | 3,023 | 3,023 | 2,316 | (707) |
| Title II-A | 157,418 | 157,418 | 52,917 | (104,501) |
| Total categorical aid | \$ 1,395,281 | \$ 1,395,281 | \$ 951,843 | \$ (443,438) |
| Total School Operating Fund | \$ 17,533,631 | \$ 17,533,631 | \$ 16,807,508 | \$ (726,123) |

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special Revenue Fund: | | | | |
| School Cafeteria Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ 200 | \$ 200 | \$ 30 | \$ (170) |
| Charges for services: | | | | |
| Cafeteria sales | \$ 172,000 | \$ 172,000 | \$ 134,722 | \$ (37,278) |
| Miscellaneous: | | | | |
| Miscellaneous | \$ - | \$ - | \$ 3,706 | \$ 3,706 |
| Total revenue from local sources | \$ 172,200 | \$ 172,200 | \$ 138,458 | \$ (33,742) |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 34,068 | \$ 36,741 | \$ 31,063 | \$ (5,678) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | \$ 672,564 | \$ 672,564 | \$ 620,848 | \$ (51,716) |
| Commodities | - | 53,788 | 53,788 | - |
| Total categorical aid | \$ 672,564 | \$ 726,352 | \$ 674,636 | \$ (51,716) |
| Total revenue from the federal government | \$ 672,564 | \$ 726,352 | \$ 674,636 | \$ (51,716) |
| Total School Cafeteria Fund | \$ 878,832 | \$ 935,293 | \$ 844,157 | \$ (91,136) |
| Total Discretely Presented Component Unit - School Board | \$ 18,412,463 | \$ 18,468,924 | \$ 17,651,665 | \$ (817,259) |

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County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <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 | \$ 358,964 | \$ 355,661 | \$ 334,852 | \$ 20,809 |
| General and financial administration: | | | | |
| County administrator | \$ 167,071 | \$ 151,954 | \$ 145,445 | \$ 6,509 |
| Legal services | 50,000 | 116,488 | 116,488 | - |
| Commissioner of revenue | 300,179 | 333,908 | 323,573 | 10,335 |
| Independent Auditor | 43,000 | 43,000 | 40,500 | 2,500 |
| Treasurer | 258,745 | 258,540 | 219,692 | 38,848 |
| Management services | 318,631 | 329,602 | 311,465 | 18,137 |
| Total general and financial administration | \$ 1,137,626 | \$ 1,233,492 | \$ 1,157,163 | \$ 76,329 |
| Board of elections: | | | | |
| Electoral board and officials | \$ 43,884 | \$ 43,402 | \$ 39,783 | \$ 3,619 |
| Registrar | 95,006 | 95,488 | 95,102 | 386 |
| Total board of elections | \$ 138,890 | \$ 138,890 | \$ 134,885 | \$ 4,005 |
| Total general government administration | \$ 1,635,480 | \$ 1,728,043 | \$ 1,626,900 | \$ 101,143 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 13,357 | \$ 13,357 | \$ 12,696 | \$ 661 |
| General district court | 1,879 | 1,879 | 293 | 1,586 |
| Sheriff | 58,196 | 58,496 | 56,375 | 2,121 |
| Juvenile and domestic relations court | 31,640 | 56,640 | 47,279 | 9,361 |
| Northern Neck Essex County Group Home Commission | 5,935 | 5,935 | 5,935 | - |
| Clerk of the circuit court | 289,349 | 332,902 | 304,959 | 27,943 |
| Total courts | \$ 400,356 | \$ 469,209 | \$ 427,537 | \$ 41,672 |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 332,054 | \$ 332,054 | \$ 308,100 | \$ 23,954 |
| Total judicial administration | \$ 732,410 | \$ 801,263 | \$ 735,637 | \$ 65,626 |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 1,091,032 | \$ 1,122,295 | \$ 1,017,065 | \$ 105,230 |
| Fire and rescue services: | | | | |
| Fire department | \$ 210,439 | \$ 210,439 | \$ 208,479 | \$ 1,960 |
| Ambulance and rescue services | 1,068,888 | 1,108,498 | 1,045,507 | 62,991 |
| Forestry service | 7,829 | 7,989 | 7,989 | - |
| Total fire and rescue services | \$ 1,287,156 | \$ 1,326,926 | \$ 1,261,975 | \$ 64,951 |
| Correction and detention: | | | | |
| Sheriff | \$ 1,476,242 | \$ 1,481,942 | \$ 1,409,699 | \$ 72,243 |

