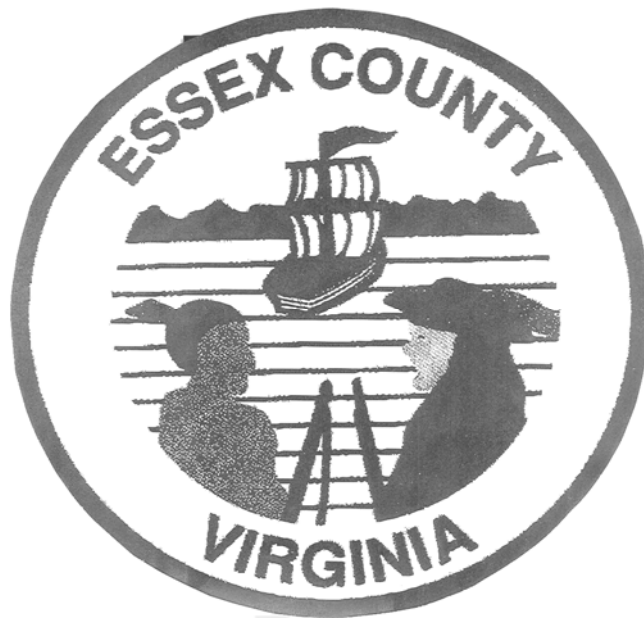


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

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

Sidney N. Johnson

Margaret H. Davis

School Board

Elizabeth Martin, Chairperson
Denise Hammond, Vice Chairperson

Keren Ellis
Larry Lenz

Raymond Whitaker

Department of Social Services Board

Janie Mitchell, Chairperson
Nancy Haynes, Vice Chairperson

Sydney Johnson
Margie Gray
Wright Andrews

Other Officials

Judge of the Circuit Court	Harry T. Taliaferro, III
Clerk of the Circuit Court.....	G.J. Ashworth
Judge of the General District Court.....	Ricardo Rigual
Judge of the Juvenile and Domestic Relations Court.....	R. Michael McKenney
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	A. Reese Peck
County Attorney	Daniel M. Siegel

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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the county adopted new accounting guidance, GASB Statements Nos. 60, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 67, and 68-72 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015, 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. Frick", followed by a horizontal line.

Richmond, Virginia
December 8, 2015

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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, 2015.

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 \$8,755,325 (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 \$1,206,040 (Exhibit 5) after making contributions totaling \$6,436,477 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$5,785,060, an increase of \$1,206,040 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,844,163 or 23% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,139,562 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 two major governmental funds – the General Fund and School Construction Fund and one non-major governmental fund – the County Special Revenue Fund.

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information 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 \$8,755,325 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	
	2015	2014
Current and other assets	\$ 12,847,438	\$ 12,506,733
Capital assets	<u>35,108,498</u>	<u>37,628,459</u>
Total assets	\$ <u>47,955,936</u>	\$ <u>50,135,192</u>
Deferred inflows of resources	\$ <u>342,507</u>	\$ <u>-</u>
Current liabilities	\$ 527,924	\$ 1,752,543
Long-term liabilities outstanding	<u>32,673,493</u>	<u>34,813,055</u>
Total liabilities	\$ <u>33,201,417</u>	\$ <u>36,565,598</u>
Deferred inflows of resources	\$ <u>6,341,701</u>	\$ <u>5,357,347</u>
Net position:		
Net investment in capital assets	\$ 3,339,253	\$ 4,144,661
Restricted for:		
Glebe fund	200,666	71,647
Forfeited assets	84,740	77,128
Law library	7,329	7,328
Asset forfeiture - Comm. Atty	3,524	4,442
School construction	-	335,703
Unrestricted	<u>5,119,813</u>	<u>3,571,338</u>
Total net position	\$ <u><u>8,755,325</u></u>	\$ <u><u>8,212,247</u></u>

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$1,176,160 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	
	2015	2014
Charges for services	\$ 549,536	\$ 486,365
Operating grants and contributions	3,118,922	2,994,419
General property taxes	14,462,007	13,459,968
Other local taxes	2,242,497	1,892,560
Grants and other contributions not restricted	1,532,152	1,505,664
Other general revenues	376,183	141,811
Total revenues	<u>\$ 22,281,297</u>	<u>\$ 20,480,787</u>
General government administration	\$ 1,381,868	\$ 1,277,471
Judicial administration	538,448	656,005
Public safety	3,890,756	3,966,673
Public works	1,626,640	1,617,463
Health and welfare	1,884,957	2,149,596
Education	9,636,662	7,095,834
Parks, recreation, and cultural	454,226	398,171
Community development	215,500	161,570
Interest and other fiscal charges	<u>1,476,080</u>	<u>1,501,151</u>
Total expenses	<u>\$ 21,105,137</u>	<u>\$ 18,823,934</u>
Change in net position	\$ 1,176,160	\$ 1,656,853
Net position, beginning of year as restated	7,579,165	6,555,394
Net position, end of year	<u>\$ 8,755,325</u>	<u>\$ 8,212,247</u>

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations. Therefore, beginning net position for 2015 as displayed above does not agree to ending net position for 2014.

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 \$5,785,060, an increase of \$1,206,040. Approximately 83.7% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources of the General Fund exceeded budgetary estimates in the amount of \$443,515. Expenditures and other financing uses did not exceed budgetary estimates by \$1,721,045, resulting in a positive variance of \$2,164,560.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2015 amounted to \$35,108,498 (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 \$31,316,894. Of this amount, \$18,915,734 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 \$1,938,080 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 2016 fiscal year.

The fiscal year 2016 budget remained approximately the same as the prior year. The County's real estate rate increased from \$0.86 to \$0.88 per \$100. All other 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, 2015

	Primary Government	Component Units	
	Governmental	School Board	EDA
	Activities		
ASSETS			
Cash and cash equivalents	\$ 5,157,645	\$ 1,299,014	\$ 5,333
Investments	-	-	151,279
Receivables (net of allowance for uncollectibles):			
Taxes receivable	6,881,030	-	-
Accounts receivable	67,172	2,855	-
Due from other governmental units	651,131	441,790	-
Inventories	-	12,966	-
Net pension asset	90,460	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	1,149,371	42,822	-
Buildings and improvements	30,467,339	7,319,456	-
Intangibles	1,564,447	-	-
Equipment	1,797,598	490,232	-
Construction in progress	129,743	-	-
Total assets	<u>\$ 47,955,936</u>	<u>\$ 9,609,135</u>	<u>\$ 156,612</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to measurement date	\$ 342,507	\$ 1,186,741	\$ -
Total deferred outflow of resources	<u>\$ 342,507</u>	<u>\$ 1,186,741</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 129,754	\$ 46,087	\$ -
Accrued liabilities	-	1,586,223	-
Accrued interest payable	364,046	-	-
Due to other governmental units	-	3,208	-
Unearned revenue	34,124	-	-
Long-term liabilities:			
Due within one year	2,005,787	61,050	-
Due in more than one year	30,667,706	13,736,653	-
Total liabilities	<u>\$ 33,201,417</u>	<u>\$ 15,433,221</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 5,513,192	\$ -	\$ -
Items related to changes in proportion of net pension liability	\$ -	\$ 249,000	-
Items related to measurement of net pension liability	828,509	2,207,699	-
Total deferred inflow of resources	<u>\$ 6,341,701</u>	<u>\$ 2,456,699</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 3,339,253	\$ 7,643,902	\$ -
Restricted:			
Glebe fund	200,666	-	-
Forfeited assets	84,740	-	-
Law library	7,329	-	-
Asset forfeiture - Comm. Atty	3,524	-	-
Unrestricted (deficit)	5,119,813	(14,737,946)	\$ 156,612
Total net position	<u>\$ 8,755,325</u>	<u>\$ (7,094,044)</u>	<u>\$ 156,612</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, 2015

