

COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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FOR THE FISCAL YEAR ENDED
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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

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

Angelo S. Stevens

Margaret H. Davis

School Board

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

Larry R. Bullis
Raymond Whitaker

Mary Gaskins

Department of Social Services Board

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

Priscilla J. Johnson

Other Officials

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

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Essex, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

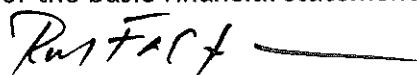
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2011, on our consideration of the County of Essex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and Schedules of Pension Funding Progress and Funding Progress for the Retiree Healthcare Plan as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Essex, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Essex, Virginia. The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Richmond, Virginia
January 4, 2011

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, 2010.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,404,123 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other uses of \$261,910 (Exhibit 5) after making contributions totaling \$5,318,073 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$1,817,992, an increase of \$261,910 in comparison with the prior year.
- < At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,810,664 or 10.4% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$771,442 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$5,404,123 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Essex, Virginia's Net Assets

	Governmental Activities	
	2010	2009
Current and other assets	\$ 7,826,186	\$ 3,344,337
Capital assets	<u>22,785,518</u>	<u>23,940,548</u>
Total assets	<u>\$ 30,611,704</u>	<u>\$ 27,284,885</u>
Current liabilities	\$ 5,097,836	\$ 989,534
Long-term liabilities outstanding	<u>20,109,745</u>	<u>20,881,187</u>
Total liabilities	<u>\$ 25,207,581</u>	<u>\$ 21,870,721</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 3,266,535	\$ 3,484,209
Restricted to:		
Unrestricted	<u>2,137,588</u>	<u>1,929,955</u>
Total net assets	<u>\$ 5,404,123</u>	<u>\$ 5,414,164</u>

Government-wide Financial Analysis (Continued)

Governmental activities decreased the County's net assets by \$10,041 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Assets

	Governmental Activities	
	2010	2009
Charges for services	\$ 207,305	\$ 216,826
Operating grants and contributions	2,854,011	3,245,589
Capital grants and contributions	-	208,140
General property taxes	10,726,095	10,638,177
Other local taxes	2,136,779	2,581,539
Grants and other contributions not restricted	1,453,937	1,066,074
Other general revenues	124,981	121,928
Total revenues	\$ 17,503,108	\$ 18,078,273
General government administration	\$ 1,566,816	\$ 1,568,632
Judicial administration	774,468	700,133
Public safety	3,740,261	3,451,014
Public works	1,272,981	1,425,171
Health and welfare	2,567,021	2,645,966
Education	6,138,655	8,194,820
Parks, recreation, and cultural	452,127	427,867
Community development	84,723	91,643
Interest and other fiscal charges	916,097	1,046,589
Total expenses	\$ 17,513,149	\$ 19,551,835
Change in net assets	\$ (10,041)	\$ (1,473,562)
Net assets, beginning of year, as restated	5,414,164	6,887,726
Net assets, end of year	\$ 5,404,123	\$ 5,414,164

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$1,817,992, an increase of \$261,910 in comparison with the prior year. Approximately 99.6% of the reported fund balance constitutes unreserved General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$1,170 and was due strictly to a \$1,170 increase in education expenditures.

During the year, revenues and other financing sources of the General Fund exceeded budgetary estimates by \$6,647,749. Expenditures and other financing uses exceeded budgetary estimates by \$6,131,472, resulting in a positive variance of \$516,277.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2010 amounts to \$22,785,518 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$19,231,450. Of this amount, \$9,861,985 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds and capital leases).

The County's bonded debt decreased by \$902,307 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

- < The unemployment rate for the County was 8.8 percent compared to state's average unemployment rate of 7.1 percent.
- < Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

The fiscal year 2011 budget decreased by approximately 2.8 percent. The County's tax rates remained the same with the exception of the real estate tax rate, which increased from \$0.532 to \$0.605.