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Public safety: (Continued) | | | | |
| Inspections: | | | | |
| Building | \$ 231,796 | \$ 225,488 | \$ 136,267 | \$ 89,221 |
| Other protection: | | | | |
| Animal control | \$ 172,441 | \$ 175,386 | \$ 147,628 | \$ 27,758 |
| Emergency services | - | 30,000 | 30,000 | - |
| Medical examiner | 250 | 250 | 140 | 110 |
| Total other protection | \$ 172,691 | \$ 205,636 | \$ 177,768 | \$ 27,868 |
| Total public safety | \$ 4,258,917 | \$ 4,362,287 | \$ 4,002,774 | \$ 359,513 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse disposal | \$ 756,806 | \$ 764,866 | \$ 764,866 | \$ - |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 639,116 | \$ 663,548 | \$ 661,356 | \$ 2,192 |
| Communication | 91,486 | 235,741 | 230,088 | 5,653 |
| Technology | 244,726 | 270,477 | 269,007 | 1,470 |
| Total maintenance of general buildings and grounds | \$ 975,328 | \$ 1,169,766 | \$ 1,160,451 | \$ 9,315 |
| Total public works | \$ 1,732,134 | \$ 1,934,632 | \$ 1,925,317 | \$ 9,315 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 130,831 | \$ 130,831 | \$ 130,831 | \$ - |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 34,927 | \$ 34,927 | \$ 34,927 | \$ - |
| Welfare: | | | | |
| Public assistance and welfare administration | \$ 1,626,161 | \$ 1,937,344 | \$ 1,750,810 | \$ 186,534 |
| Bay transit | 110,608 | 110,608 | 110,608 | - |
| Comprehensive services act | 1,000,000 | 1,333,280 | 1,129,453 | 203,827 |
| Total welfare | \$ 2,736,769 | \$ 3,381,232 | \$ 2,990,871 | \$ 390,361 |
| Total health and welfare | \$ 2,902,527 | \$ 3,546,990 | \$ 3,156,629 | \$ 390,361 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Rappahannock Community College | \$ 15,400 | \$ 15,400 | \$ 15,400 | \$ - |
| Contribution to County School Board | 7,769,078 | 7,769,078 | 7,514,243 | 254,835 |
| Total education | \$ 7,784,478 | \$ 7,784,478 | \$ 7,529,643 | \$ 254,835 |

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Supervision of parks and recreation | \$ 233,584 | \$ 233,584 | \$ 208,041 | \$ 25,543 |
| Swimming pool and park | 73,558 | 73,558 | 40,156 | 33,402 |
| Total parks and recreation | <u>\$ 307,142</u> | <u>\$ 307,142</u> | <u>\$ 248,197</u> | <u>\$ 58,945</u> |
| Cultural enrichment: | | | | |
| Museum | <u>\$ 22,000</u> | <u>\$ 22,000</u> | <u>\$ 22,000</u> | <u>\$ -</u> |
| Library: | | | | |
| Contribution to county library | <u>\$ 192,295</u> | <u>\$ 192,295</u> | <u>\$ 179,873</u> | <u>\$ 12,422</u> |
| Total parks, recreation, and cultural | <u>\$ 521,437</u> | <u>\$ 521,437</u> | <u>\$ 450,070</u> | <u>\$ 71,367</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Middle Peninsula planning district commission | \$ 16,300 | \$ 17,800 | \$ 17,800 | \$ - |
| Economic development | 113,623 | 113,623 | 107,007 | 6,616 |
| Total planning and community development | <u>\$ 129,923</u> | <u>\$ 131,423</u> | <u>\$ 124,807</u> | <u>\$ 6,616</u> |
| Environmental management: | | | | |
| Contribution to soil and water conservation district | \$ 11,025 | \$ 11,025 | \$ 11,025 | \$ - |
| Litter control program | 10,000 | 10,000 | 9,159 | 841 |
| Other environmental management | 1,000 | 1,000 | 1,000 | - |
| Total environmental management | <u>\$ 22,025</u> | <u>\$ 22,025</u> | <u>\$ 21,184</u> | <u>\$ 841</u> |
| Cooperative extension program: | | | | |
| Extension office | <u>\$ 44,565</u> | <u>\$ 44,565</u> | <u>\$ 39,463</u> | <u>\$ 5,102</u> |
| Total community development | <u>\$ 196,513</u> | <u>\$ 198,013</u> | <u>\$ 185,454</u> | <u>\$ 12,559</u> |
| Debt service: | | | | |
| Principal retirement | \$ 2,341,443 | \$ 2,341,443 | \$ 2,160,196 | \$ 181,247 |
| Interest and other fiscal charges | 1,271,562 | 1,353,651 | 1,520,688 | (167,037) |
| Total debt service | <u>\$ 3,613,005</u> | <u>\$ 3,695,094</u> | <u>\$ 3,680,884</u> | <u>\$ 14,210</u> |
| Total General Fund | <u>\$ 23,376,901</u> | <u>\$ 24,572,237</u> | <u>\$ 23,293,308</u> | <u>\$ 1,278,929</u> |
| Special Revenue Fund: | | | | |
| County Special Revenue Fund: | | | | |
| Judicial Administration: | | | | |
| Commonwealth's Attorney: | | | | |
| Asset Forfeiture | <u>\$ -</u> | <u>\$ 599</u> | <u>\$ 599</u> | <u>\$ -</u> |
| Public Safety: | | | | |
| Other protection: | | | | |
| Animal control | <u>\$ -</u> | <u>\$ 2,945</u> | <u>\$ 2,945</u> | <u>\$ -</u> |

