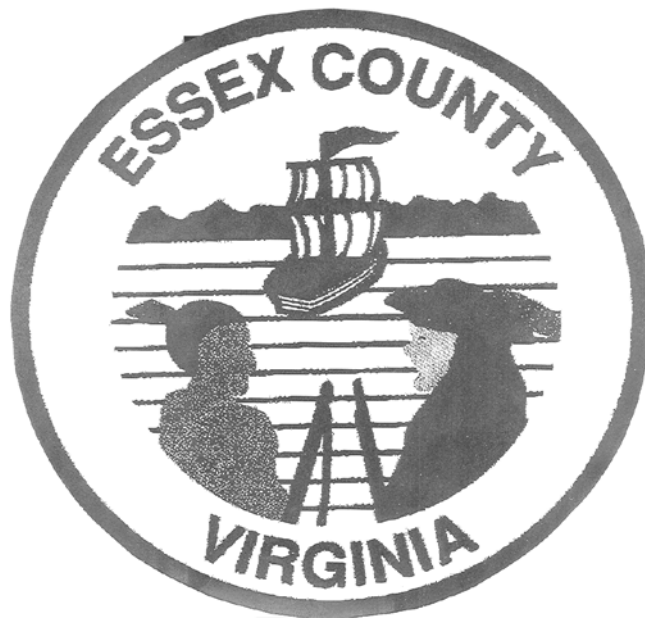


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF ESSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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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

Raymond Whitaker, Chairperson
Keren Ellis, Vice Chairperson

Denise Hammond
Larry Lenz

Elizabeth Martin

Department of Social Services Board

Janie Mitchell, Chairperson
Nancy Haynes, Vice Chairperson

Margie Gray

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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COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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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, 2014, 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-10, 57, and 58-59 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 November 7, 2014, 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.

Robinson, Farmer, Cox Associate

Richmond, Virginia
November 7, 2014

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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, 2014.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,578,279 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$7,904,333 (Exhibit 5) after making contributions totaling \$6,132,678 to the School Board. This was attributable to the expenditure of bond proceeds received in a prior fiscal year on construction at Essex High School.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$4,579,020, a decrease of \$7,904,333 in comparison with the prior year. The decrease was due in large part to expenditures related to the High School Renovation Project in FY14.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,441,687 or 17% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,378,755 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 exceeded liabilities and deferred inflows of resources by \$8,578,279 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	
	2014	2013
Current and other assets	\$ 12,506,733	\$ 21,007,040
Capital assets	<u>37,628,459</u>	<u>30,493,194</u>
Total assets	\$ <u>50,135,192</u>	\$ <u>51,500,234</u>
Current liabilities	\$ 1,752,543	\$ 2,559,578
Long-term liabilities outstanding	<u>34,813,055</u>	<u>37,191,810</u>
Total liabilities	\$ <u>36,565,598</u>	\$ <u>39,751,388</u>
Deferred inflows of resources	\$ <u>5,357,347</u>	\$ <u>5,193,452</u>
Net position:		
Net investment in capital assets	\$ 4,144,661	\$ 3,353,023
Restricted for:		
Glebe fund	71,647	112,635
Forfeited assets	77,128	87,001
Law library	7,328	7,328
Asset forfeiture - Comm. Atty	4,442	-
School construction	335,703	-
Unrestricted	<u>3,571,338</u>	<u>2,995,407</u>
Total net position	\$ <u><u>8,212,247</u></u>	\$ <u><u>6,555,394</u></u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$2,022,885 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	
	2014	2013
Charges for services	\$ 486,365	\$ 387,129
Operating grants and contributions	2,994,419	3,173,575
General property taxes	13,459,968	12,865,179
Other local taxes	1,892,560	2,064,024
Grants and other contributions not restricted	1,505,664	1,492,519
Other general revenues	141,811	139,773
Total revenues	<u>\$ 20,480,787</u>	<u>\$ 20,122,199</u>
General government administration	\$ 1,277,471	\$ 1,601,134
Judicial administration	656,005	706,845
Public safety	3,966,673	4,263,572
Public works	1,617,463	1,456,944
Health and welfare	2,149,596	2,157,151
Education	7,095,834	6,694,654
Parks, recreation, and cultural	398,171	402,704
Community development	161,570	76,721
Interest and other fiscal charges	1,501,151	1,274,412
Total expenses	<u>\$ 18,823,934</u>	<u>\$ 18,634,137</u>
Change in net position	\$ 1,656,853	\$ 1,488,062
Net position, beginning of year	6,555,394	5,067,332
Net position, end of year	<u><u>\$ 8,212,247</u></u>	<u><u>\$ 6,555,394</u></u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$4,579,020, a decrease of \$7,904,333, largely due to expenditures related to the ongoing High School Renovation Project. Approximately 75.2% 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 were exceeded by budgetary estimates in the amount of \$446,725. Expenditures and other financing uses did not exceed budgetary estimates by \$1,584,728, resulting in a positive variance of \$1,138,003.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2014 amounted to \$37,628,459 (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 \$31,840,877. Of this amount, \$19,759,877 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 \$1,682,182 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 2014 fiscal year.

The fiscal year 2015 budget remained approximately the same as the prior year. The County's real estate rate increased from \$0.84 to \$0.86 per \$100, the personal property rate increased from \$3.50 to \$3.75 per \$100 and the mobile home rate increased from \$0.695 to \$0.84 per \$100. The vehicle license tax increased from \$25.00 to \$35.00 per year. 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, 2014

	Primary Government Governmental Activities	Component Units School Board	IDA
ASSETS			
Cash and cash equivalents	\$ 3,916,555	\$ 622,401	\$ 45,421
Investments	-	-	181,273
Receivables (net of allowance for uncollectibles):			
Taxes receivable	6,705,117	-	-
Accounts receivable	39,539	312	-
Due from other governmental units	641,973	419,058	-
Inventories	-	28,990	-
Prepaid items	-	131,281	-
Temporarily restricted:			
Cash and cash equivalents	1,203,549	-	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	1,143,271	42,822	-
Buildings and improvements	13,278,958	5,121,833	-
Intangibles	1,634,631	-	-
Equipment	1,795,004	402,125	-
Construction in progress	19,776,595	-	-
Total assets	<u>\$ 50,135,192</u>	<u>\$ 6,768,822</u>	<u>\$ 226,694</u>
LIABILITIES			
Accounts payable	\$ 1,035,731	\$ 52,778	\$ -
Accrued liabilities	-	1,001,848	-
Accrued interest payable	390,904	-	-
Unearned revenue	325,908	-	-
Long-term liabilities:			
Due within one year	1,973,429	11,900	-
Due in more than one year	32,839,626	126,501	-
Total liabilities	<u>\$ 36,565,598</u>	<u>\$ 1,193,027</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 5,357,347	\$ -	\$ -
Total deferred inflow of resources	<u>\$ 5,357,347</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 4,144,661	\$ 5,547,380	\$ -
Restricted:			
Glebe fund	71,647	-	-
Forfeited assets	77,128	-	-
Law library	7,328	-	-
Asset forfeiture - Comm. Atty	4,442	-	-
School construction	335,703	-	-
Unrestricted (deficit)	3,571,338	28,415	\$ 226,694
Total net position	<u>\$ 8,212,247</u>	<u>\$ 5,575,795</u>	<u>\$ 226,694</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, 2014