		Program Revenues				Net (Expense) Revenue and Changes in Net Position		
			Operating	Capital		Primary	Component Units	
		Charges for	Grants and	Grants and		Government		
Functions/Programs	Expenses	Services	Contributions	Contributions		Governmental Activities	School Board	EDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,381,868	\$ -	\$ 218,864	\$ -	\$ (1,163,004)			
Judicial administration	538,448	182,447	360,809	-	4,808			
Public safety	3,890,756	343,675	1,061,617	-	(2,485,464)			
Public works	1,626,640	-	7,664	-	(1,618,976)			
Health and welfare	1,884,957	-	1,062,220	-	(822,737)			
Education	9,636,662	-	-	-	(9,636,662)			
Parks, recreation, and cultural	454,226	23,344	13,773	-	(417,109)			
Community development	215,500	70	-	-	(215,430)			
Interest on long-term debt	1,476,080	-	393,975	-	(1,082,105)			
Total governmental activities	\$ 21,105,137	\$ 549,536	\$ 3,118,922	\$ -	\$ (17,436,679)			
Total primary government	\$ 21,105,137	\$ 549,536	\$ 3,118,922	\$ -				
COMPONENT UNITS:								
School Board	\$ 17,129,566	\$ 119,990	\$ 10,298,970	\$ -		\$ (6,710,606)	\$ -	
Economic Development Authority	92,484	-	-	-		-	(92,484)	
Total component unit	\$ 17,222,050	\$ 119,990	\$ 10,298,970	\$ -		\$ (6,710,606)	\$ (92,484)	
General revenues:								
General property taxes					\$ 14,462,007	\$ -	\$ -	
Other local taxes:								
Local sales and use tax					1,685,518	-	-	
Consumers' utility taxes					241,670	-	-	
Motor vehicle licenses					291,273	-	-	
Taxes on recordation and wills					24,036	-	-	
Unrestricted revenues from use of money and property					48,115	10,973	368	
Miscellaneous					328,068	23,496	22,034	
Payments from Essex County					-	8,899,734	-	
Grants and contributions not restricted to specific programs					1,532,152	-	-	
Total general revenues					\$ 18,612,839	\$ 8,934,203	\$ 22,402	
Change in net position					1,176,160	2,223,597	(70,082)	
Net position - beginning, as restated					7,579,165	(9,317,641)	226,694	
Net position - ending					\$ 8,755,325	\$ (7,094,044)	\$ 156,612	

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, 2015

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,210,432	\$ 947,213	\$ 5,157,645
Receivables (net of allowance for uncollectibles):			
Taxes receivable	6,881,030	-	6,881,030
Accounts receivable	67,172	-	67,172
Due from other governmental units	651,131	-	651,131
Total assets	<u>\$ 11,809,765</u>	<u>\$ 947,213</u>	<u>\$ 12,756,978</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 123,438	\$ 6,316	\$ 129,754
Unearned revenue	34,124	-	34,124
Total liabilities	<u>\$ 157,562</u>	<u>\$ 6,316</u>	<u>\$ 163,878</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	\$ 6,808,040	\$ -	\$ 6,808,040
Total deferred inflow of resources	<u>\$ 6,808,040</u>	<u>\$ -</u>	<u>\$ 6,808,040</u>
Fund balances:			
Restricted	\$ -	\$ 300,833	\$ 300,833
Committed			
Debt service funds	-	640,064	640,064
Unassigned	4,844,163	-	4,844,163
Total fund balances	<u>\$ 4,844,163</u>	<u>\$ 940,897</u>	<u>\$ 5,785,060</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,809,765</u>	<u>\$ 947,213</u>	<u>\$ 12,756,978</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, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,785,060
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 48,281,192	
Accumulated depreciation	<u>(13,172,694)</u>	35,108,498

The net pension asset is not an available resource and, therefore, is not reported in the funds.		90,460
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	\$ 1,294,848	
Items related to measurement of net pension liability	<u>(828,509)</u>	466,339

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.		342,507
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bonds	\$ (11,207,000)	
Literary fund loans	(360,000)	
General obligation bonds	(18,555,734)	
Bond premiums	(1,092,415)	
Capital lease	(1,194,160)	
Accrued interest payable	(364,046)	
Compensated absences	<u>(264,184)</u>	(33,037,539)

Net position of governmental activities	\$	<u>8,755,325</u>
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The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>School Construction</u>	<u>Special Revenue Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 14,375,886	\$ -	\$ -	\$ 14,375,886
Other local taxes	2,242,497	-	-	2,242,497
Permits, privilege fees, and regulatory licenses	55,722	-	-	55,722
Fines and forfeitures	121,180	-	-	121,180
Revenue from the use of money and property	45,985	945	1,185	48,115
Charges for services	372,634	-	-	372,634
Miscellaneous	45,125	-	282,943	328,068
Recovered costs	114,825	-	-	114,825
Intergovernmental:				
Commonwealth	3,253,256	-	10,687	3,263,943
Federal	1,387,131	-	-	1,387,131
Total revenues	<u>\$ 22,014,241</u>	<u>\$ 945</u>	<u>\$ 294,815</u>	<u>\$ 22,310,001</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,400,155	\$ -	\$ -	\$ 1,400,155
Judicial administration	634,108	-	923	635,031
Public safety	4,118,352	-	4,498	4,122,850
Public works	1,586,688	-	-	1,586,688
Health and welfare	1,916,587	-	-	1,916,587
Education	6,444,029	-	-	6,444,029
Parks, recreation, and cultural	464,533	-	200	464,733
Community development	286,126	-	-	286,126
Capital projects	-	544,641	149,927	694,568
Debt service:				
Principal retirement	1,938,080	-	-	1,938,080
Interest and other fiscal charges	1,615,114	-	-	1,615,114
Total expenditures	<u>\$ 20,403,772</u>	<u>\$ 544,641</u>	<u>\$ 155,548</u>	<u>\$ 21,103,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,610,469</u>	<u>\$ (543,696)</u>	<u>\$ 139,267</u>	<u>\$ 1,206,040</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 207,993	\$ -	\$ 207,993
Transfers out	(207,993)	-	-	(207,993)
Total other financing sources (uses)	<u>\$ (207,993)</u>	<u>\$ 207,993</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,402,476	\$ (335,703)	\$ 139,267	\$ 1,206,040
Fund balances - beginning, as restated	3,441,687	335,703	801,630	4,579,020
Fund balances - ending	<u>\$ 4,844,163</u>	<u>\$ -</u>	<u>\$ 940,897</u>	<u>\$ 5,785,060</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, 2015

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

Net change in fund balances - total governmental funds \$ 1,206,040

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	\$ 1,114,585	
Transfer of joint tenancy assets to Component Unit from primary Government	(2,463,257)	
Depreciation expense	(1,171,289)	(2,519,961)

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

Property taxes	\$ 86,121	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	(828,509)	(742,388)

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

Principal retired on lease revenue bonds	\$ 874,000	
Principal retired on capital lease	219,937	
Principal retired on literary fund loans	90,000	
Principal retired on school general obligation bonds	754,143	
Amortization of bond premium	112,176	2,050,256

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 compensated absences	\$ 89,306	
(Increase) decrease in accrued interest payable	26,858	
Decrease (increase) in net pension liability/asset	1,058,797	
Decrease (increase) in deferred outflows related to pension payments subsequent to the measurement date	7,252	1,182,213

Change in net position of governmental activities	\$ 1,176,160	
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The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 8,973
	<u><u>8,973</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 8,973
	<u><u>8,973</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, 2015

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

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, 2015.

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, 2015.

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, 2015. The Authority does not issue a separate financial report.

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

None

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

The General Fund is the primary operating fund of the County. This fund is used to account for 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 nonmajor 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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

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

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (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 \$366,032 at June 30, 2015 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 beginning in 2003)	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 unit, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	20-40
Building Improvements	10-40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10
Intangibles	20

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net 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, 2015

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	Other Governmental Funds	Total
Fund Balances:			
Restricted:			
Glebe fund	\$ -	\$ 200,666	\$ 200,666
Forfeited assets - Sheriff	-	84,740	84,740
Forfeited assets - Commonwealth's Attorney	-	3,524	3,524
Law library	-	7,329	7,329
Animal shelter	-	3,274	3,274
Reading program donations	-	1,300	1,300
Total Restricted Fund Balance	\$ -	\$ 300,833	\$ 300,833
Committed:			
Debt service	\$ -	\$ 640,064	\$ 640,064
Unassigned	\$ 4,844,163	\$ -	\$ 4,844,163
Total Fund Balances	\$ 4,844,163	\$ 940,897	\$ 5,785,060

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 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 one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to 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 are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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

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.

R. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in a restatement of net position, reference Note 15.

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 2—Stewardship, Compliance, and Accounting:

Expenditures and Appropriations

Expenditures exceeded appropriations in the school cafeteria fund at June 30, 2015.