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Special Revenue Fund: (Continued) | | | | |
| County Special Revenue Fund: (Continued) | | | | |
| Capital projects: | | | | |
| Building renovation | \$ - | \$ 58,077 | \$ 49,847 | \$ 8,230 |
| Total County Special Revenue Fund | \$ - | \$ 61,621 | \$ 53,391 | \$ 8,230 |
| Capital Projects Fund: | | | | |
| Capital projects: | | | | |
| Capital projects | \$ - | \$ 3,658,777 | \$ 643,549 | \$ 3,015,228 |
| Total capital projects | \$ - | \$ 3,658,777 | \$ 643,549 | \$ 3,015,228 |
| Total Capital Projects Fund | \$ - | \$ 3,658,777 | \$ 643,549 | \$ 3,015,228 |
| Total Primary Government | \$ 23,376,901 | \$ 28,292,635 | \$ 23,990,248 | \$ 4,302,387 |
| Discretely Presented Component Unit - School Board: | | | | |
| School Operating Fund: | | | | |
| Education: | | | | |
| Administration, health, and attendance | \$ 1,003,709 | \$ 1,003,709 | \$ 980,012 | \$ 23,697 |
| Instruction costs | 12,679,357 | 12,679,357 | 11,894,604 | 784,753 |
| Technology | 956,270 | 956,270 | 966,744 | (10,474) |
| Pupil transportation | 1,542,832 | 1,542,832 | 1,605,612 | (62,780) |
| Operation and maintenance of school plant | 1,351,463 | 1,351,463 | 1,360,536 | (9,073) |
| Total education | \$ 17,533,631 | \$ 17,533,631 | \$ 16,807,508 | \$ 726,123 |
| Total School Operating Fund | \$ 17,533,631 | \$ 17,533,631 | \$ 16,807,508 | \$ 726,123 |
| Special Revenue Fund: | | | | |
| School Cafeteria Fund: | | | | |
| Education: | | | | |
| School food services: | | | | |
| Administration of school food program | \$ 878,832 | \$ 878,832 | \$ 813,556 | \$ 65,276 |
| Commodities | - | 53,788 | 53,788 | - |
| Total school food services | \$ 878,832 | \$ 932,620 | \$ 867,344 | \$ 65,276 |
| Total education | \$ 878,832 | \$ 932,620 | \$ 867,344 | \$ 65,276 |
| Total School Cafeteria Fund | \$ 878,832 | \$ 932,620 | \$ 867,344 | \$ 65,276 |
| Total Discretely Presented Component Unit - School Board | \$ 18,412,463 | \$ 18,466,251 | \$ 17,674,852 | \$ 791,399 |