		Program Revenues				Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental	School Board	IDA	
					Activities			
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,277,471	\$ -	\$ 193,498	\$ -	\$ (1,083,973)			
Judicial administration	656,005	109,803	358,047	-	(188,155)			
Public safety	3,966,673	354,979	816,335	-	(2,795,359)			
Public works	1,617,463	-	32,674	-	(1,584,789)			
Health and welfare	2,149,596	-	1,199,465	-	(950,131)			
Education	7,095,834	-	-	-	(7,095,834)			
Parks, recreation, and cultural	398,171	21,334	-	-	(376,837)			
Community development	161,570	249	-	-	(161,321)			
Interest on long-term debt	1,501,151	-	394,400	-	(1,106,751)			
Total governmental activities	\$ 18,823,934	\$ 486,365	\$ 2,994,419	\$ -	\$ (15,343,150)			
Total primary government	\$ 18,823,934	\$ 486,365	\$ 2,994,419	\$ -				
COMPONENT UNITS:								
School Board	\$ 16,470,574	\$ 138,544	\$ 9,779,456	\$ -		\$ (6,552,574)	\$ -	
Industrial Development Authority	1,345	-	-	-		-	(1,345)	
Total component unit	\$ 16,471,919	\$ 138,544	\$ 9,779,456	\$ -		\$ (6,552,574)	\$ (1,345)	
General revenues:								
General property taxes					\$ 13,459,968	\$ -	\$ -	
Other local taxes:								
Local sales and use tax					1,619,552	-	-	
Consumers' utility taxes					215,520	-	-	
Motor vehicle licenses					38,765	-	-	
Taxes on recordation and wills					18,723	-	-	
Unrestricted revenues from use of money and property					53,199	4,703	431	
Miscellaneous					88,612	30,438	17,826	
Payments from Essex County					-	6,689,336	-	
Grants and contributions not restricted to specific programs					1,505,664	-	-	
Total general revenues					\$ 17,000,003	\$ 6,724,477	\$ 18,257	
Change in net position					1,656,853	171,903	16,912	
Net position - beginning					6,555,394	5,403,892	209,782	
Net position - ending					\$ 8,212,247	\$ 5,575,795	\$ 226,694	

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, 2014

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,191,014	\$ -	\$ 725,541	\$ 3,916,555
Receivables (net of allowance for uncollectibles):				
Taxes receivable	6,705,117	-	-	6,705,117
Accounts receivable	39,539	-	-	39,539
Due from other governmental units	641,973	-	-	641,973
Temporarily restricted:				
Cash and cash equivalents	-	1,203,549	-	1,203,549
Total assets	<u>\$ 10,577,643</u>	<u>\$ 1,203,549</u>	<u>\$ 725,541</u>	<u>\$ 12,506,733</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 167,885	\$ 867,846	\$ -	\$ 1,035,731
Unearned revenue	325,908	-	-	325,908
Total liabilities	<u>\$ 493,793</u>	<u>\$ 867,846</u>	<u>\$ -</u>	<u>\$ 1,361,639</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 6,566,074	\$ -	\$ -	\$ 6,566,074
Total deferred inflow of resources	<u>\$ 6,566,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,566,074</u>
Fund balances:				
Restricted	\$ 71,647	\$ 335,703	\$ 89,919	\$ 497,269
Committed				
Debt service funds	-	-	640,064	640,064
Unassigned	3,441,687	-	-	3,441,687
Total fund balances	<u>\$ 3,513,334</u>	<u>\$ 335,703</u>	<u>\$ 729,983</u>	<u>\$ 4,579,020</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,573,201</u>	<u>\$ 1,203,549</u>	<u>\$ 729,983</u>	<u>\$ 12,506,733</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, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	4,579,020
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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	\$ 48,573,488		
Accumulated depreciation	<u>(10,945,029)</u>		37,628,459

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,208,727
--	--	-----------

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

Lease revenue bonds	\$ (12,081,000)		
Literary fund loans	(450,000)		
General obligation bonds	(19,309,877)		
Bond premiums	(1,204,591)		
Capital lease	(1,414,097)		
Accrued interest payable	(390,904)		
Compensated absences	<u>(353,490)</u>		(35,203,959)

Net position of governmental activities	\$	<u><u>8,212,247</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Essex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 13,492,136	\$ -	\$ -	\$ 13,492,136
Other local taxes	1,892,560	-	-	1,892,560
Permits, privilege fees, and regulatory licenses	47,868	-	-	47,868
Fines and forfeitures	49,737	-	-	49,737
Revenue from the use of money and property	44,282	8,917	-	53,199
Charges for services	388,760	-	-	388,760
Miscellaneous	85,591	-	3,021	88,612
Recovered costs	48,930	-	-	48,930
Intergovernmental:				
Commonwealth	3,356,213	-	4,422	3,360,635
Federal	1,137,562	-	1,886	1,139,448
Total revenues	<u>\$ 20,543,639</u>	<u>\$ 8,917</u>	<u>\$ 9,329</u>	<u>\$ 20,561,885</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,386,537	\$ -	\$ -	\$ 1,386,537
Judicial administration	622,627	-	1,866	624,493
Public safety	3,943,147	-	11,873	3,955,020
Public works	1,695,600	-	-	1,695,600
Health and welfare	2,158,657	-	-	2,158,657
Education	6,140,046	-	-	6,140,046
Parks, recreation, and cultural	409,144	-	-	409,144
Community development	164,070	-	-	164,070
Capital projects	-	8,352,355	-	8,352,355
Debt service:				
Principal retirement	1,885,755	-	-	1,885,755
Interest and other fiscal charges	1,694,541	-	-	1,694,541
Total expenditures	<u>\$ 20,100,124</u>	<u>\$ 8,352,355</u>	<u>\$ 13,739</u>	<u>\$ 28,466,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 443,515</u>	<u>\$ (8,343,438)</u>	<u>\$ (4,410)</u>	<u>\$ (7,904,333)</u>
Net change in fund balances	\$ 443,515	\$ (8,343,438)	\$ (4,410)	\$ (7,904,333)
Fund balances - beginning	3,069,819	8,679,141	734,393	12,483,353
Fund balances - ending	<u>\$ 3,513,334</u>	<u>\$ 335,703</u>	<u>\$ 729,983</u>	<u>\$ 4,579,020</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, 2014

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

Net change in fund balances - total governmental funds	\$ (7,904,333)
--	----------------

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	\$ 8,625,159	
Transfer of joint tenancy assets to Component Unit from primary Government	(556,658)	
Depreciation expense	(933,236)	7,135,265

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.	(32,168)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal retired on lease revenue bonds	\$ 842,000	
Principal retired on capital lease	203,573	
Principal retired on literary fund loans	90,000	
Principal retired on school general obligation bonds	750,182	
Amortization of bond premium	114,056	1,999,811

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	\$ 12,232	
(Increase) decrease in net OPEB obligation	366,712	
(Increase) decrease in accrued interest payable	79,334	458,278

Change in net position of governmental activities	\$ 1,656,853
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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, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 987
	<u>987</u>
LIABILITIES	
Amounts held for social services clients	\$ 987
	<u>987</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2014

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 (government 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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, 2014

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, 2014.

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, 2014.

The Essex County Industrial Development Authority (IDA) 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 IDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2014. 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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 non-major governmental funds:

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County Special Revenue Fund reports the operations of the law library, forfeited assets, 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, 2014

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, 2014 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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.

<u>Assets</u>	<u>Years</u>
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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

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, 2014

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

L. Fund Equity (Continued)

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

	<u>General Fund</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Restricted:				
Glebe fund	\$ 71,647	\$ -	\$ -	\$ 71,647
Forfeited assets	-	-	77,128	77,128
Law library	-	-	7,328	7,328
Asset Forfeiture - Comm. Atty	4,442	-	-	4,442
Animal shelter	-	-	1,021	1,021
School Construction	-	335,703	-	335,703
Total Restricted Fund Balance	\$ 76,089	\$ 335,703	\$ 85,477	\$ 497,269
Committed:				
Debt service	\$ -	\$ -	\$ 640,064	\$ 640,064
Unassigned	\$ 3,441,687	\$ -	\$ -	\$ 3,441,687
Total Fund Balances	\$ 3,517,776	\$ 335,703	\$ 725,541	\$ 4,579,020

M. Net Position

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

N. Net Position Flow Assumption

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

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

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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

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 one type of item that qualifies 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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.