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, 2015 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

<u>County’s Rated Debt Investments’ Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 4,398

External Investment Pools

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 4—Due from/to Other Governments:

At June 30, 2015, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Essex County School Board	\$ 3,208	\$ -
Commonwealth of Virginia:		
Local sales tax	306,958	-
Rolling stock tax	298	-
Mobile home titling tax	6,187	-
State sales Tax	-	300,864
Victim witness	1,407	-
Constitutional officer reimbursements	92,376	-
Recordation tax	5,444	-
Auto rental tax	12	-
Comprehensive services act	48,426	-
Domestic violence grant	10,000	-
Welfare	30,513	-
Communications tax	57,635	-
Wireless grant	6,806	-
Rescue squad	15,980	-
Federal Government:		
School fund grants	-	140,926
Welfare	59,772	-
Byrne justice assistance	1,889	-
Victim/witness	4,220	-
Total due from other governments	<u>\$ 651,131</u>	<u>\$ 441,790</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,143,271	\$ 6,100	\$ -	\$ 1,149,371
Construction in progress	19,776,595	674,384	20,321,236	129,743
Total capital assets not subject to depreciation	\$ 20,919,866	\$ 680,484	\$ 20,321,236	\$ 1,279,114
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,565,046	\$ -	\$ -	\$ 3,565,046
Equipment	4,085,605	434,101	-	4,519,706
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	17,195,623	20,321,236	1,406,881	36,109,978
Total capital assets subject to depreciation	\$ 27,653,622	\$ 20,755,337	\$ 1,406,881	\$ 47,002,078
Accumulated depreciation:				
Buildings and improvements	\$ 1,458,775	\$ 90,149	\$ -	\$ 1,548,924
Equipment	2,290,601	431,507	-	2,722,108
Intangibles	1,172,717	70,184	-	1,242,901
Jointly owned assets	6,022,936	579,449	(1,056,376)	7,658,761
Total accumulated depreciation	\$ 10,945,029	\$ 1,171,289	\$ (1,056,376)	\$ 13,172,694
Total capital assets subject to depreciation, net	\$ 16,708,593	\$ 19,584,048	\$ 2,463,257	\$ 33,829,384
Governmental activities capital assets, net	\$ 37,628,459	\$ 20,264,532	\$ 22,784,493	\$ 35,108,498

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 5—Capital Assets: (Continued)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
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	\$ 3,045,177	\$ 263,247	\$ 71,996	\$ 3,236,428
Jointly owned assets	7,882,894	-	(1,406,881)	9,289,775
Total capital assets subject to depreciation	\$ 10,928,071	\$ 263,247	\$ (1,334,885)	\$ 12,526,203
Accumulated depreciation:				
Equipment	\$ 2,643,052	\$ 175,140	\$ 71,996	\$ 2,746,196
Jointly owned assets	2,761,061	265,634	1,056,376	1,970,319
Total accumulated depreciation	\$ 5,404,113	\$ 440,774	\$ 1,128,372	\$ 4,716,515
Total capital assets subject to depreciation, net	\$ 5,523,958	\$ (177,527)	\$ (2,463,257)	\$ 7,809,688
Component unit school board capital assets, net	\$ 5,566,780	\$ (177,527)	\$ (2,463,257)	\$ 7,852,510

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 31,813
Judicial administration	56,085
Public safety	401,550
Public works	88,898
Health and welfare	9,196
Education	579,449
Parks, recreation and cultural	4,298

Total Governmental activities \$ 1,171,289

Component Unit School Board \$ 440,774

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	<u>Balance at July 1, 2014</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 353,490	\$ -	\$ 89,306	\$ 264,184	\$ 26,418
Lease revenue bond	1,822,189	-	150,672	1,671,517	156,950
Add deferred amounts:					
For issuance premium	785,787	-	71,435	714,352	-
Capital lease (see Note 7)	<u>1,414,097</u>	<u>-</u>	<u>219,937</u>	<u>1,194,160</u>	<u>226,007</u>
Total incurred by County	<u>\$ 4,375,563</u>	<u>\$ -</u>	<u>\$ 531,350</u>	<u>\$ 3,844,213</u>	<u>\$ 409,375</u>
Incurred by School Board:					
State Literary Fund Loan	\$ 450,000	\$ -	\$ 90,000	\$ 360,000	\$ 90,000
General obligation bonds	19,309,877	-	754,143	18,555,734	758,310
Add deferred amounts:					
For issuance premium	418,804	-	40,741	378,063	-
Lease revenue bonds	<u>10,258,811</u>	<u>-</u>	<u>723,328</u>	<u>9,535,483</u>	<u>750,050</u>
Total incurred by School Board	<u>\$ 30,437,492</u>	<u>\$ -</u>	<u>\$ 1,608,212</u>	<u>\$ 28,829,280</u>	<u>\$ 1,598,360</u>
Total Governmental Obligations, Primary Government	<u>\$ 34,813,055</u>	<u>\$ -</u>	<u>\$ 2,139,562</u>	<u>\$ 32,673,493</u>	<u>\$ 2,007,735</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

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		Capital Lease	
	Principal	Interest	Principal	Interest
2016	\$ 156,950	\$ 74,416	\$ 226,007	\$ 32,959
2017	164,797	67,223	232,245	26,721
2018	172,645	59,659	238,655	20,311
2019	178,923	52,164	245,242	13,724
2020	186,771	44,700	252,011	6,956
2021	145,963	37,336	-	-
2022	153,811	30,164	-	-
2023	161,659	22,079	-	-
2024	171,075	13,554	-	-
2025	178,923	4,585	-	-
Total	<u>\$ 1,671,517</u>	<u>\$ 405,880</u>	<u>\$ 1,194,160</u>	<u>\$ 100,671</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

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
2016	\$ 90,000	\$ 14,400	\$ 758,310	\$ 420,325	\$ 750,050	\$ 356,171
2017	90,000	10,800	762,696	391,739	781,203	327,058
2018	90,000	7,200	1,367,311	362,924	812,355	296,674
2019	90,000	3,600	1,372,167	333,868	840,077	265,982
2020	-	-	1,377,279	304,556	872,229	234,896
2021	-	-	1,380,311	277,324	798,037	203,533
2022	-	-	1,383,500	249,932	831,189	172,098
2023	-	-	912,093	227,298	864,341	138,143
2024	-	-	913,986	210,404	900,925	102,695
2025	-	-	917,352	192,038	936,077	65,754
2026	-	-	920,895	173,496	564,000	37,802
2027	-	-	924,621	154,769	585,000	16,787
2028	-	-	1,473,545	124,810	-	-
2029	-	-	1,125,555	89,870	-	-
2030	-	-	1,150,556	66,404	-	-
2031	-	-	1,170,557	43,339	-	-
2032	-	-	645,000	14,673	-	-
Total	<u>\$ 360,000</u>	<u>\$ 36,000</u>	<u>\$ 18,555,734</u>	<u>\$ 3,637,769</u>	<u>\$ 9,535,483</u>	<u>\$ 2,217,593</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

General Obligations:

Incurred by County:

Lease Revenue Bond:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 31.39% of this debt. \$ 1,671,517

Capital Lease:

\$2,518,870 Capital lease issued January 1, 2008, and amended September 20, 2013, due in annual installments through 2020, interest payable annually at an interest rate of 2.76%. \$ 1,194,160

Compensated absences (payable by General Fund) \$ 264,184

Unamortized Premium \$ 714,352

Total Incurred by County \$ 3,844,213

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

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%. \$ 360,000

Lease Revenue Bonds:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 68.61% of this debt. \$ 3,653,483

\$1,000,000 lease revenue refunding bond issued December 13, 2011, due in varying annual installments through November 2024, interest payable semi-annually at 3.29%. 840,000

\$6,000,000 lease revenue refunding bond issued December 13, 2011, due in varying annual installments through December 15, 2026, interest payable semi-annually at 3.29%. 5,042,000

Total Lease Revenue Bonds \$ 9,535,483

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%. \$ 4,608,997

\$10,000,000 qualified school construction bond issued December 15, 2011, due in varying annual installments through December 1, 2030, interest at 4.250%. 9,400,000

\$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 in 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%. 1,576,737

Total General Obligation Bonds \$ 18,555,734

Unamortized premium \$ 378,063

Total Incurred by School Board \$ 28,829,280

Total Long-Term Obligations, Primary Government \$ 32,673,493

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 6—Long-Term Obligations: (Continued)**Primary Government: (Continued)****Component Unit School Board:**

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2015.

	Balance Payable at July 1, 2014	Increases	Decreases	Balance Payable at June 30, 2015	Due Within One Year
Component Unit-School Board:					
Capital lease	\$ -	\$ 263,247	\$ 54,639	\$ 208,608	\$ 50,697
Compensated absences	119,001	-	15,476	103,525	10,353
Net pension liability	15,944,912	1,388,521	3,847,863	13,485,570	-
Total Component Unit-School Board	<u>\$ 16,063,913</u>	<u>\$ 1,651,768</u>	<u>\$ 3,917,978</u>	<u>\$ 13,797,703</u>	<u>\$ 61,050</u>

Details of long-term obligations:

\$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, 2015, accumulated depreciation for the school buses amounted to \$13,162.

\$ 208,608

Note 7—Capital Leases:

The government has entered into a lease agreement as lessee for financing the acquisition E-911 equipment for the County and 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.

The asset acquired through capital lease is as follows:

	Primary Government	Component Unit School Board
Asset:		
Equipment	\$ 2,764,966	\$ 263,247
Less: accumulated depreciation	(1,797,228)	(13,162)
Total	<u>\$ 967,738</u>	<u>\$ 250,085</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 7—Capital Leases:

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015, are as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board</u>
2016	\$ 258,966	54,640
2017	258,966	54,640
2018	258,966	54,640
2019	258,966	54,637
2020	258,967	-
Total minimum lease payments	\$ 1,294,831	\$ 218,557
Less: amount representing interest	(100,671)	(9,949)
Present value of minimum lease payments	<u>\$ 1,194,160</u>	<u>\$ 208,608</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 \$6,842,164 is comprised of the following:

Deferred/Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$6,604,383 at June 30, 2015.

Deferred/Unavailable Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$203,657 at June 30, 2015.