OTHER STATISTICAL INFORMATION

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Table 1

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

| Fiscal Year | General Government Administration | | | Judicial Administration | Public | | Health and Welfare | | Parks, Recreation, and Cultural Education | | Community Development | Interest on Long-Term Debt | Total | | | | | |
|-------------|-----------------------------------|-----------|----|-------------------------|--------|-----------|--------------------|-----------|---|-----------|-----------------------|----------------------------|-------|-----------|----|-----------|----|------------|
| | | | | | Safety | Works | | | | | | | | | | | | |
| 2007-08 | \$ | 1,882,055 | \$ | 770,077 | \$ | 2,830,590 | \$ | 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 | | 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 | | 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 | | 2,491,948 | | 6,480,939 | | 453,444 | | 60,121 | | 935,322 | | 18,421,575 |
| 2011-12 | | 1,706,609 | | 681,831 | | 4,064,725 | | 2,189,764 | | 6,723,619 | | 415,389 | | 86,752 | | 1,500,339 | | 18,700,229 |
| 2012-13 | | 1,601,134 | | 706,845 | | 4,263,572 | | 2,157,151 | | 6,694,654 | | 402,704 | | 76,721 | | 1,274,412 | | 18,634,137 |
| 2013-14 | | 1,277,471 | | 656,005 | | 3,966,673 | | 2,149,596 | | 7,095,834 | | 398,171 | | 161,570 | | 1,501,151 | | 18,823,934 |
| 2014-15 | | 1,381,868 | | 538,448 | | 3,890,756 | | 1,884,957 | | 9,636,662 | | 454,226 | | 215,500 | | 1,476,080 | | 21,105,137 |
| 2015-16 | | 1,623,756 | | 726,774 | | 4,443,293 | | 2,451,160 | | 8,616,832 | | 713,163 | | 208,534 | | 1,515,344 | | 21,971,205 |
| 2016-17 | | 1,805,722 | | 797,726 | | 4,290,214 | | 3,192,335 | | 9,163,741 | | 443,243 | | 148,955 | | 1,341,160 | | 23,148,007 |

Table 2

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

| Fiscal Year | PROGRAM REVENUES | | | | GENERAL REVENUES | | | | | | | | |
|-------------|----------------------|------------------------------------|----------------------------------|---------------|------------------|------------|------------|--------------|---------------|--------------|---------------|-------------------------------------|-------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | General | | | Other | | Unrestricted | | Grants and Contributions | |
| | | | | | Property Taxes | General | Taxes | Local | Earnings | Investment | Miscellaneous | Not Restricted to Specific Programs | Total |
| 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 | | | | |
| 2011-12 | 434,701 | 2,692,852 | - | 12,293,636 | 2,129,390 | 101,251 | 30,441 | 1,438,719 | 19,120,990 | | | | |
| 2012-13 | 387,129 | 3,173,575 | - | 12,865,179 | 2,064,024 | 62,865 | 76,908 | 1,492,519 | 20,122,199 | | | | |
| 2013-14 | 486,365 | 2,994,419 | - | 13,459,968 | 1,892,560 | 53,199 | 88,612 | 1,505,664 | 20,480,787 | | | | |
| 2014-15 | 549,536 | 3,118,922 | - | 14,462,007 | 2,242,497 | 48,115 | 328,068 | 1,532,152 | 22,281,297 | | | | |
| 2015-16 | 563,077 | 3,439,628 | - | 15,939,496 | 2,494,704 | 182,385 | 212,975 | 1,512,974 | 24,345,239 | | | | |
| 2016-17 | 601,400 | 4,190,196 | - | 14,994,625 | 2,398,930 | 216,596 | 139,423 | 1,533,034 | 24,074,204 | | | | |