Requests for Information

This financial report is designed to provide a general overview of the County of Essex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 205 Cross Street, Tappahannock, Virginia 22560.

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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 Assets
June 30, 2010

	Primary Government Governmental Activities	Component Unit School Board
ASSETS		
Cash and cash equivalents	\$ 343,702	\$ 30,049
Receivables (net of allowance for uncollectibles):		
Taxes receivable	5,771,670	-
Accounts receivable	36,127	2,635
Due from Airport Authority	366,095	-
Due from other governmental units	1,147,083	533,192
Inventories	-	14,562
Other assets:		
Unamortized bond issue costs	161,509	-
Capital assets (net of accumulated depreciation):		
Land and land improvements	1,143,271	42,822
Buildings and improvements	17,113,245	4,069,922
Intangibles	1,915,367	-
Equipment	2,613,635	756,779
Total assets	<u>\$ 30,611,704</u>	<u>\$ 5,449,961</u>
LIABILITIES		
Accounts payable	\$ 188,215	\$ 106,467
Accrued interest payable	403,690	-
Due to other governmental units	-	399,857
Unearned revenue	4,505,931	-
Long-term liabilities:		
Due within one year	1,009,281	5,566
Due in more than one year	19,100,464	50,091
Total liabilities	<u>\$ 25,207,581</u>	<u>\$ 561,981</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 3,266,535	\$ 4,869,523
Unrestricted (deficit)	2,137,588	18,457
Total net assets	<u>\$ 5,404,123</u>	<u>\$ 4,887,980</u>
 Total liabilities and net assets	 <u>\$ 30,611,704</u>	 <u>\$ 5,449,961</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, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Primary Government Activities</u>	<u>Component Unit</u>	<u>School Board</u>
			<u>Grants</u>	<u>Contributions</u>			
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,566,816	\$ -	\$ 216,738	\$ -	\$ (1,350,078)		
Judicial administration	774,468	53,451	347,100	-	(373,917)		
Public safety	3,740,261	135,555	735,656	-	(2,869,050)		
Public works	1,272,981	-	-	-	(1,272,981)		
Health and welfare	2,567,021	-	1,548,343	-	(1,018,678)		
Education	6,138,655	-	-	-	(6,138,655)		
Parks, recreation, and cultural	452,127	17,952	-	-	(434,175)		
Community development	84,723	347	6,174	-	(78,202)		
Interest on long-term debt	916,097	-	-	-	(916,097)		
Total governmental activities	\$ 17,513,149	\$ 207,305	\$ 2,854,011	\$ -	\$ (14,451,833)		
Total primary government	\$ 17,513,149	\$ 207,305	\$ 2,854,011	\$ -			
COMPONENT UNIT:							
School Board	\$ 17,514,717	\$ 217,594	\$ 11,074,446	\$ 119,634	\$ (6,103,043)		
Total component unit	\$ 17,514,717	\$ 217,594	\$ 11,074,446	\$ 119,634	\$ (6,103,043)		
General revenues:							
General property taxes					\$ 10,726,095	\$ -	
Other local taxes:							
Local sales and use tax					1,574,985	-	
Consumers' utility taxes					215,470	-	
Motor vehicle licenses					255,013	-	
Other local taxes					91,311	-	
Unrestricted revenues from use of money and property					39,235	4,804	
Miscellaneous					85,746	69,007	
Payments from Essex County					-	6,132,219	
Grants and contributions not restricted to specific programs					1,453,937	-	
Total general revenues					\$ 14,441,792	\$ 6,206,030	
Change in net assets					(10,041)	102,987	
Net assets - beginning, as restated					5,414,164	4,784,993	
Net assets - ending					\$ 5,404,123	\$ 4,887,980	