Other Unearned Revenue - Other unearned revenue items totaled \$34,124, which consisted of asset forfeiture grant funding.

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 of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 10—Litigation:

At June 30, 2015, there were no matters of litigation involving the County or School Board which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

The County and Component Unit are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County and Component Unit School Board participate with other localities in a public entity risk pool for their coverage of worker's compensation with Virginia Municipal League and public officials' liability with the Virginia Association of Counties Group Self Insurance Risk Pool. The County and Component Unit School Board pay an annual premium to the pools for general insurance through member premiums. The County and Component Unit School Board 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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Notes to Financial Statements
As of June 30, 2015 (Continued)

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 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 a 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
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.	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.	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") • 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.

Notes to Financial Statements
As of June 30, 2015 (Continued)

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.) • 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.
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. 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	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. 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • 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. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	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.	*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.
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 will be paying the full 5% by July 1, 2016. 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.	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 will be paying the full 5% by July 1, 2016.	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.

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	Creditable Service Same as Plan 1.	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. <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.

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	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. <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. Members are always 100% vested in the contributions that they make.

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • 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. Distribution is not required by law until age 70½.
Calculating the Benefit 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.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit (Cont.) 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.	Calculating the Benefit (Cont.)	Calculating the Benefit (Cont.) <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.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
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%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. 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.	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. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Same as Plan 1.	Earliest Reduced Retirement Eligibility (Cont.) Political subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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%. <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. 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.	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%. <u>Eligibility:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <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: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • 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.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1	Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	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. 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: • 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2013 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	30	31
Inactive members:		
Vested inactive members	8	4
Non-vested inactive members	12	9
Inactive members active elsewhere in VRS	34	8
Total inactive members	54	21
Active members	75	47
Total covered employees	159	99

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, 2015 was 9.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$342,507 and \$335,255 for the years ended June 30, 2015 and June 30, 2014, respectively.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2015 (Continued)

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, 2015 was 11.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$69,288 and \$101,076 for the years ended June 30, 2015 and June 30, 2014, 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, 2014. The total pension liabilities used to calculate the net pension liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

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, 2013, 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, 2014.

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

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

Mortality rates: 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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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, 2013 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

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, 2013, 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, 2014.

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

The actuarial assumptions used in the June 30, 2013 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

Notes to Financial Statements
As of June 30, 2015 (Continued)

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, 2015 (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 (Asset)

	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
Balances at June 30, 2013	\$ 12,737,005	\$ 11,768,668	\$ 968,337
Changes for the year:			
Service cost	\$ 420,544	\$ -	\$ 420,544
Interest	867,420	-	867,420
Differences between expected and actual experience	-	-	-
Contributions - employer	-	335,255	(335,255)
Contributions - employee	-	168,893	(168,893)
Net investment income	-	1,852,569	(1,852,569)
Benefit payments, including refunds of employee contributions	(690,595)	(690,595)	-
Administrative expenses	-	(10,053)	10,053
Other changes	-	97	(97)
Net changes	\$ 597,369	\$ 1,656,166	\$ (1,058,797)
Balances at June 30, 2014	\$ 13,334,374	\$ 13,424,834	\$ (90,460)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2013	\$ 4,277,835	\$ 3,641,923	\$ 635,912
Changes for the year:			
Service cost	\$ 106,774	\$ -	\$ 106,774
Interest	292,655	-	292,655
Differences between expected and actual experience	-	-	-
Contributions - employer	-	101,076	(101,076)
Contributions - employee	-	42,330	(42,330)
Net investment income	-	571,427	(571,427)
Benefit payments, including refunds of employee contributions	(194,111)	(194,111)	-
Administrative expenses	-	(3,092)	3,092
Other changes	-	30	(30)
Net changes	\$ 205,318	\$ 517,660	\$ (312,342)
Balances at June 30, 2014	\$ 4,483,153	\$ 4,159,583	\$ 323,570

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		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 1,585,901	\$ (90,460)	\$ (1,494,627)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 828,060	\$ 323,570	\$ (105,483)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$104,947 and \$43,433 respectively. At June 30, 2015, 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	\$ -	\$ -	\$ -	\$ -
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	828,509	-	254,699
Employer contributions subsequent to the measurement date	342,507	-	69,288	-
Total	<u>\$ 342,507</u>	<u>\$ 828,509</u>	<u>\$ 69,288</u>	<u>\$ 254,699</u>

\$342,507 and \$69,288 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2016	\$ (207,127)	\$ (63,675)
2017	(207,127)	(63,675)
2018	(207,127)	(63,675)
2019	(207,128)	(63,674)
Thereafter		

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. 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, 2015. Contributions to the pension plan from the School Board were \$1,117,453 and \$931,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$13,162,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.10892% as compared to 0.11113% at June 30, 2013.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (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, 2015, the school division recognized pension expense of \$986,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, 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 \$	-	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,953,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	249,000
Employer contributions subsequent to the measurement date	1,117,453	-
Total	<u>\$ 1,117,453</u>	<u>\$ 2,202,000</u>

\$1,117,453 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (543,000)
2017	(543,000)
2018	(543,000)
2019	(543,000)
Thereafter	(30,000)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2015 (Continued)

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, 2013, 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, 2014.

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, 2013 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

Notes to Financial Statements
As of June 30, 2015 (Continued)

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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, 2015 (Continued)

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		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School Board's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset)	\$ 19,328,000	\$ 13,162,000	\$ 8,087,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2015

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. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2015

Note 14—Upcoming Pronouncements: (Continued)

contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and 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. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Note 15—Restatement of Net Position and Fund Balance

The following adjustments were made to beginning net position and fund balance:

	Net Position		Fund Balance	
	Primary Government	Component-Unit School Board	General Fund	Other Governmental Funds
Net position/fund balance as previously reported at June 30, 2014	\$ 8,212,247	\$ 5,575,795	\$ 3,513,334	\$ 729,983
Implementation of GASB 68:				
Deferred outflows of resources	335,255	1,032,076	-	-
Net pension liability	(968,337)	(15,944,912)	-	-
Adjustment to remove OPEB liability	-	19,400	-	-
Adjustment to move Glebe Fund to Other Governmental Funds	-	-	(71,647)	71,647
Net position/fund balance as restated	\$ 7,579,165	\$ (9,317,641)	\$ 3,441,687	\$ 801,630

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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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 14,079,016	\$ 14,076,176	\$ 14,375,886	\$ 299,710
Other local taxes	2,281,000	2,281,000	2,242,497	(38,503)
Permits, privilege fees, and regulatory licenses	44,550	44,550	55,722	11,172
Fines and forfeitures	15,000	15,000	121,180	106,180
Revenue from the use of money and property	41,800	41,800	45,985	4,185
Charges for services	396,100	396,100	372,634	(23,466)
Miscellaneous	13,700	42,429	45,125	2,696
Recovered costs	140,711	140,711	114,825	(25,886)
Intergovernmental:				
Commonwealth	4,141,655	4,130,860	3,253,256	(877,604)
Federal	402,100	402,100	1,387,131	985,031
Total revenues	\$ 21,555,632	\$ 21,570,726	\$ 22,014,241	\$ 443,515
EXPENDITURES				
Current:				
General government administration	\$ 1,623,038	\$ 1,492,082	\$ 1,400,155	\$ 91,927
Judicial administration	683,693	673,724	634,108	39,616
Public safety	4,042,788	4,440,957	4,118,352	322,605
Public works	1,732,503	1,748,752	1,586,688	162,064
Health and welfare	2,426,900	2,543,515	1,916,587	626,928
Education	6,686,338	6,766,338	6,444,029	322,309
Parks, recreation, and cultural	499,017	507,894	464,533	43,361
Community development	308,148	322,105	286,126	35,979
Capital projects	-	-	-	-
Debt service:				
Principal retirement	1,938,080	1,938,080	1,938,080	-
Interest and other fiscal charges	1,603,292	1,616,363	1,615,114	1,249
Total expenditures	\$ 21,543,797	\$ 22,049,810	\$ 20,403,772	\$ 1,646,038
Excess (deficiency) of revenues over (under) expenditures	\$ 11,835	\$ (479,084)	\$ 1,610,469	\$ 2,089,553
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (283,000)	\$ (207,993)	\$ 75,007
Net change in fund balances	\$ 11,835	\$ (762,084)	\$ 1,402,476	\$ 2,164,560
Fund balances - beginning, as restated	(11,835)	762,084	3,441,687	2,679,603
Fund balances - ending	\$ -	\$ -	\$ 4,844,163	\$ 4,844,163