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

| Fiscal Year | General Government Administration | | Judicial Administration | Public Safety | Public Works | Health and Welfare | | Education (2) | Parks, Recreation, and Cultural | | Community Development | Debt Service | | Total |
|-------------|-----------------------------------|----|-------------------------|---------------|--------------|--------------------|---------------|---------------|---------------------------------|--------------|-----------------------|--------------|----|-------|
| | \$ | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 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 | | | |
| 2011-12 | 1,676,226 | | 661,423 | 3,660,306 | 1,280,425 | 2,159,172 | 16,514,738 | 391,855 | 89,252 | 9,311,473 | 35,744,870 | | | |
| 2012-13 | 1,661,413 | | 640,070 | 4,237,084 | 1,372,443 | 2,126,837 | 16,094,245 | 433,515 | 78,596 | 2,986,389 | 29,630,592 | | | |
| 2013-14 | 1,386,537 | | 624,493 | 3,955,020 | 1,695,600 | 2,158,657 | 16,149,300 | 409,144 | 164,070 | 3,580,296 | 30,123,117 | | | |
| 2014-15 | 1,400,155 | | 635,031 | 4,122,850 | 1,586,688 | 1,916,587 | 17,196,877 | 464,733 | 286,126 | 3,553,194 | 31,162,241 | | | |
| 2015-16 | 1,675,663 | | 681,613 | 4,342,391 | 1,678,337 | 2,460,777 | 17,590,465 | 786,195 | 252,030 | 10,107,390 | 39,574,861 | | | |
| 2016-17 | 1,626,900 | | 736,236 | 4,005,719 | 1,925,317 | 3,156,629 | 17,690,252 | 450,070 | 185,454 | 3,680,884 | 33,457,461 | | | |

(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 |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| | | | | | | | | | | |
| 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 |
| 2011-12 | 12,035,208 | 2,129,390 | 55,316 | 11,198 | 80,357 | 565,775 | 54,251 | 135,576 | 14,388,805 | 29,455,876 |
| 2012-13 | 13,091,774 | 2,064,024 | 53,129 | 723 | 42,053 | 516,577 | 76,088 | 203,528 | 14,763,185 | 30,811,081 |
| 2013-14 | 13,492,136 | 1,892,560 | 47,868 | 49,737 | 48,985 | 527,304 | 119,050 | 126,842 | 14,279,539 | 30,584,021 |
| 2014-15 | 14,375,886 | 2,242,497 | 55,722 | 121,180 | 58,143 | 492,624 | 351,564 | 179,327 | 14,950,044 | 32,826,987 |
| 2015-16 | 15,795,828 | 2,494,704 | 48,111 | 56,372 | 62,881 | 580,497 | 216,252 | 156,843 | 14,901,063 | 34,312,551 |
| 2016-17 | 15,046,123 | 2,398,930 | 118,351 | 55,931 | 230,213 | 564,340 | 327,194 | 71,741 | 15,522,042 | 34,334,865 |

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

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

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

Table 5

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

| Fiscal Year | Total Tax Levy (1) | Current Tax Collections (1) | Percent of Levy Collected | Delinquent Tax Collections (1) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes (1,2) | Percent of Delinquent Taxes to Tax Levy |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|------------------------------------|---|
| 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% | 1,350,599 | 11.06% |
| 2011-12 | 13,667,004 | 12,518,036 | 91.59% | 271,965 | 12,790,001 | 93.58% | 1,542,285 | 11.28% |
| 2012-13 | 13,825,984 | 13,144,229 | 95.07% | 699,836 | 13,844,065 | 100.13% | 1,480,509 | 10.71% |
| 2013-14 | 14,450,761 | 13,795,011 | 95.46% | 426,979 | 14,221,990 | 98.42% | 1,394,233 | 9.65% |
| 2014-15 | 15,266,583 | 14,439,033 | 94.58% | 645,104 | 15,084,137 | 98.80% | 1,470,710 | 9.63% |
| 2015-16 | 15,337,344 | 14,669,612 | 95.65% | 738,882 | 15,408,494 | 100.46% | 1,780,183 | 11.61% |
| 2016-17 | 15,596,041 | 15,036,269 | 96.41% | 730,160 | 15,766,429 | 101.09% | 1,751,140 | 11.23% |