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any funds at June 30, 2014.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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, 2014 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	\$ 74,371
State Non-Arbitrage Pool	1,691,142
Money Market Mutual Fund	2,099
Total	<u>\$ 1,767,612</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). 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, 2014

Note 4—Due from/to Other Governments:

At June 30, 2014, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 292,930	\$ -
Rolling stock tax	1,004	-
Mobile home titling tax	225	-
State sales Tax	-	291,424
Victim witness	5,516	-
Constitutional officer reimbursements	93,840	-
Recordation tax	5,682	-
Comprehensive services act	38,540	-
Domestic violence grant	10,000	-
Welfare	36,371	-
Communications tax	59,687	-
Rental tax	474	-
Wireless grant	6,715	-
Fire programs fund	4,167	-
Other state grants	13,799	-
Federal Government:		
School fund grants	-	127,634
Welfare	73,023	-
Total due from other governments	<u>\$ 641,973</u>	<u>\$ 419,058</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Construction in progress	11,424,240	8,352,355	-	19,776,595
Total capital assets not subject to depreciation	\$ 12,567,511	\$ 8,352,355	\$ -	\$ 20,919,866
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,565,046	\$ -	\$ -	\$ 3,565,046
Equipment	3,897,598	272,804	84,797	4,085,605
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	18,052,363	-	856,740	17,195,623
Total capital assets subject to depreciation	\$ 28,322,355	\$ 272,804	\$ 941,537	\$ 27,653,622
Accumulated depreciation:				
Buildings and improvements	\$ 1,368,626	\$ 90,149	\$ -	\$ 1,458,775
Equipment	2,001,625	373,773	84,797	2,290,601
Intangibles	1,102,533	70,184	-	1,172,717
Jointly owned assets	5,923,888	399,130	300,082	6,022,936
Total accumulated depreciation	\$ 10,396,672	\$ 933,236	\$ 384,879	\$ 10,945,029
Total capital assets subject to depreciation, net	\$ 17,925,683	\$ (660,432)	\$ 556,658	\$ 16,708,593
Governmental activities capital assets, net	\$ 30,493,194	\$ 7,691,923	\$ 556,658	\$ 37,628,459

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets: (Continued)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
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	\$ -	\$ -	\$ 3,045,177
Jointly owned assets	7,026,154	-	(856,740)	7,882,894
Total capital assets subject to depreciation	\$ 10,071,331	\$ -	\$ (856,740)	\$ 10,928,071
Accumulated depreciation:				
Equipment	\$ 2,467,912	\$ 175,140	\$ -	\$ 2,643,052
Jointly owned assets	2,305,634	155,345	(300,082)	2,761,061
Total accumulated depreciation	\$ 4,773,546	\$ 330,485	\$ (300,082)	\$ 5,404,113
Total capital assets subject to depreciation, net	\$ 5,297,785	\$ (330,485)	\$ (556,658)	\$ 5,523,958
Component unit school board capital assets, net	\$ 5,340,607	\$ (330,485)	\$ (556,658)	\$ 5,566,780

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 23,991
Judicial administration	51,931
Public safety	357,076
Public works	82,903
Health and welfare	9,196
Education	399,130
Parks, recreation and cultural	9,009

Total Governmental activities	\$ 933,236
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Component Unit School Board	\$ 330,485
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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 365,722	\$ -	\$ 12,232	\$ 353,490	\$ 35,349
Lease revenue bond	1,966,583	-	144,394	1,822,189	150,672
Add deferred amounts:					
For issuance premium	857,222	-	71,435	785,787	-
Net OPEB obligation	366,712	-	366,712	-	-
Capital lease (see Note 7)	1,617,670	-	203,573	1,414,097	219,937
Total incurred by County	\$ 5,173,909	\$ -	\$ 798,346	\$ 4,375,563	\$ 405,958
Incurred by School Board:					
State Literary Fund Loan	\$ 540,000	\$ -	\$ 90,000	\$ 450,000	\$ 90,000
General obligation bonds	20,060,059	-	750,182	19,309,877	754,143
Add deferred amounts:					
For issuance premium	461,425	-	42,621	418,804	-
Lease revenue bonds	10,956,417	-	697,606	10,258,811	723,328
Total incurred by School Board	\$ 32,017,901	\$ -	\$ 1,580,409	\$ 30,437,492	\$ 1,567,471
Total Governmental Obligations, Primary Government	\$ 37,191,810	\$ -	\$ 2,378,755	\$ 34,813,055	\$ 1,973,429

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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		Capital Lease	
	Bond			
	Principal	Interest	Principal	Interest
2015	\$ 150,672	\$ 80,792	\$ 219,937	\$ 39,029
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>\$ 1,822,189</u>	<u>\$ 486,672</u>	<u>\$ 1,414,097</u>	<u>\$ 139,700</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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
2015	\$ 90,000	\$ 18,000	\$ 754,143	\$ 448,692	\$ 723,328	\$ 383,070
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>\$ 450,000</u>	<u>\$ 54,000</u>	<u>\$ 19,309,877</u>	<u>\$ 4,086,461</u>	<u>\$ 10,258,811</u>	<u>\$ 2,600,663</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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. \$ 1,822,189

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%. \$ 1,414,097

Compensated absences (payable by General Fund) \$ 353,490

Unamortized Premium \$ 785,787

Total Incurred by County \$ 4,375,563

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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%. \$ 450,000

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. \$ 3,982,811

\$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%. 896,000

\$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%. 5,380,000

Total Lease Revenue Bonds \$ 10,258,811

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%. \$ 4,945,531

\$10,000,000 qualified school construction bond issued December 15, 2011, due in varying annual installments through December 1, 2030, interest at 4.250%. 9,600,000

\$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%. 1,794,346

Total General Obligation Bonds \$ 19,309,877

Unamortized premium \$ 418,804

Total Incurred by School Board \$ 30,437,492

Total Long-Term Obligations, Primary Government \$ 34,813,055

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 62,332	\$ 56,669	\$ -	\$ 119,001	\$ 11,900
Net OPEB obligation	-	87,100	67,700	19,400	-
Total Component Unit-School Board	<u>\$ 62,332</u>	<u>\$ 143,769</u>	<u>\$ 67,700</u>	<u>\$ 138,401</u>	<u>\$ 11,900</u>

Note 7—Capital Lease:

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

The asset acquired through capital lease is as follows:

	Primary Government
Asset:	
Equipment	\$ 2,764,966
Less: accumulated depreciation	(1,520,732)
Total	<u>\$ 1,244,234</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, are as follows:

Year Ended June 30	Primary Government
2015	\$ 271,515
2016	271,515
2017	271,515
2018	271,515
2019	271,515
2020	<u>271,514</u>
Total minimum lease payments	\$ 1,629,089
Less: amount representing interest	<u>(214,992)</u>
Present value of minimum lease payments	<u>\$ 1,414,097</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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 \$6,891,982 is comprised of the following:

Deferred/Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$6,436,792 at June 30, 2014.

Deferred/Unavailable Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$129,282 at June 30, 2014.

Other Unearned Revenue - Other unearned revenue items totaled \$325,908, 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.

The following construction contracts were outstanding at June 30, 2014:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Balance</u>
High School Renovation	Loughridge & Company LLC	\$ 18,015,956	\$ 866,633

Note 10—Litigation:

At June 30, 2014, 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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 12—Pension Plan:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

- 1. Plan Overview** - VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- 3. 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 VRS 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.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Note 12—Pension Plan (Continued):

A. Plan Description

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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.
5. **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.
6. **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.

7. **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.

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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - 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 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

Note 12—Pension Plan (Continued):

A. Plan Description

VRS – PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. 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%.

- 14. Eligibility** - 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.

- 15. Exceptions to COLA Effective Dates** - 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.

Note 12—Pension Plan (Continued):

A. Plan Description

VRS – PLAN 1 (CONTINUED)

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. 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.

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Note 12—Pension Plan (Continued):

A. Plan Description

VRS – PLAN 2

1. **Plan Overview** - VRS 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 VRS 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.
2. **Eligible Members** - Employees are in VRS 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.
3. **Hybrid Opt-In Election** - VRS 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 VRS 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.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 12—Pension Plan (Continued):

A. Plan Description

VRS – PLAN 2

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

- 13. 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%.

- 14. Eligibility** - Same as VRS Plan 1—Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

- 16. 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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - 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 VRS Plan 1 and VRS 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.

Note 12—Pension Plan (Continued):

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- 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.

2. Eligible Members - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS 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

3. *Non-Eligible Members - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. 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.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - 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.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - 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. VRS Plan 1 or VRS 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.