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

	<u>2014</u>
Total pension liability	
Service cost	\$ 420,544
Interest	867,420
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(690,595)
Net change in total pension liability	\$ 597,369
Total pension liability - beginning	12,737,005
Total pension liability - ending (a)	<u>\$ 13,334,374</u>
 Plan fiduciary net position	
Contributions - employer	\$ 335,255
Contributions - employee	168,893
Net investment income	1,852,569
Benefit payments, including refunds of employee contributions	(690,595)
Administrative expense	(10,053)
Other	97
Net change in plan fiduciary net position	\$ 1,656,166
Plan fiduciary net position - beginning	11,768,668
Plan fiduciary net position - ending (b)	<u>\$ 13,424,834</u>
 County's net pension liability (asset) - ending (a) - (b)	\$ (90,460)
 Plan fiduciary net position as a percentage of the total pension liability	100.68%
 Covered-employee payroll	\$ 3,382,143
 County's net pension liability as a percentage of covered-employee payroll	-2.67%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

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

	<u>2014</u>
Total pension liability	
Service cost	\$ 106,774
Interest	292,655
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(194,111)
Net change in total pension liability	\$ 205,318
Total pension liability - beginning	4,277,835
Total pension liability - ending (a)	<u>\$ 4,483,153</u>
 Plan fiduciary net position	
Contributions - employer	\$ 101,076
Contributions - employee	42,330
Net investment income	571,427
Benefit payments, including refunds of employee contributions	(194,111)
Administrative expense	(3,092)
Other	30
Net change in plan fiduciary net position	\$ 517,660
Plan fiduciary net position - beginning	3,641,923
Plan fiduciary net position - ending (b)	<u>\$ 4,159,583</u>
 School Board's net pension liability - ending (a) - (b)	\$ 323,570
 Plan fiduciary net position as a percentage of the total pension liability	92.78%
 Covered-employee payroll	\$ 846,582
 School Board's net pension liability as a percentage of covered-employee payroll	38.22%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is 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 Year Ended June 30, 2015*

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.10892%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 13,162,000
Employer's Covered-Employee Payroll	7,706,574
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	170.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 342,507	\$ 342,507	\$ -	\$ 3,571,499	9.59%
Component Unit School Board (nonprofessional)					
2015	\$ 69,288	\$ 69,288	\$ -	\$ 618,647	11.20%
Component Unit School Board (professional)					
2015	\$ 1,117,453	\$ 1,117,453	\$ -	\$ 7,706,574	14.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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 withdrawals for 3 through 9 years of service
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND
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, 2015

	School Construction 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	\$ -	\$ -	\$ 945	\$	945	
Total revenues	\$ -	\$ -	\$ 945	\$	945	
EXPENDITURES						
Capital projects	\$ -	\$ 1,411,549	\$ 544,641	\$	866,908	
Total expenditures	\$ -	\$ 1,411,549	\$ 544,641	\$	866,908	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,411,549)	\$ (543,696)	\$	867,853	
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 208,000	\$ 207,993	\$	(7)	
Net change in fund balances	\$ -	\$ (1,203,549)	\$ (335,703)	\$	867,846	
Fund balances - beginning	-	1,203,549	335,703		(867,846)	
Fund balances - ending	\$ -	\$ -	\$ -	\$	-	

County of Essex, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 987	\$ 32,045	\$ 24,059	\$ 8,973
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Amounts held for social services clients	\$ 987	\$ 32,045	\$ 24,059	\$ 8,973
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Essex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,185,571	\$ 113,443	\$ 1,299,014
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,328	1,527	2,855
Due from other governmental units	394,939	46,851	441,790
Inventories	-	12,966	12,966
Total assets	<u>\$ 1,581,838</u>	<u>\$ 174,787</u>	<u>\$ 1,756,625</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 45,818	\$ 269	\$ 46,087
Accrued liabilities	1,532,812	53,411	1,586,223
Due to other governmental units	3,208	-	3,208
Total liabilities	<u>\$ 1,581,838</u>	<u>\$ 53,680</u>	<u>\$ 1,635,518</u>
Fund balances:			
Nonspendable	\$ -	\$ 12,966	\$ 12,966
Committed	-	108,141	108,141
Total fund balances	<u>\$ -</u>	<u>\$ 121,107</u>	<u>\$ 121,107</u>
Total liabilities and fund balances	<u>\$ 1,581,838</u>	<u>\$ 174,787</u>	<u>\$ 1,756,625</u>

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

Total fund balances per above	\$ 121,107
-------------------------------	------------

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	\$ 12,569,025	
Accumulated depreciation	<u>(4,716,515)</u>	7,852,510

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

Items related to measurement of net pension liability	(2,456,699)
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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.

1,186,741

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	\$ (208,608)	
Net pension liability	(13,485,570)	
Compensated absences	<u>(103,525)</u>	(13,797,703)

Net position of governmental activities	<u>\$ (7,094,044)</u>
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County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 10,836	\$ 137	\$ 10,973
Charges for services	2,203	117,787	119,990
Miscellaneous	22,992	504	23,496
Recovered costs	64,502	-	64,502
Intergovernmental:			
Local government	6,436,477	-	6,436,477
Commonwealth	8,628,492	16,522	8,645,014
Federal	987,386	666,570	1,653,956
Total revenues	<u>\$ 16,152,888</u>	<u>\$ 801,520</u>	<u>\$ 16,954,408</u>
EXPENDITURES			
Current:			
Education	\$ 16,361,496	\$ 827,829	\$ 17,189,325
Total expenditures	<u>\$ 16,361,496</u>	<u>\$ 827,829</u>	<u>\$ 17,189,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (208,608)</u>	<u>\$ (26,309)</u>	<u>\$ (234,917)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital leases	<u>\$ 208,608</u>	<u>\$ -</u>	<u>\$ 208,608</u>
Net change in fund balances	\$ -	\$ (26,309)	\$ (26,309)
Fund balances - beginning	-	147,416	147,416
Fund balances - ending	<u>\$ -</u>	<u>\$ 121,107</u>	<u>\$ 121,107</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 \$ (26,309)

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	\$ 263,247	
Transfer of joint tenancy assets to Component Unit from Primary Government	2,463,257	
Depreciation expense	<u>(440,774)</u>	2,285,730

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

(Increase) decrease in items related to measurement of net pension liability (2,456,699)

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. (208,608)

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	\$ 2,459,342	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	154,665	
(Increase) decrease in compensated absences	<u>15,476</u>	2,629,483

Change in net position of governmental activities \$ 2,223,597

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, 2015

	School Operating Fund			Variance with Final Budget
	Budgeted Amounts			Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 10,836	\$ 10,836
Charges for services	-	-	2,203	2,203
Miscellaneous	17,000	17,000	22,992	5,992
Recovered costs	100,000	100,000	64,502	(35,498)
Intergovernmental:				
Local government	6,758,786	6,758,786	6,436,477	(322,309)
Commonwealth	8,483,402	8,483,402	8,628,492	145,090
Federal	1,344,397	1,344,397	987,386	(357,011)
Total revenues	\$ 16,703,585	\$ 16,703,585	\$ 16,152,888	\$ (550,697)
EXPENDITURES				
Current:				
Education	\$ 16,703,585	\$ 16,912,193	\$ 16,361,496	\$ 550,697
Total expenditures	\$ 16,703,585	\$ 16,912,193	\$ 16,361,496	\$ 550,697
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (208,608)	\$ (208,608)	\$ -
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ 208,608	\$ 208,608	\$ -
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, 2015

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 75	\$ 75	\$ 137	\$ 62
Charges for services	232,679	232,679	117,787	(114,892)
Miscellaneous	-	-	504	504
Intergovernmental:				
Commonwealth	18,063	18,063	16,522	(1,541)
Federal	526,724	562,397	666,570	104,173
Total revenues	<u>\$ 777,541</u>	<u>\$ 813,214</u>	<u>\$ 801,520</u>	<u>\$ (11,694)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 777,541</u>	<u>\$ 813,214</u>	<u>\$ 827,829</u>	<u>\$ (14,615)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,309)</u>	<u>\$ (26,309)</u>
Net change in fund balances	\$ -	\$ -	\$ (26,309)	\$ (26,309)
Fund balances - beginning	-	-	147,416	147,416
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,107</u>	<u>\$ 121,107</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, 2015

ASSETS

Cash and cash equivalents	\$ 5,333
Investments	<u>151,279</u>
Total assets	<u><u>\$ 156,612</u></u>

NET POSITION

Unrestricted	<u><u>\$ 156,612</u></u>
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County of Essex, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2015

Operating revenues:	
Bond issue fees	\$ 22,034
Operating expenses:	
Other charges	\$ 92,484
Operating income (loss)	\$ (70,450)
Nonoperating revenues (expenses)	
Interest income	\$ 368
Change in net position	\$ (70,082)
Net position, beginning of year	226,694
Net position, end of year	\$ 156,612

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2015

Cash flows from operating activities:

Receipts from customers and users	\$ 22,034
Payments for operating activities	<u>(92,484)</u>

Net cash provided by (used for) operating activities	<u>\$ (70,450)</u>
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Cash flows from investing activities:

Proceeds from sale of investments	<u>\$ 30,362</u>
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Net increase (decrease) in cash and cash equivalents	<u>\$ (40,088)</u>
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Cash and cash equivalents, beginning of year	<u>45,421</u>
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Cash and cash equivalents, end of year	<u><u>\$ 5,333</u></u>
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SUPPORTING SCHEDULES