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

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

Table 6

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

| Fiscal Year | Real Estate (1) | Personal Property and Mobile Homes (1) | Machinery and Tools | Merchant's Capital | Public Utility (2) | | Total |
|----------------|--------------------|---|---------------------------|-----------------------|--------------------|----------------------|------------------|
| | | | | | Real Estate | Personal Property | |
| 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 |
| 2011-12 | 1,505,791,681 | 88,167,722 | 1,689,475 | 1,815,583 | 37,440,722 | 83,997 | 1,634,989,180 |
| 2012-13 | 1,250,196,928 | 88,542,338 | 1,664,900 | 2,057,170 | 40,960,386 | 91,137 | 1,383,512,859 |
| 2013-14 | 1,253,447,626 | 96,842,771 | 1,071,575 | 2,091,590 | 42,005,340 | 113,855 | 1,395,572,757 |
| 2014-15 | 1,258,320,412 | 97,286,467 | 1,087,150 | 2,221,244 | 43,138,410 | 101,500 | 1,402,155,183 |
| 2015-16 | 1,256,583,672 | 101,433,884 | 1,013,750 | 2,270,908 | 44,267,085 | 80,990 | 1,405,650,289 |
| 2016-17 | 1,274,938,875 | 101,152,496 | 3,883,438 | 2,183,823 | 45,895,897 | 70,375 | 1,428,124,904 |

(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 |
|----------------|--------------|-----------------|----------------------|-----------------------|---------------------------|
| 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 | 0.61 | 0.53 | 3.50 | 3.75 | 3.50 |
| 2010-11 | 0.605 | 0.61 | 3.50 | 3.75 | 3.50 |
| 2011-12 | 0.695 | 0.605 | 3.50 | 3.75 | 3.50 |
| 2012-13 | 0.695/.84 | 0.695 | 3.50 | 3.75 | 3.50 |
| 2013-14 | 0.84/.86 | 0.84 | 3.50 | 3.75 | 3.50 |
| 2014-15 | 0.86/.88 | 0.86 | 3.75 | 3.75 | 3.75 |
| 2015-16 | 0.88 | 0.88 | 3.75 | 3.75 | 3.75 |
| 2016-17 | 0.88 | 0.88 | 4.00 | 3.75 | 3.75/1.20 |

(1) Per \$100 of assessed value.

Table 8

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

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Net Bonded Debt (3) | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------|----------------|--------------------|-----------------------|---------------------|--|----------------------------|
| 2007-08 | 9,989 | \$ 1,603,457,440 | \$ 18,914,280 | \$ 18,914,280 | 1.18% | \$ 1,894 |
| 2008-09 | 9,989 | 1,613,936,980 | 17,780,609 | 17,780,609 | 1.10% | 1,780 |
| 2009-10 | 11,151 | 1,627,201,997 | 17,050,985 | 17,050,985 | 1.05% | 1,529 |
| 2010-11 | 11,151 | 1,620,120,846 | 16,269,670 | 16,269,670 | 1.00% | 1,459 |
| 2011-12 | 11,151 | 1,634,989,180 | 34,711,478 | 34,711,478 | 2.12% | 3,113 |
| 2012-13 | 11,151 | 1,383,512,859 | 33,523,059 | 33,523,059 | 2.42% | 3,006 |
| 2013-14 | 11,151 | 1,395,572,757 | 31,840,877 | 31,840,877 | 2.28% | 2,855 |
| 2014-15 | 11,151 | 1,402,155,183 | 30,122,734 | 30,122,734 | 2.15% | 2,701 |
| 2015-16 | 11,151 | 1,405,650,289 | 32,202,425 | 32,202,425 | 2.29% | 2,888 |
| 2016-17 | 11,151 | 1,428,124,904 | 30,122,729 | 30,122,729 | 2.11% | 2,701 |

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

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

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

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Essex, Virginia's basic financial statements, and have issued our report thereon dated November 22, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Essex, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
November 22, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2017. County of Essex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

County of Essex Virginia's basic financial statements include the operations of the Essex County Airport Authority, which received \$26,222 in federal awards which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2017. Our audit, described below, did not include the operations of Essex County Airport Authority because the component unit receives a separate audit.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Essex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line.