Defined Contribution Component - 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.

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.

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - 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.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. Service Retirement Multiplier - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 12—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-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, 2014

Note 12—Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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% member contribution. This could be phased in over a period 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board's contribution rates for the fiscal year ended 2014 were 9.94% and 12.10% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$924,793, \$918,386, and \$541,971 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012 respectively and these contributions represented 11.66%, 11.66%, and 6.33%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$308,515 was equal to the County's required and actual contributions.

Three Year Trend Information - County				
Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$	308,515	100%	\$ -
June 30, 2013		319,524	100%	-
June 30, 2012		206,967	100%	-

For the fiscal year 2014, the School Board's annual pension cost of \$103,411 was equal to the School Board's required and actual contributions.

Three Year Trend Information - School Board Non-Professional				
Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$	103,411	100%	\$ -
June 30, 2013		109,174	100%	-
June 30, 2012		59,921	100%	-

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 12—Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress:

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 87.85% funded. The actuarial accrued liability for benefits was \$12,737,005, and the actuarial value of assets was \$11,189,430, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,547,575. The covered payroll (annual payroll of active employees covered by the plan) was \$3,274,326, and ratio of the UAAL to the covered payroll was 47.26%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 80.94% funded. The actuarial accrued liability for benefits was \$4,277,835 and the actuarial value of assets was \$3,462,673, resulting in an unfunded actuarial accrued liability (UAAL) of \$815,162. The covered payroll (annual payroll of active employees covered by the plan) was \$891,867 and ratio of the UAAL to the covered payroll was 91.40%.

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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—Other Postemployment Benefits - Retiree Health Insurance Credit

A. Post-retirement Medical Plan for Employees

Plan Description

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

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

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

Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$88,025, \$87,428, and \$51,372, respectively and equaled the required contributions for each year.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 15–Other Postemployment Benefits - Health Insurance:

A. Plan Description

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

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

The plan offers medical and vision to eligible retirees and spouses. Coverage is for the life of the retiree. Coverage for the spouse ends at the earlier of the spouse's death or the retiree's death. The School System contributes \$300 toward the premium for pre-65 retirees who elect coverage.

B. Funding Policy

The funding policies of School Board retirees is described above. The School Board currently has 12 retirees and 4 spouses on its plan. The County plan was rescinded by the County Board of Supervisors effective as of July 1, 2014. At June 30, 2014, the County had no future other postemployment benefit liability.

C. Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

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

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

	Component Unit School Board
Annual required contribution	\$ 87,100
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$ 87,100
Contributions made	(67,700)
Increase in net OPEB obligation	\$ 19,400
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	\$ 19,400

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
School Board:			
6/30/2012	\$ 255,600	100.00%	\$ -
6/30/2013	89,700	100.00%	-
6/30/2014	87,100	77.73%	19,400

Note 15–Other Postemployment Benefits - Health Insurance: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, most recent actuarial valuation date, the School Board’s actuarial accrued liability for benefits was \$825,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,009,100, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.16 percent.

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

E. Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2014 using Scale AA.

Coverage elections -The actuarial assumed that 40% of current active employees who retire prior to age 65 will elect coverage and that 30% of retirees who elect coverage will cover a spouse. 100% of current active employees who retire at age 65 or older will elect medical coverage at retirement.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 15—Other Postemployment Benefits - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions (Continued)

Healthcare cost trend rate -The actuarial includes a healthcare cost trend rate of 7.50% in 2014 graded down to 4.83% in 2083. The healthcare cost trend rate selected is consistent with prevalent practices. The actuary used medical trend with information from the Getzen Trend Model, Milliman's Health Cost Guidelines and actuarial judgment. These trend rates do not include the effects of changes in demographics of the covered group.

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period for the School Board at June 30, 2014 was 25 years.

Note 16—Upcoming Pronouncements:

The GASB has issued Statement No. 60, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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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, 2014

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Positive <u>(Negative)</u>
REVENUES				
General property taxes	\$ 13,291,291	\$ 13,291,291	\$ 13,492,136	\$ 200,845
Other local taxes	2,003,777	2,003,777	1,892,560	(111,217)
Permits, privilege fees, and regulatory licenses	47,175	47,175	47,868	693
Fines and forfeitures	15,000	15,000	49,737	34,737
Revenue from the use of money and property	40,700	40,700	44,282	3,582
Charges for services	395,100	395,100	388,760	(6,340)
Miscellaneous	13,700	24,978	85,591	60,613
Recovered costs	44,500	44,500	48,930	4,430
Intergovernmental:				
Commonwealth	3,685,055	4,082,899	3,356,213	(726,686)
Federal	1,044,944	1,044,944	1,137,562	92,618
Total revenues	<u>\$ 20,581,242</u>	<u>\$ 20,990,364</u>	<u>\$ 20,543,639</u>	<u>\$ (446,725)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,343,334	\$ 1,468,742	\$ 1,386,537	\$ 82,205
Judicial administration	686,747	695,762	622,627	73,135
Public safety	3,939,296	4,426,706	3,943,147	483,559
Public works	1,833,424	1,810,944	1,695,600	115,344
Health and welfare	2,359,183	2,660,491	2,158,657	501,834
Education	6,150,237	6,346,373	6,140,046	206,327
Parks, recreation, and cultural	489,223	495,636	409,144	86,492
Community development	172,902	173,302	164,070	9,232
Debt service:				
Principal retirement	1,885,755	1,885,755	1,885,755	-
Interest and other fiscal charges	1,721,141	1,721,141	1,694,541	26,600
Total expenditures	<u>\$ 20,581,242</u>	<u>\$ 21,684,852</u>	<u>\$ 20,100,124</u>	<u>\$ 1,584,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (694,488)</u>	<u>\$ 443,515</u>	<u>\$ 1,138,003</u>
Net change in fund balances	\$ -	\$ (694,488)	\$ 443,515	\$ 1,138,003
Fund balances - beginning	-	694,488	3,069,819	2,375,331
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,513,334</u>	<u>\$ 3,513,334</u>

County of Essex, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2014

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2013	\$ 11,189,430	\$ 12,737,005	\$ 1,547,575	87.85%	\$ 3,274,326	47.26%
6/30/2012	10,629,537	12,125,971	1,496,434	87.66%	3,044,790	49.15%
6/30/2011	10,498,047	11,702,990	992,303	91.04%	2,813,798	36.95%
6/30/2010	10,082,202	11,074,505	292,710	97.13%	2,685,512	11.12%
6/30/2009	9,922,881	10,215,591	18,790	99.81%	2,631,999	0.75%
6/30/2008	9,722,245	9,741,035	156,918	98.24%	2,499,246	6.71%
6/30/2007	8,771,925	8,928,843	408,433	95.03%	2,339,918	17.98%
6/30/2006	7,801,682	8,210,115	652,165	91.90%	2,272,077	30.96%
6/30/2005	7,394,828	8,046,993	(107,020)	101.50%	2,106,508	-5.10%
6/30/2004	7,259,859	7,152,839	(487,558)	107.34%	2,098,828	-25.20%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

6/30/2013	\$ 3,462,673	\$ 4,277,835	\$ 815,162	80.94%	\$ 891,867	91.40%
6/30/2012	3,334,796	4,296,050	961,254	77.62%	815,218	117.91%
6/30/2011	3,377,127	4,205,391	475,847	87.52%	857,006	52.35%
6/30/2010	3,337,816	3,813,663	302,324	91.62%	909,049	31.99%
6/30/2009	3,305,008	3,607,332	159,513	95.28%	944,948	17.20%
6/30/2008	3,217,928	3,377,441	179,449	94.16%	927,558	19.69%
6/30/2007	2,893,711	3,073,160	228,769	91.75%	911,540	27.40%
6/30/2006	2,545,467	2,774,236	345,106	87.28%	834,880	41.00%
6/30/2005	2,368,113	2,713,219	166,330	93.14%	841,800	22.23%
6/30/2004	2,258,487	2,424,817	94,416	95.88%	748,216	12.96%