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, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 336,374	\$ 7,328	\$ 343,702
Receivables (net of allowance for uncollectibles):			
Taxes receivable	5,771,670	-	5,771,670
Accounts receivable	36,127	-	36,127
Due from the Airport Authority	366,095	-	366,095
Due from other governmental units	1,147,083	-	1,147,083
Total assets	<u>\$ 7,657,349</u>	<u>\$ 7,328</u>	<u>\$ 7,664,677</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 188,215	\$ -	\$ 188,215
Deferred revenue	5,658,470	-	5,658,470
Total liabilities	<u>\$ 5,846,685</u>	<u>\$ -</u>	<u>\$ 5,846,685</u>
Fund balances:			
Unreserved, reported in:			
General fund	\$ 1,810,664	\$ -	\$ 1,810,664
Special revenue funds	-	7,328	7,328
Total fund balances	<u>\$ 1,810,664</u>	<u>\$ 7,328</u>	<u>\$ 1,817,992</u>
Total liabilities and fund balances	<u>\$ 7,657,349</u>	<u>\$ 7,328</u>	<u>\$ 7,664,677</u>

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

County of Essex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,817,992
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets	\$ 30,769,801		
Accumulated depreciation	(7,984,283)		22,785,518

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,152,539
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bonds and notes	\$ (7,189,000)		
Literary fund loans	(810,000)		
General obligation bonds	(9,339,518)		
Capital lease	(2,180,465)		
Accrued interest payable	(403,690)		
OPEB liability	(110,451)		
Unamortized bond issue costs	161,509		
Compensated absences	(480,311)		(20,351,926)

Net assets of governmental activities	\$	5,404,123
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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, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 10,771,461	\$ -	\$ -	\$ 10,771,461
Other local taxes	2,136,779	-	-	2,136,779
Permits, privilege fees, and regulatory licenses	63,642	-	-	63,642
Fines and forfeitures	15,020	-	-	15,020
Revenue from the use of money and property	39,235	-	-	39,235
Charges for services	128,643	-	-	128,643
Miscellaneous	85,746	-	-	85,746
Recovered costs	60,856	-	-	60,856
Intergovernmental revenues:				
Commonwealth	3,475,155	-	-	3,475,155
Federal	832,793	-	-	832,793
Total revenues	<u>\$ 17,609,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,609,330</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,516,867	\$ -	\$ -	\$ 1,516,867
Judicial administration	705,094	-	-	705,094
Public safety	3,363,855	-	-	3,363,855
Public works	1,229,582	-	-	1,229,582
Health and welfare	2,516,087	-	-	2,516,087
Education	5,324,509	-	-	5,324,509
Parks, recreation, and cultural	469,003	-	-	469,003
Community development	84,723	-	-	84,723
Capital projects	-	-	127,244	127,244
Debt service:				
Principal retirement	988,807	-	-	988,807
Interest and other fiscal charges	1,108,149	-	-	1,108,149
Total expenditures	<u>\$ 17,306,676</u>	<u>\$ -</u>	<u>\$ 127,244</u>	<u>\$ 17,433,920</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 302,654</u>	<u>\$ -</u>	<u>\$ (127,244)</u>	<u>\$ 175,410</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 127,244	\$ 127,244
Transfers out	(127,244)	-	-	(127,244)
Refunding bond issued	6,984,000	-	-	6,984,000
Payment to refunded bond escrow agent	(6,897,500)	-	-	(6,897,500)
Total other financing sources (uses)	<u>\$ (40,744)</u>	<u>\$ -</u>	<u>\$ 127,244</u>	<u>\$ 86,500</u>
Net change in fund balances	\$ 261,910	\$ -	\$ -	\$ 261,910
Fund balances - beginning	1,548,754	7,328	-	1,556,082
Fund balances - ending	<u>\$ 1,810,664</u>	<u>\$ 7,328</u>	<u>\$ -</u>	<u>\$ 1,817,992</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, 2010

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

Net change in fund balances - total governmental funds	\$	261,910
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 182,404	
Transfer of joint tenancy assets to Component Unit from primary Government	(413,274)	
Depreciation expense	(924,160)	(1,155,030)

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.		(45,366)
---	--	----------