Richmond, Virginia
November 22, 2017

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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 | 0950116/0950117 | \$ 13,450 |
| Temporary Assistance for Needy Families | 93.558 | 0400116/0400117 | 102,579 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500116/0500117 | 318 |
| Low Income Home Energy Assistance | 93.568 | 0600416/0600417 | 12,045 |
| Child Care Mandatory and Matching Funds of the Child Care Development Fund | 93.596 | 0760116/0760117 | 17,336 |
| Chafee Education and Training Vouchers | 93.599 | 9160116/9160117 | 4,000 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | 1130117 | 5,000 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900116/0900117 | 142 |
| Foster Care - Title IV-E | 93.658 | 1100116/1100117 | 265,760 |
| Adoption Assistance | 93.659 | 1130116/1130117 | 61,989 |
| Social Services Block Grant | 93.667 | 1000116/1000117 | 138,856 |
| Chafee Foster Care Independence Program | 93.674 | 9150116/9150117 | 1,318 |
| Children's Health Insurance Program | 93.767 | 0540116/0540117 | 6,506 |
| Medical Assistance Program | 93.778 | 1200116/1200117 | 201,031 |
| Total Department of Health and Human Services | | | \$ 830,330 |
| Department of Agriculture: | | | |
| Direct Payments: | | | |
| Community Facilities Loans and Grants | 10.760 | N/A | \$ 130,000 |
| Pass Through Payments: | | | |
| Child Nutrition Cluster: | | | |
| <i>Department of Agriculture:</i> | | | |
| Summer Food Service Program for Children | 10.559 | N/A | \$ 10,077 |
| Food Distribution | 10.555 | N/A | \$ 53,788 |
| <i>Department of Education:</i> | | | |
| National School Lunch Program | 10.555 | 17901-45707 | 405,227 |
| School Breakfast Program | 10.553 | 17901-40591 | 205,544 |
| Total Child Nutrition Cluster | | | \$ 674,636 |
| <i>Department of Social Services:</i> | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010116/0010117 | \$ 156,729 |
| Total Department of Agriculture | | | \$ 961,365 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| <i>Department of Motor Vehicles:</i> | | | |
| State and Community Highway Safety | 20.600 | 60507-50287 | \$ 5,161 |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| <i>Department of Criminal Justice Service:</i> | | | |
| Crime Victim Assistance | 16.575 | 39001-76000 | \$ 29,151 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 39001-71100/71200 | 2,345 |
| Total Department of Justice | | | \$ 31,496 |

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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 Housing and Urban Development: | | | |
| Pass Through Payments: | | | |
| <i>Department of Housing and Community Development:</i> | | | |
| Community Development Block Grant | 14.228 | 533005 | \$ 30,000 |
| Department of Education: | | | |
| Pass Through Payments: | | | |
| <i>Department of Education:</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 17901-42901-42999 | \$ 483,350 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 17901-43071-61234 | 323,118 |
| Special Education - Preschool Grants | 84.173 | 17901-62521 | 15,581 |
| Total Special Education Cluster | | | \$ 338,699 |
| Career and Technical Education - Basic Grants to States | 84.048 | 17901-61095 | 29,011 |
| Rural Education | 84.358 | 17901- 43481 | 45,550 |
| English Language Acquisition State Grants | 84.365 | 17901 | 2,316 |
| Supporting Effective Instruction State Grant | 84.367 | 17901-61480 | 52,917 |
| Total Department of Education | | | \$ 951,843 |
| Total Expenditures of Federal Awards | | | \$ 2,810,195 |

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, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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

Note 3 - Food Donation

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

Note 4 - Subrecipients

No awards were passed through to subrecipients.

Note 5 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

| | |
|--------------|--------------|
| General Fund | \$ 1,502,992 |
|--------------|--------------|

Component Unit - School Board:

| | |
|-----------------------|------------|
| School Operating Fund | \$ 951,843 |
|-----------------------|------------|

| | |
|-----------------------------|---------|
| School Special Revenue Fund | 674,636 |
|-----------------------------|---------|

| | |
|-----------------------------------|--------------|
| Total component unit School Board | \$ 1,626,479 |
|-----------------------------------|--------------|

| | |
|---|--------------|
| Total federal expenditures per basic financial statements | \$ 3,129,471 |
|---|--------------|

| | |
|--------------------------|--------------|
| Federal interest subsidy | \$ (395,675) |
|--------------------------|--------------|

| | |
|------------------------------|--------|
| Rural development loan grant | 80,500 |
|------------------------------|--------|

| | |
|---------------------------|---------|
| Payments in Lieu of Taxes | (4,101) |
|---------------------------|---------|

| | |
|---|--------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | \$ 2,810,195 |
|---|--------------|

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

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

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

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

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

✓ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

There were no prior year audit findings.

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