County of Essex, Virginia
Schedule of OPEB Funding Progress
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Schools:						
6/30/2009	\$ -	\$ 2,123,300	\$ 2,123,300	0.00%	\$ 10,690,800	19.86%
6/30/2011	-	1,859,900	1,859,900	0.00%	9,713,900	19.15%
6/30/2013	-	825,300	825,300	0.00%	9,009,100	9.16%

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SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS 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, 2014

	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	\$ 23,000	\$ 23,000	\$ 8,917	\$	(14,083)
Total revenues	\$ 23,000	\$ 23,000	\$ 8,917	\$	(14,083)
EXPENDITURES					
Capital projects	\$ 7,725,000	\$ 10,949,152	\$ 8,352,355	\$	2,596,797
Total expenditures	\$ 7,725,000	\$ 10,949,152	\$ 8,352,355	\$	2,596,797
Excess (deficiency) of revenues over (under) expenditures	\$ (7,702,000)	\$ (10,926,152)	\$ (8,343,438)	\$	2,582,714
Net change in fund balances	\$ (7,702,000)	\$ (10,926,152)	\$ (8,343,438)	\$	2,582,714
Fund balances - beginning	7,702,000	10,926,152	8,679,141		(2,247,011)
Fund balances - ending	\$ -	\$ -	\$ 335,703	\$	335,703

County of Essex, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 1,844	\$ 11,540	\$ 12,397	\$ 987
Accounts receivable	3,058	-	3,058	-
Total assets	<u>\$ 4,902</u>	<u>\$ 11,540</u>	<u>\$ 15,455</u>	<u>\$ 987</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 4,902</u>	<u>\$ 11,540</u>	<u>\$ 15,455</u>	<u>\$ 987</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, 2014

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 467,379	\$ 155,022	\$ 622,401
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	312	312
Due from other governmental units	419,058	-	419,058
Inventories	-	28,990	28,990
Prepaid items	131,281	-	131,281
Total assets	<u>\$ 1,017,718</u>	<u>\$ 184,324</u>	<u>\$ 1,202,042</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 52,528	\$ 250	\$ 52,778
Accrued liabilities	965,190	36,658	1,001,848
Total liabilities	<u>\$ 1,017,718</u>	<u>\$ 36,908</u>	<u>\$ 1,054,626</u>
Fund balances:			
Nonspendable	\$ 131,281	\$ 28,990	\$ 160,271
Committed	-	118,426	118,426
Unassigned	(131,281)	-	(131,281)
Total fund balances	<u>\$ -</u>	<u>\$ 147,416</u>	<u>\$ 147,416</u>
Total liabilities and fund balances	<u>\$ 1,017,718</u>	<u>\$ 184,324</u>	<u>\$ 1,202,042</u>

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

Total fund balances per above	\$ 147,416
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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	\$ 10,970,893	
Accumulated depreciation	<u>(5,404,113)</u>	5,566,780

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

Net OPEB liability	\$ (19,400)	
Compensated absences	<u>(119,001)</u>	(138,401)

Net position of governmental activities	<u>\$ 5,575,795</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, 2014

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 4,468	\$ 235	\$ 4,703
Charges for services	-	138,544	138,544
Miscellaneous	30,337	101	30,438
Recovered costs	77,912	-	77,912
Intergovernmental:			
Local government	6,132,678	-	6,132,678
Commonwealth	8,023,493	16,675	8,040,168
Federal	1,138,259	601,029	1,739,288
Total revenues	<u>\$ 15,407,147</u>	<u>\$ 756,584</u>	<u>\$ 16,163,731</u>
EXPENDITURES			
Current:			
Education	\$ 15,407,147	\$ 734,785	\$ 16,141,932
Total expenditures	<u>\$ 15,407,147</u>	<u>\$ 734,785</u>	<u>\$ 16,141,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 21,799</u>	<u>\$ 21,799</u>
Net change in fund balances	\$ -	\$ 21,799	\$ 21,799
Fund balances - beginning	-	125,617	125,617
Fund balances - ending	<u>\$ -</u>	<u>\$ 147,416</u>	<u>\$ 147,416</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 \$ 21,799

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:

Transfer of joint tenancy assets to Component Unit from Primary Government	\$ 556,658	
Depreciation expense	<u>(330,485)</u>	226,173

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 OPEB liability	\$ (19,400)	
(Increase) decrease in compensated absences	<u>(56,669)</u>	(76,069)

Change in net position of governmental activities		<u>\$ 171,903</u>
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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, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 4,468	\$ (532)
Charges for services	8,000	8,000	-	(8,000)
Miscellaneous	13,000	13,000	30,337	17,337
Recovered costs	120,000	120,000	77,912	(42,088)
Intergovernmental:				
Local government	6,143,013	6,339,005	6,132,678	(206,327)
Commonwealth	8,163,254	8,163,254	8,023,493	(139,761)
Federal	1,060,461	1,153,666	1,138,259	(15,407)
Total revenues	\$ 15,512,728	\$ 15,801,925	\$ 15,407,147	\$ (394,778)
EXPENDITURES				
Current:				
Education	\$ 15,512,728	\$ 15,801,925	\$ 15,407,147	\$ 394,778
Total expenditures	\$ 15,512,728	\$ 15,801,925	\$ 15,407,147	\$ 394,778
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of Essex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 89	\$ 89	\$ 235	\$ 146
Charges for services	224,010	229,022	138,544	(90,478)
Miscellaneous	-	-	101	101
Intergovernmental:				
Commonwealth	18,775	18,775	16,675	(2,100)
Federal	516,766	516,766	601,029	84,263
Total revenues	<u>\$ 759,640</u>	<u>\$ 764,652</u>	<u>\$ 756,584</u>	<u>\$ (8,068)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 759,640</u>	<u>\$ 764,652</u>	<u>\$ 734,785</u>	<u>\$ 29,867</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,799</u>	<u>\$ 21,799</u>
Net change in fund balances	\$ -	\$ -	\$ 21,799	\$ 21,799
Fund balances - beginning	-	-	125,617	125,617
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,416</u>	<u>\$ 147,416</u>

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Essex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2014

ASSETS

Cash and cash equivalents	\$ 45,421
Investments	<u>181,273</u>
Total assets	<u><u>\$ 226,694</u></u>

NET POSITION

Unrestricted	<u><u>\$ 226,694</u></u>
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County of Essex, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

Operating revenues:	
Bond issue fees	\$ 17,826
Operating expenses:	
Other charges	\$ 1,345
Operating income (loss)	\$ 16,481
Nonoperating revenues (expenses)	
Interest income	\$ 431
Change in net position	\$ 16,912
Net position, beginning of year	209,782
Net position, end of year	\$ 226,694

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

Cash flows from operating activities:

Receipts from customers and users	\$ 17,826
Payments for operating activities	<u>(1,345)</u>

Net cash provided by (used for) operating activities	<u>\$ 16,481</u>
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Cash flows from investing activities:

Proceeds from sale of investments	<u>\$ 20,579</u>
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Net increase (decrease) in cash and cash equivalents	<u>\$ 37,060</u>
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Cash and cash equivalents, beginning of year	<u>8,361</u>
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Cash and cash equivalents, end of year	<u><u>\$ 45,421</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, 2014