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

Issuance of long-term debt	\$ (6,984,000)	
Principal retired on county lease revenue bond	2,235,000	
Principal retired on county capital lease	172,683	
Principal retired on school literary fund loans	90,000	
Principal retired on school lease revenue bond	4,732,500	
Principal retired on school general obligation bonds	656,124	
Amortization of bond premium	35,049	
Capitalization of bond issuance cost	161,509	1,098,865

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

(Increase)decrease in accrued leave	\$ (55,463)	
(Increase)decrease in OPEB liability	(110,451)	
(Increase)decrease in interest payable	(4,506)	(170,420)

Change in net assets of governmental activities	\$	(10,041)
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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 Assets
Fiduciary Funds
June 30, 2010

	Agency <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 7,900
	<u>7,900</u>
LIABILITIES	
Amounts held for social services clients	\$ 7,900
	<u>7,900</u>

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

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2010

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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, 2010

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, 2010.

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, 2010.

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

None

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

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

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

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

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

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

Governmental Funds

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

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

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Special Revenue Fund is considered a major fund for government-wide reporting purposes.

Capital Projects Fund: The Capital Projects Fund (School Construction) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital projects fund is considered a major fund for government-wide reporting purposes.

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

E. Cash and Cash Equivalents

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

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

F. Investments

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$332,184 at June 30, 2010 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

H. Capital Assets (Continued)

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

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Net Assets

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

N. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following fund at June 30, 2010 due to the inclusion commodities, a non-cash transaction:

School Cafeteria	\$9,895
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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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, 2010 were rated by Standard & Poor’s and the ratings are presented below using Standard & Poor’s rating scale.

		<u>Fair Quality Ratings</u>	
		<u>AAAm</u>	
Local Government Investment Pool	\$	26,130	
Money Market Mutual Fund		95,524	
Total	\$	121,654	

External Investment Pools

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 4—Due from/to Other Governments:

At June 30, 2010, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Essex County School Board	\$ 399,857	\$ -
Essex County Airport	366,095	-
Commonwealth of Virginia:		
Local sales tax	304,934	-
Welfare	37,313	-
Rolling stock tax	406	-
Mobile home titling tax	11,038	-
State sales Tax	443	226,325
Victim witness	3,390	-
Constitutional officer reimbursements	109,955	-
Recordation tax	7,864	-
Consumption tax	1,426	-
Auto rental tax	189	-
Comprehensive services act	111,902	-
Utility tax	22,746	-
Domestic violence grant	9,662	-
Communications tax	62,228	-
Wireless grant	5,570	-
Federal Government:		
School fund grants	-	306,867
Welfare	58,160	-
Total due from other governments	<u>\$ 1,513,178</u>	<u>\$ 533,192</u>

At June 30, 2010, amounts due to other local governments are as follows:

Other Local Governments:		
County of Essex	<u>\$ -</u>	<u>\$ 399,857</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Total capital assets not subject to depreciation	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,558,066	\$ -	\$ -	\$ 3,558,066
Equipment	3,705,381	55,160	120,447	3,640,094
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	19,907,052	127,244	413,274	19,621,022
Total capital assets being depreciated	\$ 29,977,847	\$ 182,404	\$ 533,721	\$ 29,626,530
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,009,077	\$ 89,451	\$ -	\$ 1,098,528
Equipment	783,253	363,653	120,447	1,026,459
Intangibles	821,797	70,184	-	891,981
Jointly owned assets	4,566,443	498,994	98,122	4,967,315
Total accumulated depreciation	\$ 7,180,570	\$ 1,022,282	\$ 218,569	\$ 7,984,283
Total capital assets subject to depreciation, net	\$ 22,797,277	\$ (839,878)	\$ 315,152	\$ 21,642,247
Governmental activities capital assets, net	\$ 23,940,548	\$ (839,878)	\$ 315,152	\$ 22,785,518

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 5—Capital Assets: (Continued)