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County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ 10,976,989	\$ 10,976,989	\$ 10,950,316	\$ (26,673)
Real and personal public service corporation taxes	366,012	366,012	574,646	208,634
Personal property taxes	2,371,786	2,371,786	2,337,249	(34,537)
Mobile home taxes	1,250	1,250	39,529	38,279
Machinery and tools taxes	40,179	40,179	40,768	589
Merchant's capital taxes	75,000	75,000	81,321	6,321
Penalties	157,800	154,960	195,797	40,837
Interest	90,000	90,000	156,260	66,260
Total general property taxes	<u>\$ 14,079,016</u>	<u>\$ 14,076,176</u>	<u>\$ 14,375,886</u>	<u>\$ 299,710</u>
Other local taxes:				
Local sales and use taxes	\$ 1,685,000	\$ 1,685,000	\$ 1,685,518	\$ 518
Consumers' utility taxes	240,000	240,000	241,670	1,670
Motor vehicle licenses	336,000	336,000	291,273	(44,727)
Taxes on recordation and wills	20,000	20,000	24,036	4,036
Total other local taxes	<u>\$ 2,281,000</u>	<u>\$ 2,281,000</u>	<u>\$ 2,242,497</u>	<u>\$ (38,503)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,000	\$ 6,000	\$ 6,263	\$ 263
Transfer fees	400	400	408	8
Permits and other licenses	38,150	38,150	49,051	10,901
Total permits, privilege fees, and regulatory licenses	<u>\$ 44,550</u>	<u>\$ 44,550</u>	<u>\$ 55,722</u>	<u>\$ 11,172</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,000	\$ 15,000	\$ 121,180	\$ 106,180
Revenue from use of money and property:				
Revenue from use of money	\$ 7,000	\$ 7,000	\$ 14,606	\$ 7,606
Revenue from use of property	34,800	34,800	31,379	(3,421)
Total revenue from use of money and property	<u>\$ 41,800</u>	<u>\$ 41,800</u>	<u>\$ 45,985</u>	<u>\$ 4,185</u>
Charges for services:				
Charges for courthouse maintenance	\$ 7,000	\$ 7,000	\$ 9,700	\$ 2,700
Criminal/traffic cases fees-security	48,000	48,000	50,342	2,342
Charges for correction and detention	1,500	1,500	1,606	106
Charges for Commonwealth's Attorney	500	500	1,225	725
Charges for community development	-	-	70	70
Charges for EMS	301,100	301,100	286,205	(14,895)
Charges for selective enforcement	18,000	18,000	142	(17,858)
Charges for parks and recreation	20,000	20,000	23,344	3,344
Total charges for services	<u>\$ 396,100</u>	<u>\$ 396,100</u>	<u>\$ 372,634</u>	<u>\$ (23,466)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 13,700	\$ 42,429	\$ 45,125	\$ 2,696
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's erosion and sediment control	98,711	98,711	67,324	(31,387)
Sheriff-EHS security	12,000	12,000	17,501	5,501
Total recovered costs	<u>\$ 140,711</u>	<u>\$ 140,711</u>	<u>\$ 114,825</u>	<u>\$ (25,886)</u>
Total revenue from local sources	<u>\$ 17,011,877</u>	<u>\$ 17,037,766</u>	<u>\$ 17,373,854</u>	<u>\$ 336,088</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ 355,000	\$ 355,000	\$ 351,117	\$ (3,883)
Mobile home titling tax	8,000	8,000	14,673	6,673
Rolling stock tax	650	650	298	(352)
Auto rental tax	1,000	1,000	60	(940)
State recordation tax	95,000	95,000	129,306	34,306
Personal property tax relief funds	1,054,171	1,054,171	1,054,171	-
Reduction in aid to local governments	-	(20,913)	(20,913)	-
Total noncategorical aid	\$ 1,513,821	\$ 1,492,908	\$ 1,528,712	\$ 35,804
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 160,000	\$ 160,000	\$ 157,649	\$ (2,351)
Sheriff	572,283	572,283	602,863	30,580
Commissioner of revenue	86,000	86,000	84,533	(1,467)
Treasurer	66,800	66,800	70,890	4,090
Registrar/electoral board	42,000	42,000	36,271	(5,729)
Clerk of the Circuit Court	171,500	175,920	173,660	(2,260)
Total shared expenses	\$ 1,098,583	\$ 1,103,003	\$ 1,125,866	\$ 22,863
Other categorical aid:				
Public assistance and welfare administration	\$ 1,050,873	\$ 1,050,873	\$ 280,710	\$ (770,163)
Emergency medical services - four for life	12,000	12,000	11,241	(759)
Emergency services	13,316	13,316	28,480	15,164
Library	17,000	17,000	13,773	(3,227)
Comprehensive services act	343,812	341,000	117,832	(223,168)
Litter control	8,700	8,700	7,664	(1,036)
Wireless funds	18,350	18,350	40,652	22,302
Information technology	-	-	25,000	25,000
DMV grant	8,700	8,700	-	(8,700)
Victim-witness grant	16,500	16,500	4,231	(12,269)
Domestic violence grant	40,000	40,000	40,000	-
Fire programs fund	-	8,510	27,803	19,293
Other state funds	-	-	1,292	1,292
Total other categorical aid	\$ 1,529,251	\$ 1,534,949	\$ 598,678	\$ (936,271)
Total categorical aid	\$ 2,627,834	\$ 2,637,952	\$ 1,724,544	\$ (913,408)
Total revenue from the Commonwealth	\$ 4,141,655	\$ 4,130,860	\$ 3,253,256	\$ (877,604)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 7,700	\$ 7,700	\$ 3,440	\$ (4,260)
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 663,678	\$ 663,678
Transportation safety	-	-	5,478	5,478
Disaster assistance	-	-	13,316	13,316
Victim-witness	-	-	12,693	12,693
Edward Byrne justice assistance grant	-	-	1,889	1,889
Registrar equipment grant	-	-	878	878
Asset forfeiture	-	-	291,784	291,784
QSCB Interest subsidy	394,400	394,400	393,975	(425)
Total categorical aid	\$ 394,400	\$ 394,400	\$ 1,383,691	\$ 989,291
Total revenue from the federal government	\$ 402,100	\$ 402,100	\$ 1,387,131	\$ 985,031
Total General Fund	\$ 21,555,632	\$ 21,570,726	\$ 22,014,241	\$ 443,515

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ -	\$ -	\$ 60	\$ 60
Revenue from the use of property	-	-	1,125	1,125
Total revenue from use of money and property	\$ -	\$ -	\$ 1,185	\$ 1,185
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 127,976	\$ 282,943	\$ 154,967
Total revenue from local sources	\$ -	\$ 127,976	\$ 284,128	\$ 156,152
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 1,041	\$ 10,687	\$ 9,646
Total revenue from the Commonwealth	\$ -	\$ 1,041	\$ 10,687	\$ 9,646
Total County Special Revenue Fund	\$ -	\$ 129,017	\$ 294,815	\$ 165,798
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 945	\$ 945
Total revenue from local sources	\$ -	\$ -	\$ 945	\$ 945
Total School Construction Fund	\$ -	\$ -	\$ 945	\$ 945
Total Primary Government	\$ 21,555,632	\$ 21,699,743	\$ 22,310,001	\$ 610,258
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	\$ -	\$ -	\$ 10,836	\$ 10,836
Charges for services:				
Charges for education	\$ -	\$ -	\$ 2,203	\$ 2,203
Miscellaneous revenue:				
Miscellaneous	\$ 17,000	\$ 17,000	\$ 22,992	\$ 5,992
Recovered costs:				
E-rates	\$ 100,000	\$ 100,000	\$ 64,502	\$ (35,498)
Total revenue from local sources	\$ 117,000	\$ 117,000	\$ 100,533	\$ (16,467)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ 6,758,786	\$ 6,758,786	\$ 6,436,477	\$ (322,309)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,705,394	\$ 1,705,394	\$ 1,717,635	\$ 12,241
Basic school aid	3,952,814	3,952,814	4,091,530	138,716
Remedial summer education	30,322	30,322	45,035	14,713
Gifted and talented	40,101	40,101	41,270	1,169
Remedial education	232,925	232,925	239,718	6,793
Special education	547,757	547,757	563,732	15,975
Textbook payment	82,095	82,095	84,490	2,395
Mentor teacher program	2,943	2,943	3,614	671
GED funding	7,859	7,859	7,859	-
Vocational education	92,217	92,217	91,901	(316)
School fringes	768,736	768,736	785,888	17,152
Early reading intervention	28,436	28,436	28,427	(9)
Homebound	7,768	7,768	13,206	5,438
At risk payments	300,588	300,588	309,129	8,541
Primary class size	301,963	301,963	254,233	(47,730)
Technology	167,600	167,600	176,923	9,323
At risk four-year olds	157,846	157,846	129,103	(28,743)
SOL Algebra readiness	25,311	25,311	23,313	(1,998)
English as a second language	29,832	29,832	17,126	(12,706)
Other state aid	895	895	4,360	3,465
Total categorical aid	\$ 8,483,402	\$ 8,483,402	\$ 8,628,492	\$ 145,090
Total revenue from the Commonwealth	8,483,402	8,483,402	8,628,492	145,090
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 487,391	\$ 487,391	\$ 454,029	\$ (33,362)
Title VI-B	645,422	645,422	374,300	(271,122)
Title VI-B - rural and low income	29,057	29,057	35,428	6,371
Preschool grant	21,500	21,500	11,399	(10,101)
Vocational education	32,021	32,021	33,907	1,886
AP test fees	-	-	666	666
CTE grant	-	-	271	271
Title III	1,875	1,875	5,341	3,466
Title II-A	127,131	127,131	72,045	(55,086)
Total categorical aid	\$ 1,344,397	\$ 1,344,397	\$ 987,386	\$ (357,011)
Total School Operating Fund	\$ 16,703,585	\$ 16,703,585	\$ 16,152,888	\$ (550,697)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ 75	\$ 75	\$ 137	\$ 62
Charges for services:				
Cafeteria sales	\$ 232,679	\$ 232,679	\$ 117,787	\$ (114,892)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 504	\$ 504
Total revenue from local sources	\$ 232,754	\$ 232,754	\$ 118,428	\$ (114,326)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 18,063	\$ 18,063	\$ 16,522	\$ (1,541)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 526,724	\$ 526,724	\$ 630,897	\$ 104,173
Commodities	-	35,673	35,673	-
Total categorical aid	\$ 526,724	\$ 562,397	\$ 666,570	\$ 104,173
Total revenue from the federal government	\$ 526,724	\$ 562,397	\$ 666,570	\$ 104,173
Total School Cafeteria Fund	\$ 777,541	\$ 813,214	\$ 801,520	\$ (11,694)
Total Discretely Presented Component Unit - School Board	\$ 17,481,126	\$ 17,516,799	\$ 16,954,408	\$ (562,391)