<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	\$ 10,733,000	\$ 10,733,000	\$ 10,558,093	\$ (174,907)
Real and personal public service corporation taxes	272,000	272,000	356,830	84,830
Personal property taxes	1,876,076	1,876,076	2,098,835	222,759
Mobile home taxes	22,185	22,185	38,896	16,711
Machinery and tools taxes	58,215	58,215	37,505	(20,710)
Merchant's capital taxes	75,015	75,015	77,660	2,645
Penalties	155,000	155,000	170,613	15,613
Interest	99,800	99,800	153,704	53,904
Total general property taxes	\$ 13,291,291	\$ 13,291,291	\$ 13,492,136	\$ 200,845
Other local taxes:				
Local sales and use taxes	\$ 1,736,277	\$ 1,736,277	\$ 1,619,552	\$ (116,725)
Consumers' utility taxes	250,000	250,000	215,520	(34,480)
Motor vehicle licenses	-	-	38,765	38,765
Taxes on recordation and wills	17,500	17,500	18,723	1,223
Total other local taxes	\$ 2,003,777	\$ 2,003,777	\$ 1,892,560	\$ (111,217)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 6,280	\$ 1,280
Transfer fees	400	400	328	(72)
Permits and other licenses	41,775	41,775	41,260	(515)
Total permits, privilege fees, and regulatory licenses	\$ 47,175	\$ 47,175	\$ 47,868	\$ 693
Fines and forfeitures:				
Court fines and forfeitures	\$ 15,000	\$ 15,000	\$ 49,737	\$ 34,737
Revenue from use of money and property:				
Revenue from use of money	\$ 6,100	\$ 6,100	\$ 12,843	\$ 6,743
Revenue from use of property	34,600	34,600	31,439	(3,161)
Total revenue from use of money and property	\$ 40,700	\$ 40,700	\$ 44,282	\$ 3,582
Charges for services:				
Charges for courthouse maintenance	\$ 3,500	\$ 3,500	\$ 8,895	\$ 5,395
Criminal/traffic cases fees-security	54,000	54,000	50,197	(3,803)
Charges for correction and detention	1,500	1,500	1,370	(130)
Charges for Commonwealth's Attorney	500	500	974	474
Charges for community development	600	600	249	(351)
Charges for EMS	300,000	300,000	305,741	5,741
Charges for selective enforcement	15,000	15,000	-	(15,000)
Charges for parks and recreation	20,000	20,000	21,334	1,334
Total charges for services	\$ 395,100	\$ 395,100	\$ 388,760	\$ (6,340)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 13,700	\$ 24,978	\$ 85,591	\$ 60,613
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's erosion and sediment control	2,500	2,500	2,500	-
Sheriff-EHS security	12,000	12,000	16,430	4,430
Total recovered costs	\$ 44,500	\$ 44,500	\$ 48,930	\$ 4,430
Total revenue from local sources	\$ 15,851,243	\$ 15,862,521	\$ 16,049,864	\$ 187,343
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ 320,000	\$ 320,000	\$ 354,212	\$ 34,212
Mobile home titling tax	8,000	8,000	4,530	(3,470)
Rolling stock tax	650	650	1,004	354
Auto rental tax	1,000	1,000	767	(233)
State recordation tax	98,701	98,701	87,305	(11,396)
Personal property tax relief funds	1,054,000	1,054,000	1,054,171	171
Total noncategorical aid	\$ 1,482,351	\$ 1,482,351	\$ 1,501,989	\$ 19,638
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 153,000	\$ 153,000	\$ 157,171	\$ 4,171
Sheriff	569,650	569,650	601,500	31,850
Commissioner of revenue	82,572	82,572	84,230	1,658
Treasurer	66,391	66,391	70,571	4,180
Medical examiner	250	250	-	(250)
Registrar/electoral board	42,000	42,000	36,557	(5,443)
Clerk of the Circuit Court	168,919	168,919	172,451	3,532
Total shared expenses	\$ 1,082,782	\$ 1,082,782	\$ 1,122,480	\$ 39,698
Other categorical aid:				
Public assistance and welfare administration	\$ 612,244	\$ 612,244	\$ 309,868	\$ (302,376)
Emergency medical services - four for life	9,500	9,500	11,489	1,989
Emergency services	14,416	37,510	27,204	(10,306)
Law enforcement block grant	1,200	1,200	1,286	86
Library	17,000	17,000	-	(17,000)
Comprehensive services act	343,812	343,812	209,335	(134,477)
Litter control	8,700	8,700	7,674	(1,026)
Wireless funds	18,350	18,350	42,930	24,580
Grant - armored vehicle	-	325,908	-	(325,908)
Sheriff grant - vehicle purchase	-	25,082	-	(25,082)
DMV grant	8,700	8,700	-	(8,700)
Disaster relief	-	-	4,615	4,615

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Victim-witness grant	\$ 22,000	\$ 22,000	\$ 13,816	\$ (8,184)
Domestic violence grant	40,000	40,000	50,000	10,000
Fire programs fund	23,000	46,760	51,387	4,627
Other state funds	1,000	1,000	2,140	1,140
Total other categorical aid	\$ 1,119,922	\$ 1,517,766	\$ 731,744	\$ (786,022)
Total categorical aid	\$ 2,202,704	\$ 2,600,548	\$ 1,854,224	\$ (746,324)
Total revenue from the Commonwealth	\$ 3,685,055	\$ 4,082,899	\$ 3,356,213	\$ (726,686)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 7,700	\$ 7,700	\$ 3,675	\$ (4,025)
Categorical aid:				
Public assistance and welfare administration	\$ 612,244	\$ 612,244	\$ 676,092	\$ 63,848
Comprehensive services	-	-	4,170	4,170
Transportation safety	-	-	5,585	5,585
Disaster assistance	-	-	19,231	19,231
Victim-witness	-	-	8,301	8,301
Bulletproof vest grant	-	-	1,108	1,108
Rural development grants	-	-	25,000	25,000
QSCB Interest subsidy	425,000	425,000	394,400	(30,600)
Total categorical aid	\$ 1,037,244	\$ 1,037,244	\$ 1,133,887	\$ 96,643
Total revenue from the federal government	\$ 1,044,944	\$ 1,044,944	\$ 1,137,562	\$ 92,618
Total General Fund	\$ 20,581,242	\$ 20,990,364	\$ 20,543,639	\$ (446,725)
Special Revenue Fund:				
County Special Revenue Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 11,873	\$ 3,021	\$ (8,852)
Total revenue from local sources	\$ -	\$ 11,873	\$ 3,021	\$ (8,852)
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ -	\$ 4,422	\$ 4,422
Total revenue from the Commonwealth	\$ -	\$ -	\$ 4,422	\$ 4,422
Revenue from the federal government:				
Categorical aid:				
Forfeited assets	\$ -	\$ 1,886	\$ 1,886	\$ -
Total revenue from the federal government	\$ -	\$ 1,886	\$ 1,886	\$ -
Total County Special Revenue Fund	\$ -	\$ 13,759	\$ 9,329	\$ (4,430)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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>
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 23,000	\$ 23,000	\$ 8,917	\$ (14,083)
Total revenue from local sources	\$ 23,000	\$ 23,000	\$ 8,917	\$ (14,083)
Total School Construction Fund	\$ 23,000	\$ 23,000	\$ 8,917	\$ (14,083)
Total Primary Government	\$ 20,604,242	\$ 21,027,123	\$ 20,561,885	\$ (465,238)
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	\$ 5,000	\$ 5,000	\$ 4,468	\$ (532)
Charges for services:				
Charges for education	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Tuition and payments from other divisions	2,000	2,000	-	(2,000)
Total charges for services	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Miscellaneous revenue:				
Miscellaneous	\$ 13,000	\$ 13,000	\$ 30,337	\$ 17,337
Recovered costs:				
E-rates	\$ 120,000	\$ 120,000	\$ 77,912	\$ (42,088)
Total revenue from local sources	\$ 146,000	\$ 146,000	\$ 112,717	\$ (33,283)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 6,143,013	\$ 6,339,005	\$ 6,132,678	\$ (206,327)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,737,040	\$ 1,737,040	\$ 1,674,808	\$ (62,232)
Basic school aid	3,737,841	3,737,841	3,712,541	(25,300)
Remedial summer education	79,442	79,442	35,722	(43,720)
Gifted and talented	39,407	39,407	38,964	(443)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 215,025	\$ 215,025	\$ 212,607	\$ (2,418)
Compensation supplements	75,476	75,476	92,586	17,110
Special education	495,156	495,156	489,589	(5,567)
Textbook payment	76,869	76,869	76,005	(864)
Mentor teacher program	2,943	2,943	1,363	(1,580)
GED funding	7,859	7,859	7,859	-
Vocational education	88,024	88,024	83,131	(4,893)
School fringes	650,214	650,214	642,904	(7,310)
Early reading intervention	22,875	22,875	26,394	3,519
Positive behavioral interventions and supports	-	-	6,377	6,377
Homebound	9,135	9,135	7,081	(2,054)
At risk payments	280,094	280,094	276,878	(3,216)
Primary class size	237,930	237,930	233,869	(4,061)
Technology	180,000	180,000	164,098	(15,902)
At risk four-year olds	121,738	121,738	121,738	-
SOL Algebra readiness	25,137	25,137	25,305	168
English as a second language	9,745	9,745	20,163	10,418
Other state aid	71,304	71,304	73,511	2,207
Total categorical aid	\$ 8,163,254	\$ 8,163,254	\$ 8,023,493	\$ (139,761)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 476,325	\$ 481,858	\$ 451,644	\$ (30,214)
Title VI-B	421,508	489,180	524,542	35,362
Title VI-B - rural and low income	41,873	41,873	25,252	(16,621)
Preschool grant	19,080	19,080	21,880	2,800
Vocational education	33,373	33,373	29,293	(4,080)
Title II-A	68,302	88,302	85,648	(2,654)
Total categorical aid	\$ 1,060,461	\$ 1,153,666	\$ 1,138,259	\$ (15,407)
Total School Operating Fund	\$ 15,512,728	\$ 15,801,925	\$ 15,407,147	\$ (394,778)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 89	\$ 89	\$ 235	\$ 146
Charges for services:				
Cafeteria sales	\$ 224,010	\$ 229,022	\$ 138,544	\$ (90,478)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 101	\$ 101
Total revenue from local sources	\$ 224,099	\$ 229,111	\$ 138,880	\$ (90,231)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 18,775	\$ 18,775	\$ 16,675	\$ (2,100)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 516,766	\$ 467,044	\$ 551,307	\$ 84,263
Commodities	-	49,722	49,722	-
Total categorical aid	\$ 516,766	\$ 516,766	\$ 601,029	\$ 84,263
Total revenue from the federal government	\$ 516,766	\$ 516,766	\$ 601,029	\$ 84,263
Total School Cafeteria Fund	\$ 759,640	\$ 764,652	\$ 756,584	\$ (8,068)
Total Discretely Presented Component Unit - School Board	\$ 16,272,368	\$ 16,566,577	\$ 16,163,731	\$ (402,846)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 230,811	\$ 293,143	\$ 265,169	\$ 27,974
General and financial administration:				
County administrator	\$ 155,942	\$ 153,641	\$ 150,818	\$ 2,823
Legal services	76,000	126,666	116,193	10,473
Commissioner of revenue	269,611	267,310	262,332	4,978
Independent Auditor	39,000	39,000	38,686	314
Treasurer	226,223	235,802	235,435	367
Assessor	-	1,500	1,364	136
Management services	233,712	233,411	199,756	33,655
Total general and financial administration	\$ 1,000,488	\$ 1,057,330	\$ 1,004,584	\$ 52,746
Board of elections:				
Electoral board and officials	\$ 24,587	\$ 21,760	\$ 21,184	\$ 576
Registrar	87,448	96,509	95,600	909
Total board of elections	\$ 112,035	\$ 118,269	\$ 116,784	\$ 1,485
Total general government administration	\$ 1,343,334	\$ 1,468,742	\$ 1,386,537	\$ 82,205
Judicial administration:				
Courts:				
Circuit court	\$ 14,688	\$ 14,688	\$ 13,360	\$ 1,328
General district court	5,354	5,354	5,009	345
Sheriff	56,604	56,604	47,263	9,341
Juvenile and domestic relations court	73,350	72,564	17,810	54,754
Northern Neck Essex County Group Home Commission	4,885	5,940	5,940	-
Clerk of the circuit court	272,288	283,425	276,353	7,072
Total courts	\$ 427,169	\$ 438,575	\$ 365,735	\$ 72,840
Commonwealth's attorney:				
Commonwealth's attorney	\$ 259,578	\$ 257,187	\$ 256,892	\$ 295
Total judicial administration	\$ 686,747	\$ 695,762	\$ 622,627	\$ 73,135
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,100,339	\$ 1,470,450	\$ 1,092,077	\$ 378,373
Fire and rescue services:				
Fire department	\$ 140,785	\$ 164,545	\$ 164,545	\$ -
Ambulance and rescue services	991,270	1,025,379	955,336	70,043
Forestry service	7,114	7,829	7,829	-
Total fire and rescue services	\$ 1,139,169	\$ 1,197,753	\$ 1,127,710	\$ 70,043
Correction and detention:				
Sheriff	\$ 1,196,153	\$ 1,246,035	\$ 1,235,933	\$ 10,102