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Capital assets subject to depreciation:				
Equipment	\$ 2,822,444	\$ 51,763	\$ 93,258	\$ 2,780,949
Jointly owned assets	5,036,271	413,274	-	5,449,545
Total capital assets subject to depreciation	\$ 7,858,715	\$ 465,037	\$ 93,258	\$ 8,230,494
Less accumulated depreciation for:				
Equipment	\$ 1,945,516	\$ 171,912	\$ 93,258	\$ 2,024,170
Jointly owned assets	1,155,261	126,240	(98,122)	1,379,623
Total accumulated depreciation	\$ 3,100,777	\$ 298,152	\$ (4,864)	\$ 3,403,793
Total capital assets subject to depreciation, net	\$ 4,757,938	\$ 166,885	\$ 98,122	\$ 4,826,701
Component unit school board capital assets, net	\$ 4,800,760	\$ 166,885	\$ 98,122	\$ 4,869,523

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

Governmental activities:

General government administration	\$ 17,001
Judicial administration	62,878
Public safety	347,873
Public works	81,708
Health and welfare	9,228
Education	498,994
Parks, recreation and cultural	4,600

Total Governmental activities \$ 1,022,282

Component Unit School Board \$ 298,152

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 424,848	\$ 97,948	\$ 42,485	\$ 480,311	\$ 48,031
Lease revenue bonds	2,390,000	2,192,278	2,235,000	2,347,278	75,000
Bond anticipation note	50,000	-	-	50,000	-
OPEB liability	-	181,751	71,300	110,451	-
Capital lease (see Note 7)	2,353,148	-	172,683	2,180,465	179,935
Total incurred by County	\$ 5,217,996	\$ 2,471,977	\$ 2,521,468	\$ 5,168,505	\$ 302,966
Incurred by School Board:					
State Literary Fund Loans	\$ 900,000	\$ -	\$ 90,000	\$ 810,000	\$ 90,000
General obligation bonds	9,708,109	-	656,124	9,051,985	616,315
Add deferred amounts:					
For issuance premium	322,582	-	35,049	287,533	-
Lease revenue bond	4,732,500	4,791,722	4,732,500	4,791,722	-
Total incurred by School Board	\$ 15,663,191	\$ 4,791,722	\$ 5,513,673	\$ 14,941,240	\$ 706,315
Total Governmental Obligations, Primary Government	\$ 20,881,187	\$ 7,263,699	\$ 8,035,141	\$ 20,109,745	\$ 1,009,281

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations			
	Lease Revenue			
	Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2011	\$ 75,000	\$ 110,317	\$ 179,935	\$ 91,579
2012	95,695	106,456	187,493	84,022
2013	15,695	102,517	195,367	76,148
2014	154,439	101,778	203,573	67,942
2015	162,286	94,504	212,123	59,392
2016	169,506	86,860	221,032	50,483
2017	177,667	78,876	230,315	41,200
2018	185,829	70,508	239,988	31,526
2019	194,932	61,756	250,068	21,447
2020	204,035	52,574	260,571	10,944
2021	165,739	42,964	-	-
2022	173,901	35,158	-	-
2023	182,062	26,967	-	-
2024	190,851	18,392	-	-
2025	199,641	9,403	-	-
Total	<u>\$ 2,347,278</u>	<u>\$ 999,030</u>	<u>\$ 2,180,465</u>	<u>\$ 534,683</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations					
	State Literary Fund Loans		General Obligation Bonds		Lease Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 90,000	\$ 32,400	\$ 616,315	\$ 439,908	\$ -	\$ 227,571
2012	90,000	28,800	599,192	407,977	34,305	225,690
2013	90,000	25,200	546,420	378,481	34,305	224,074
2014	90,000	21,600	550,182	350,518	337,561	222,459
2015	90,000	18,000	554,143	322,357	354,714	206,559
2016	90,000	14,400	558,310	293,990	370,494	189,853
2017	90,000	10,800	562,696	265,404	388,333	172,402
2018	90,000	7,200	567,311	236,589	406,171	154,112
2019	90,000	3,600	572,167	207,532	426,068	134,981
2020	-	-	577,279	178,221	445,965	114,913
2021	-	-	580,311	150,989	362,261	93,908
2022	-	-	583,500	123,597	380,099	76,846
2023	-	-	356,537	100,963	397,938	58,943
2024	-	-	358,431	84,069	417,149	40,200
2025	-	-	361,797	65,703	436,359	20,553
2026	-	-	365,339	47,161	-	-
2027	-	-	369,066	28,434	-	-
2028	-	-	372,989	9,511	-	-
Total	<u>\$ 810,000</u>	<u>\$ 162,000</u>	<u>\$ 9,051,985</u>	<u>\$ 3,691,404</u>	<u>\$ 4,791,722</u>	<u>\$ 2,163,064</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