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County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ 408,820	\$ 263,869	\$ 235,818	\$ 28,051
General and financial administration:				
County administrator	\$ 147,978	\$ 159,635	\$ 150,400	\$ 9,235
Legal services	50,000	78,000	78,000	-
Commissioner of revenue	274,039	274,039	265,540	8,499
Independent Auditor	39,000	39,000	38,599	401
Treasurer	243,100	245,600	236,001	9,599
Management services	347,235	311,573	279,882	31,691
Total general and financial administration	\$ 1,101,352	\$ 1,107,847	\$ 1,048,422	\$ 59,425
Board of elections:				
Electoral board and officials	\$ 27,887	\$ 32,661	\$ 30,786	\$ 1,875
Registrar	84,979	87,705	85,129	2,576
Total board of elections	\$ 112,866	\$ 120,366	\$ 115,915	\$ 4,451
Total general government administration	\$ 1,623,038	\$ 1,492,082	\$ 1,400,155	\$ 91,927
Judicial administration:				
Courts:				
Circuit court	\$ 14,713	\$ 14,713	\$ 12,827	\$ 1,886
General district court	9,958	9,958	9,958	-
Sheriff	57,527	56,209	49,139	7,070
Juvenile and domestic relations court	48,940	31,369	18,341	13,028
Northern Neck Essex County Group Home Commission	4,885	4,885	4,885	-
Clerk of the circuit court	285,335	289,755	275,118	14,637
Total courts	\$ 421,358	\$ 406,889	\$ 370,268	\$ 36,621
Commonwealth's attorney:				
Commonwealth's attorney	\$ 262,335	\$ 266,835	\$ 263,840	\$ 2,995
Total judicial administration	\$ 683,693	\$ 673,724	\$ 634,108	\$ 39,616
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,118,611	\$ 1,440,181	\$ 1,378,403	\$ 61,778
Fire and rescue services:				
Fire department	\$ 140,785	\$ 149,295	\$ 145,213	\$ 4,082
Ambulance and rescue services	1,033,423	1,033,423	977,516	55,907
Forestry service	7,829	7,829	7,829	-
Total fire and rescue services	\$ 1,182,037	\$ 1,190,547	\$ 1,130,558	\$ 59,989
Correction and detention:				
Sheriff	\$ 1,248,518	\$ 1,297,831	\$ 1,194,622	\$ 103,209

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ 237,886	\$ 237,886	\$ 232,680	\$ 5,206
Other protection:				
Animal control	\$ 178,161	\$ 178,437	\$ 141,745	\$ 36,692
Emergency services	77,325	95,825	40,264	55,561
Medical examiner	250	250	80	170
Total other protection	\$ 255,736	\$ 274,512	\$ 182,089	\$ 92,423
Total public safety	\$ 4,042,788	\$ 4,440,957	\$ 4,118,352	\$ 322,605
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 852,806	\$ 821,913	\$ 691,765	\$ 130,148
Maintenance of general buildings and grounds:				
General properties	\$ 655,669	\$ 670,811	\$ 657,633	\$ 13,178
Communication	66,500	98,500	80,787	17,713
Technology	157,528	157,528	156,503	1,025
Total maintenance of general buildings and grounds	\$ 879,697	\$ 926,839	\$ 894,923	\$ 31,916
Total public works	\$ 1,732,503	\$ 1,748,752	\$ 1,586,688	\$ 162,064
Health and welfare:				
Health:				
Supplement of local health department	\$ 109,744	\$ 109,744	\$ 109,744	\$ -
Mental health and mental retardation:				
Community services board	\$ 33,530	\$ 33,530	\$ 33,530	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,633,018	\$ 1,646,133	\$ 1,395,067	\$ 251,066
Bay transit	100,608	100,608	100,608	-
Comprehensive services act	550,000	653,500	277,638	375,862
Total welfare	\$ 2,283,626	\$ 2,400,241	\$ 1,773,313	\$ 626,928
Total health and welfare	\$ 2,426,900	\$ 2,543,515	\$ 1,916,587	\$ 626,928
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 7,552	\$ 7,552	\$ 7,552	\$ -
Contribution to County School Board	6,678,786	6,758,786	6,436,477	322,309
Total education	\$ 6,686,338	\$ 6,766,338	\$ 6,444,029	\$ 322,309

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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	\$ 217,767	\$ 224,269	\$ 189,464	\$ 34,805
Swimming pool and park	73,348	75,723	69,996	5,727
Total parks and recreation	\$ 291,115	\$ 299,992	\$ 259,460	\$ 40,532
Cultural enrichment:				
Museum	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Library:				
Contribution to county library	\$ 187,902	\$ 187,902	\$ 185,073	\$ 2,829
Total parks, recreation, and cultural	\$ 499,017	\$ 507,894	\$ 464,533	\$ 43,361
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 16,300	\$ 16,300	\$ 16,300	\$ -
Economic development	117,423	117,423	85,151	32,272
Total planning and community development	\$ 133,723	\$ 133,723	\$ 101,451	\$ 32,272
Environmental management:				
Contribution to soil and water conservation district	\$ 11,025	\$ 11,025	\$ 11,025	\$ -
Litter control program	6,366	6,366	6,366	-
Other environmental management	110,844	124,801	124,801	-
Total environmental management	\$ 128,235	\$ 142,192	\$ 142,192	\$ -
Cooperative extension program:				
Extension office	\$ 46,190	\$ 46,190	\$ 42,483	\$ 3,707
Total community development	\$ 308,148	\$ 322,105	\$ 286,126	\$ 35,979
Debt service:				
Principal retirement	\$ 1,938,080	\$ 1,938,080	\$ 1,938,080	\$ -
Interest and other fiscal charges	1,603,292	1,616,363	1,615,114	1,249
Total debt service	\$ 3,541,372	\$ 3,554,443	\$ 3,553,194	\$ 1,249
Total General Fund	\$ 21,543,797	\$ 22,049,810	\$ 20,403,772	\$ 1,646,038
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Commonwealth's Attorney:				
Asset Forfeiture	\$ -	\$ 1,041	\$ 923	\$ 118
Public Safety:				
Sheriff:				
Asset forfeiture	\$ -	\$ 5,600	\$ 4,498	\$ 1,102
Other protection:				
Animal control	\$ -	\$ 2,500	\$ -	\$ 2,500
Total public safety	\$ -	\$ 8,100	\$ 4,498	\$ 3,602