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 258,063	\$ 263,716	\$ 256,655	\$ 7,061
Other protection:				
Animal control	\$ 166,966	\$ 170,146	\$ 158,519	\$ 11,627
Emergency services	78,356	78,356	72,253	6,103
Medical examiner	250	250	-	250
Total other protection	\$ 245,572	\$ 248,752	\$ 230,772	\$ 17,980
Total public safety	\$ 3,939,296	\$ 4,426,706	\$ 3,943,147	\$ 483,559
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 692,462	\$ 799,314	\$ 704,516	\$ 94,798
Refuse collection	204,062	-	-	-
Total sanitation and waste removal	\$ 896,524	\$ 799,314	\$ 704,516	\$ 94,798
Maintenance of general buildings and grounds:				
General properties	\$ 649,000	\$ 723,730	\$ 716,885	\$ 6,845
Communication	70,000	70,000	62,127	7,873
Technology	217,900	217,900	212,072	5,828
Total maintenance of general buildings and grounds	\$ 936,900	\$ 1,011,630	\$ 991,084	\$ 20,546
Total public works	\$ 1,833,424	\$ 1,810,944	\$ 1,695,600	\$ 115,344
Health and welfare:				
Health:				
Supplement of local health department	\$ 109,744	\$ 109,744	\$ 109,744	\$ -
Mental health and mental retardation:				
Community services board	\$ 32,553	\$ 32,553	\$ 32,553	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,566,278	\$ 1,759,239	\$ 1,430,114	\$ 329,125
Bay transit	100,608	100,608	100,608	-
Comprehensive services act	550,000	658,347	485,638	172,709
Total welfare	\$ 2,216,886	\$ 2,518,194	\$ 2,016,360	\$ 501,834
Total health and welfare	\$ 2,359,183	\$ 2,660,491	\$ 2,158,657	\$ 501,834
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 7,224	\$ 7,368	\$ 7,368	\$ -
Contribution to County School Board	6,143,013	6,339,005	6,132,678	206,327
Total education	\$ 6,150,237	\$ 6,346,373	\$ 6,140,046	\$ 206,327

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<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	\$ 197,270	\$ 201,767	\$ 137,993	\$ 63,774
Swimming pool and park	77,339	89,453	66,744	22,709
Total parks and recreation	\$ 274,609	\$ 291,220	\$ 204,737	\$ 86,483
Cultural enrichment:				
Museum	\$ 20,000	\$ 20,000	\$ 20,000	-
Library:				
Contribution to county library	\$ 194,614	\$ 184,416	\$ 184,407	\$ 9
Total parks, recreation, and cultural	\$ 489,223	\$ 495,636	\$ 409,144	\$ 86,492
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 16,300	\$ 16,300	\$ 16,300	-
Environmental management:				
Contribution to soil and water conservation district	\$ 11,880	\$ 11,880	\$ 11,025	\$ 855
Litter control program	8,700	8,700	1,288	7,412
Other environmental management	91,642	92,042	92,042	-
Total environmental management	\$ 112,222	\$ 112,622	\$ 104,355	\$ 8,267
Cooperative extension program:				
Extension office	\$ 44,380	\$ 44,380	\$ 43,415	\$ 965
Total community development	\$ 172,902	\$ 173,302	\$ 164,070	\$ 9,232
Debt service:				
Principal retirement	\$ 1,885,755	\$ 1,885,755	\$ 1,885,755	-
Interest and other fiscal charges	1,721,141	1,721,141	1,694,541	26,600
Total debt service	\$ 3,606,896	\$ 3,606,896	\$ 3,580,296	\$ 26,600
Total General Fund	\$ 20,581,242	\$ 21,684,852	\$ 20,100,124	\$ 1,584,728
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Commonwealth's Attorney				
Asset Forfeiture	\$ -	\$ 1,886	\$ 1,866	\$ 20
Total Judicial Administration	\$ -	\$ 1,886	\$ 1,866	\$ 20
Public Safety:				
Sheriff:				
DCJ drug fund	\$ -	\$ 11,873	\$ 11,873	-
Total County Special Revenue Fund	\$ -	\$ 13,759	\$ 13,739	\$ 20
School Construction Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 7,725,000	\$ 10,949,152	\$ 8,352,355	\$ 2,596,797
Total Primary Government	\$ 28,306,242	\$ 32,647,763	\$ 28,466,218	\$ 4,181,545