Incurred by County:

Lease Revenue Bonds Payable:

\$6,984,000 lease revenue refunding bond issued January 28, 2010, due in annual installments through June 2025, interest payable annually at a coupon rate of 4.71%. The County is responsible for 31.39% of this debt

\$ 2,192,278

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

155,000

Total Lease Revenue Bonds

\$ 2,347,278

Capital Lease Payable:

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

\$ 2,180,465

Bond Anticipation Note:

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

\$ 50,000

Compensated absences (payable by General Fund)

\$ 480,311

OPEB liability (payable by General fund)

\$ 110,451

Total Incurred by County

\$ 5,168,505

Incurred by School Board:

State Literary Fund Loans:

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

\$ 810,000

Lease Revenue Bonds Payable:

\$6,984,000 lease revenue refunding bond issued January 28, 2010, due in annual installments through June 2025, interest payable annually at a coupon rate of 4.71%. The School Board is responsible for 68.61 of this debt.

\$ 4,791,722

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board: (Continued)

General Obligation Bonds:

\$631,395 bond, issued July 31, 1991, maturing annually in installments of varying amounts through July 15, 2011; interest at varying rates ranging from 4.8% to 6.6%.	\$	74,506
\$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%.		6,271,595
\$378,387 bond, issued May 12, 1999, maturing annually in installments of \$42,429 through May 10, 2012, interest at 6.78%.		56,413
\$4,340,228 bond, dated November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%.		2,649,471
Unamortized premium		287,533
Total General Obligation Bonds	\$	9,339,518
Total incurred by School Board	\$	14,941,240
Total General obligations, primary government	\$	20,109,745

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2010.

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Component Unit-School Board:					
Capital leases (see Note 7)	\$ 25,161	\$ -	\$ 25,161	\$ -	\$ -
Compensated absences	65,474	-	9,817	55,657	5,566
Total Component Unit-School Board	\$ 90,635	\$ -	\$ 34,978	\$ 55,657	\$ 5,566

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 7—Capital Lease:

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

The asset acquired through capital lease is as follows:

	Primary Government	Component Unit School Board
Asset:		
Equipment	\$ 2,764,966	\$ 432,737
Less: accumulated depreciation	(414,745)	(256,052)
Total	<u>\$ 2,350,221</u>	<u>\$ 176,685</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

Year Ended June 30	Primary Government	Component Unit School Board
2011	\$ 271,515	\$ -
2012	271,515	-
2013	271,515	-
2014	271,515	-
2015	271,515	-
2016	271,515	-
2017	271,515	-
2018	271,514	-
2019	271,514	-
2020	271,515	-
Total minimum lease payments	\$ 2,715,148	\$ -
Less: amount representing interest	(534,683)	-
Present value of minimum lease payments	<u>\$ 2,180,465</u>	<u>\$ -</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$5,658,470 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$5,575,237 at June 30, 2010.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$83,233 at June 30, 2010.