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<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)				
Parks, recreation, and cultural:				
Parks and recreation:				
Read and roll	\$ -	\$ 200	\$ 200	\$ -
Capital projects:				
Building renovation	\$ -	\$ 200,000	\$ 149,927	\$ 50,073
Total County Special Revenue Fund	\$ -	\$ 209,341	\$ 155,548	\$ 53,793
School Construction Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 1,411,549	\$ 544,641	\$ 866,908
Total Primary Government	\$ 21,543,797	\$ 23,670,700	\$ 21,103,961	\$ 2,566,739
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 935,157	\$ 935,157	\$ 950,369	\$ (15,212)
Instruction costs	12,209,710	12,209,710	11,697,325	512,385
Technology	835,411	835,411	811,719	23,692
Pupil transportation	1,412,696	1,621,304	1,477,249	144,055
Operation and maintenance of school plant	1,310,611	1,310,611	1,424,834	(114,223)
Total education	\$ 16,703,585	\$ 16,912,193	\$ 16,361,496	\$ 550,697
Total School Operating Fund	\$ 16,703,585	\$ 16,912,193	\$ 16,361,496	\$ 550,697
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 777,541	\$ 777,541	\$ 792,156	\$ (14,615)
Commodities	-	35,673	35,673	-
Total school food services	\$ 777,541	\$ 813,214	\$ 827,829	\$ (14,615)
Total education	\$ 777,541	\$ 813,214	\$ 827,829	\$ (14,615)
Total School Cafeteria Fund	\$ 777,541	\$ 813,214	\$ 827,829	\$ (14,615)
Total Discretely Presented Component Unit - School Board	\$ 17,481,126	\$ 17,725,407	\$ 17,189,325	\$ 536,082

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 Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2005-06	\$ 1,806,010	\$ 702,243	\$ 2,588,662	\$ 1,173,164	\$ 2,249,567	\$ 5,139,957	\$ 421,983	\$ 57,745	\$ 429,931	\$ 14,569,262
2006-07	1,680,451	737,022	2,762,429	1,327,043	2,256,548	5,757,576	469,444	64,931	955,334	16,010,778
2007-08	1,882,055	770,077	2,830,590	1,157,611	3,056,909	5,052,164	411,997	1,063,524	883,657	17,108,584
2008-09	1,568,632	700,133	3,451,014	1,354,988	2,645,966	8,194,820	427,867	91,643	1,046,589	19,481,652
2009-10	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575
2011-12	1,706,609	681,831	4,064,725	1,331,201	2,189,764	6,723,619	415,389	86,752	1,500,339	18,700,229
2012-13	1,601,134	706,845	4,263,572	1,456,944	2,157,151	6,694,654	402,704	76,721	1,274,412	18,634,137
2013-14	1,277,471	656,005	3,966,673	1,617,463	2,149,596	7,095,834	398,171	161,570	1,501,151	18,823,934
2014-15	1,381,868	538,448	3,890,756	1,626,640	1,884,957	9,636,662	454,226	215,500	1,476,080	21,105,137

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2005-06	\$ 315,666	\$ 2,536,302	\$ -	\$ 7,954,220	\$ 2,790,987	\$ 110,792	\$ 35,161	\$ 1,243,410	\$ 14,986,538
2006-07	254,479	2,781,182	-	8,961,879	2,959,126	480,937	71,592	1,179,123	16,688,318
2007-08	305,834	3,649,195	214,103	10,104,272	2,723,813	138,994	132,002	1,190,595	18,458,808
2008-09	216,826	3,245,589	208,140	10,638,177	2,581,539	54,714	67,214	1,066,074	18,078,273
2009-10	207,305	2,854,011	-	10,726,095	2,136,779	39,235	85,746	1,453,937	17,503,108
2010-11	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416
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

Table 3

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
2005-06	\$ 2,566,088	\$ 643,287	\$ 2,588,658	\$ 1,218,893	\$ 2,245,207	\$ 14,481,828	\$ 401,242	\$ 57,745	\$ 1,049,188	\$ 25,252,136
2006-07	1,615,589	687,338	2,718,932	1,255,696	2,255,040	15,393,625	472,872	64,931	1,595,676	26,059,699
2007-08	1,854,877	705,787	3,225,150	1,373,317	3,074,857	16,415,089	419,815	81,674	1,631,400	28,781,966
2008-09	1,561,628	635,967	6,059,597	1,386,767	2,640,100	17,113,270	422,557	91,643	2,531,253	32,442,782
2009-10	1,516,867	705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685
2010-11	1,836,494	696,193	3,721,774	1,211,682	2,542,294	16,171,436	443,490	63,246	1,894,696	28,581,305
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

(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
2005-06	\$ 7,936,224	\$ 2,790,987	\$ 133,626	\$ 31,953	\$ 113,892	\$ 406,127	\$ 119,477	\$ 45,749	\$ 12,351,867	\$ 23,929,902
2006-07	8,955,083	2,959,126	127,766	22,451	158,986	362,006	150,669	37,001	14,183,804	26,956,892
2007-08	9,944,811	2,723,813	149,560	26,643	135,976	392,803	248,544	57,273	15,296,604	28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449
2010-11	11,396,506	2,036,898	53,796	19,104	89,158	316,073	76,163	164,932	14,321,871	28,474,501
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

(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
2005-06	\$ 8,332,662	\$ 8,632,952	103.60%	\$ 50,903	\$ 8,683,855	104.21%	\$ 743,774	8.93%
2006-07	10,103,491	9,482,844	93.86%	274,547	9,757,391	96.57%	766,958	7.59%
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,350,599	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%

(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	
2005-06	\$ 843,771,375	\$ 80,431,913	\$ 2,864,967	\$ 1,310,886	\$ 25,350,924	\$ 68,638	\$ 953,798,703
2006-07	866,975,291	88,602,590	1,145,886	1,534,735	22,814,835	87,574	981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642	1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107	1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997
2010-11	1,492,473,385	85,051,484	1,633,681	1,759,440	39,121,599	81,257	1,620,120,846
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

(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
2005-06	0.68/0.78	\$ 0.68	\$ 3.50	\$ 3.75	\$ 3.50
2006-07	0.78	0.78	3.50	3.75	3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.61	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	0.860	3.75	3.75	3.75

(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
2005-06	9,989	\$ 953,798,703	\$ 8,981,726	\$ 8,981,726	0.94%	\$ 899
2006-07	9,989	981,160,911	16,681,092	16,681,092	1.70%	1,670
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

(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, 2015, and the related notes to the financial statements, which collectively comprise the County of Essex, Virginia's basic financial statements, and have issued our report thereon dated December 8, 2015.

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
December 8, 2015

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 OMB Circular A-133

**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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report 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 extending to the right.

Richmond, Virginia
December 8, 2015

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	0950114/0950115	\$ 11,378
Temporary Assistance for Needy Families	93.558	0400114/0400115	108,166
Refugee and Entrant Assistance - State Administered Programs	93.566	0500114/0500115	200
Low Income Home Energy Assistance	93.568	0600413/00600414	10,463
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760114/0760115	15,374
Adoption and Legal Guardianship Incentive Payments	93.603	1130113	1,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900114/090115	777
Foster Care - Title IV-E	93.658	1100114/1100115	60,206
Adoption Assistance	93.659	1120114/1120115	50,473
Social Services Block Grant	93.667	1000114/1000115	74,868
Chafee Foster Care Independence Program	93.674	9150114/9150115	2,385
Children's Health Insurance Program	93.767	0540114/0540115	5,125
Medical Assistance Program	93.778	1200114/1200115	173,224
Total Department of Health and Human Services			<u>\$ 513,639</u>
U.S. Election Assistance Commission:			
Pass Through Payments:			
<i>State Board of Elections:</i>			
Help America Vote Act Requirements Payments	90.401	72302-40040	<u>\$ 878</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52749	<u>\$ 13,316</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	N/A	15,215
Food Distribution	10.555	N/A	\$ 35,673
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-45707	445,451
School Breakfast Program	10.553	17901-40591	<u>192,891</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010100	\$ 150,039
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	<u>13,013</u>
Total Department of Agriculture			<u>\$ 816,609</u>

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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 Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50287	\$ 5,478
Department of Treasury:			
Direct Payments:			
Sheriff Asset Forfeiture Funds	21.000	N/A	\$ 291,784
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	39001-76000	12,693
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	1,889
Total Department of Justice			\$ 14,582
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 454,029
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	374,300
Special Education - Preschool Grants	84.173	17901-62521	11,399
Career and Technical Education - Basic Grants to States	84.048	17901-61095	34,178
Advanced Placement Program	84.330	17901-60957	666
Rural Education	84.358	17901- 43481	35,428
English Language Acquisition State Grants	84.365	17901	5,341
Improving Teacher Quality State Grants	84.367	17901-61480	72,045
Total Department of Education			\$ 987,386
Total Expenditures of Federal Awards			\$ 2,643,672

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, 2015

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, 2015. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,387,131
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Component Unit - School Board:

School Operating Fund	\$ 987,386
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School Special Revenue Fund	666,570
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Total component unit School Board	\$ 1,653,956
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Total federal expenditures per basic financial statements	\$ 3,041,087
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Federal interest subsidy	\$ (393,975)
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Payments in Lieu of Taxes	(3,440)
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,643,672
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County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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 510(a) of
Circular A-133? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)
84.010
84.027/84.173

Name of Federal Program or Cluster
Title I Grants to Local Educational Agencies
Special Education Cluster

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

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

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2015

There were no prior year findings.

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