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 918,022	\$ 918,022	\$ 880,726	\$ 37,296
Instruction costs	11,379,286	11,668,483	11,354,203	314,280
Technology	662,493	662,493	642,419	20,074
Pupil transportation	1,183,904	1,183,904	1,160,450	23,454
Operation and maintenance of school plant	1,369,023	1,369,023	1,369,349	(326)
Total education	\$ 15,512,728	\$ 15,801,925	\$ 15,407,147	\$ 394,778
Total School Operating Fund	\$ 15,512,728	\$ 15,801,925	\$ 15,407,147	\$ 394,778
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 759,640	\$ 714,930	\$ 685,063	\$ 29,867
Commodities	-	49,722	49,722	-
Total school food services	\$ 759,640	\$ 764,652	\$ 734,785	\$ 29,867
Total education	\$ 759,640	\$ 764,652	\$ 734,785	\$ 29,867
Total School Cafeteria Fund	\$ 759,640	\$ 764,652	\$ 734,785	\$ 29,867
Total Discretely Presented Component Unit - School Board	\$ 16,272,368	\$ 16,566,577	\$ 16,141,932	\$ 424,645

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
2004-05	\$ 1,272,056	\$ 578,040	\$ 2,276,421	\$ 1,233,508	\$ 1,767,963	\$ 5,220,049	\$ 316,237	\$ 49,916	\$ 421,341	\$ 13,135,531
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

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
2004-05	\$ 486,365	\$ 2,994,419	\$ -	\$ 7,345,504	\$ 2,351,868	\$ 61,747	\$ 23,737	\$ 1,115,202	\$ 14,378,842
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

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
2004-05	\$ 1,283,740	\$ 520,491	\$ 2,297,532	\$ 1,283,460	\$ 1,818,040	\$ 13,669,677	\$ 316,073	\$ 49,916	\$ 1,048,292	\$ 22,287,221
2005-06	2,566,088	643,287	2,588,658	1,218,893	2,245,207	14,481,828	401,242	57,745	1,049,188	25,252,136
2006-07	1,615,589	687,338	2,718,932	1,255,696	2,255,040	15,393,625	472,872	64,931	1,595,676	26,059,699
2007-08	1,854,877	705,787	3,225,150	1,373,317	3,074,857	16,415,089	419,815	81,674	1,631,400	28,781,966
2008-09	1,561,628	635,967	6,059,597	1,386,767	2,640,100	17,113,270	422,557	91,643	2,531,253	32,442,782
2009-10	1,516,867	705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685
2010-11	1,836,494	696,193	3,721,774	1,211,682	2,542,294	16,171,436	443,490	63,246	1,894,696	28,581,305
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

(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
2004-05	\$ 7,311,584	\$ 2,351,868	\$ 107,142	\$ 45,812	\$ 66,119	\$ 380,864	\$ 129,467	\$ 80,724	\$ 11,868,105	\$ 22,341,685
2005-06	7,936,224	2,790,987	133,626	31,953	113,892	406,127	119,477	45,749	12,351,867	23,929,902
2006-07	8,955,083	2,959,126	127,766	22,451	158,986	362,006	150,669	37,001	14,183,804	26,956,892
2007-08	9,944,811	2,723,813	149,560	26,643	135,976	392,803	248,544	57,273	15,296,604	28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449
2010-11	11,396,506	2,036,898	53,796	19,104	89,158	316,073	76,163	164,932	14,321,871	28,474,501
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

(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
2004-05	\$ 8,253,021	\$ 7,925,141	96.03%	\$ 209,930	\$ 8,135,071	98.57%	\$ 595,900	7.22%
2005-06	8,332,662	8,632,952	103.60%	50,903	8,683,855	104.21%	743,774	8.93%
2006-07	10,103,491	9,482,844	93.86%	274,547	9,757,391	96.57%	766,958	7.59%
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,350,599	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%

(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	
2004-05	\$ 809,803,080	\$ 73,567,793	\$ 3,042,496	\$ 1,232,474	\$ 28,711,283	\$ 90,467	\$ 916,447,593
2005-06	843,771,375	80,431,913	2,864,967	1,310,886	25,350,924	68,638	953,798,703
2006-07	866,975,291	88,602,590	1,145,886	1,534,735	22,814,835	87,574	981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642	1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107	1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997
2010-11	1,492,473,385	85,051,484	1,633,681	1,759,440	39,121,599	81,257	1,620,120,846
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

(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
2004-05	\$ 0.68	\$ 0.70	\$ 3.50	\$ 3.75	\$ 3.50
2005-06	0.68/0.78	0.68	3.50	3.75	3.50
2006-07	0.78	0.78	3.50	3.75	3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.605	0.53	3.50	3.75	3.50
2010-11	0.605	0.605	3.50	3.75	3.50
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	0.840	3.50	3.75	3.50

(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
2004-05	9,989	\$ 916,447,593	\$ 7,470,811	\$ 7,470,811	0.82%	\$ 748
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

(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, 2014, and the related notes to the financial statements, which collectively comprise the County of Essex, Virginia's basic financial statements, and have issued our report thereon dated November 7, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 7, 2014

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, 2014. 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, 2014.

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 7, 2014

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	0950112/0950113	\$ 12,074
Temporary Assistance for Needy Families	93.558	0400112/0400113	118,620
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112/0500113	1,159
Low Income Home Energy Assistance	93.568	0600412/00600413	10,720
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760112/0760113	20,282
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112/090113	872
Foster Care - Title IV-E	93.658	1100112/1100113	55,022
Adoption Assistance	93.659	1120112/1120113	48,682
Social Services Block Grant	93.667	1000112/1000113	93,098
Chafee Foster Care Independence Program	93.674	9150112/9150113	878
Children's Health Insurance Program	93.767	0540112/0540113	5,179
Medical Assistance Program	93.778	1200112/1200113	148,399
Total Department of Health and Human Services			<u>\$ 514,985</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602	<u>\$ 19,231</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	N/A	<u>\$ 25,000</u>
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	not available	1,260
Food Distribution	10.555	not available	\$ 48,461
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-45707	426,475
School Breakfast Program	10.553	17901-40591	474,936
			<u>124,833</u>
			<u>\$ 626,029</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010100	\$ 165,277
Total Department of Agriculture			<u>\$ 791,306</u>

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

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	\$ 5,585
Department of Justice:			
Direct Payments:			
Forfeited assets	16.922	N/A	\$ 1,886
Bulletproof Vest Partnership Program	16.607	N/A	1,108
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	39001-76000	8,301
Total Department of Justice			\$ 11,295
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 451,644
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	524,542
Special Education - Preschool Grants	84.173	17901-62521	21,880
Career and Technical Education - Basic Grants to States	84.048	17901-61095	29,293
Rural Education	84.358	17901- 43481	25,252
Improving Teacher Quality State Grants	84.367	17901-61480	85,648
Total Department of Education			\$ 1,138,259
Total Expenditures of Federal Awards			\$ 2,480,661

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, 2014

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, 2014. 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	\$ 1,137,562
Special Revenue Funds:	
County Special Revenue Fund	1,886
Total primary government	<u>\$ 1,139,448</u>

Component Unit School Board:

School Operating Fund	\$ 1,138,259
School Special Revenue Fund	601,029
Total component unit School Board	<u>\$ 1,739,288</u>
Total federal expenditures per basic financial statements	<u>\$ 2,878,736</u>

Federal interest subsidy	\$ (394,400)
Payments in Lieu of Taxes	<u>(3,675)</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,480,661</u></u>
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County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

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, 2014

There were no prior year findings.

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