Note 9—Contingent Liabilities:

Federal programs in which the County and discretely presented component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

Note 10—Litigation:

At June 30, 2010, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 12—Defined Benefit Pension Plan:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2010 were 5.72% and 7.36% of annual covered payroll, respectively.

The School Board's professional employees contributed \$568,177, \$798,815, and \$883,556 to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009, and 2008, respectively, and these contributions represented 8.81%, 8.81%, and 10.30% respectively, of current covered payroll. The School Board professional employees' contribution rate for the fiscal year ended June 30, 2010 of 8.81% of covered payroll was for July 2009 through March 2010 and 0.00% for April 2010 through June 2010.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 12—Defined Benefit Pension Plan (continued):

C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of \$152,460 (which does not include the employees portion assumed by the County of \$133,269) was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$68,492 (which does not include the employees portion assumed by the School Board of \$46,530) which was equal to the Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2010	\$ 152,460	100%	\$ -
June 30, 2009	149,054	100%	-
June 30, 2008	138,646	100%	-
School Board:			
Non-Professional:			
June 30, 2010	\$ 68,492	100%	\$ -
June 30, 2009	70,134	100%	-
June 30, 2008	74,233	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's 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's 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, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the Primary Government plan was 97.13% funded. The actuarial accrued liability for benefits was \$10,215,591, and the actuarial value of assets was \$9,922,881, resulting in an unfunded actuarial accrued liability (UAAL) of \$292,710. The covered payroll (annual payroll of active employees covered by the plan) was \$2,631,999, and ratio of the UAAL to the covered payroll was 11.12%.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 12—Defined Benefit Pension Plan (continued):

D. Funded Status and Funding Progress (Continued)

As of June 30, 2009, the most recent actuarial valuation date, the School Board's Non-Professional plan was 91.62% funded. The actuarial accrued liability for benefits was \$3,607,332, and the actuarial value of assets was \$3,305,008, resulting in an unfunded actuarial accrued liability (UAAL) of \$302,324. The covered payroll (annual payroll of active employees covered by the plan) was \$944,948, and ratio of the UAAL to the covered payroll was 31.99%.

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

Note 13—Surety Bonds:

	<u>Amount</u>
Commonwealth of Virginia - Department of General Services, Division of Risk Management-Faithful Performance Bond:	
G. J. Ashworth, Clerk of the Circuit Court	\$ 103,000
A. L. Taylor, Treasurer	300,000
T. M. Blackwell, Commissioner of the Revenue	3,000
Stanley S. Clarke, Sheriff	30,000
U. S. Fidelity and Guaranty Company - Surety:	
Social Services Employees - Blanket Bonds	100,000
Commonwelath of Virginia, Division of Risk Management:	
County and Component Unit - School Board Employees	1,000,000

Note 14—Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 127,244
Capital Projects Fund	127,244	-
Total-All Funds	<u>\$ 127,244</u>	<u>\$ 127,244</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 15—Adjustment to Beginning Net Assets:

The following adjustment was made to beginning net assets at June 30, 2010:

	<u>Primary Government</u>
Net assets as previously reported	\$ 3,428,613
Add: Intangible asset not previously recorded	2,807,348
Less: Depreciation expense on Intangible asset not previously recorded	<u>(821,797)</u>
Totals as adjusted	<u>\$ 5,414,164</u>

Note 16—Other Post-Employment Benefits (OPEB):

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$67,072, \$97,925, and \$99,507, respectively and equaled the required contributions for each year.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 17--Postemployment Benefits Other Than Pensions:

A. Plan Description

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

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

- Be active before July 1, 2006 and be at least age 60 with a least 10 years of service with the School System at retirement.
- Be active before July 1, 2006 and be a least age 55 with a least 15 years of service with the School System at retirement.

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 retiree's death. The School System contributes \$300 toward the premium for pre-65 retirees who elect coverage. The School System is phasing out the subsidy for retirees 65 and older.

B. Funding Policy

The funding policies of both groups of retirees are described above. The Schools currently have 46 retirees and 7 spouses on their plan. The County has 25 retirees with 0 spouses.

C. Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

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

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

	Primary Government	Component Unit School Board
Annual required contribution	\$ 181,751	\$ 578,600
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	\$ 181,751	\$ 578,600
Estimated Contributions made	(71,300)	(578,600)
Increase in net OPEB obligation	110,451	-
Net OPEB obligation-beginning of year	-	-
Net OPEB obligation-end of year	\$ 110,451	\$ -

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2010	\$ 181,751	39.23%	\$ 110,451
Schools:			
6/30/2010	\$ 578,600	100.00%	\$ -

D Funded Status and Funding Progress

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

As of June 30, 2009, most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$2,123,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,690,800, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.86 percent.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 17—Postemployment Benefits Other Than Pensions: (Continued)

D Funded Status and Funding Progress (Continued)

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 2010 using Scale AA.

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

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

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, 2010

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 10,227,480	\$ 10,227,480	\$ 10,771,461	\$ 543,981
Other local taxes	2,930,000	2,930,000	2,136,779	(793,221)
Permits, privilege fees, and regulatory licenses	68,500	68,500	63,642	(4,858)
Fines and forfeitures	30,000	30,000	15,020	(14,980)
Revenue from the use of money and property	78,100	78,100	39,235	(38,865)
Charges for services	109,700	109,700	128,643	18,943
Miscellaneous	48,000	48,000	85,746	37,746
Recovered costs	45,500	45,500	60,856	15,356
Intergovernmental revenues:				
Commonwealth	3,647,422	3,647,422	3,475,155	(172,267)
Federal	760,879	760,879	832,793	71,914
Total revenues	\$ 17,945,581	\$ 17,945,581	\$ 17,609,330	\$ (336,251)
EXPENDITURES				
Current:				
General government administration	\$ 2,376,013	\$ 2,376,013	\$ 1,516,867	\$ 859,146
Judicial administration	693,206	693,206	705,094	(11,888)
Public safety	3,112,321	3,112,321	3,363,855	(251,534)
Public works	1,059,826	1,059,826	1,229,582	(169,756)
Health and welfare	2,702,356	2,702,356	2,516,087	186,269
Education	5,809,398	5,810,568	5,324,509	486,059
Parks, recreation, and cultural	428,001	428,001	469,003	(41,002)
Community development	82,210	82,210	84,723	(2,513)
Debt service:				
Principal retirement	988,807	988,807	988,807	-
Interest and other fiscal charges	946,640	946,640	1,108,149	(161,509)
Total expenditures	\$ 18,198,778	\$ 18,199,948	\$ 17,306,676	\$ 893,272
Excess (deficiency) of revenues over (under) expenditures	\$ (253,197)	\$ (254,367)	\$ 302,654	\$ 557,021
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (127,244)	\$ (127,244)
Refunding bond issued	-	-	6,984,000	6,984,000
Payment to refunded bond escrow agent	-	-	(6,897,500)	(6,897,500)
Total other financing sources and uses	\$ -	\$ -	\$ (40,744)	\$ (40,744)
Net change in fund balances	\$ (253,197)	\$ (254,367)	\$ 261,910	\$ 516,277
Fund balances - beginning	253,197	254,367	1,548,754	1,294,387
Fund balances - ending	\$ -	\$ -	\$ 1,810,664	\$ 1,810,664

County of Essex, Virginia
Schedule of Pension Funding Progress
As of June 30, 2010

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2009	\$ 9,922,881	\$ 10,215,591	\$ 292,710	97.13%	\$ 2,631,999	11.12%
6/30/2008	9,722,245	9,741,035	18,790	99.81%	2,499,246	0.75%
6/30/2007	8,771,925	8,928,843	156,918	98.24%	2,339,918	6.71%
6/30/2006	7,801,682	8,210,115	408,433	95.03%	2,272,077	17.98%
6/30/2005	7,394,828	8,046,993	652,165	91.90%	2,106,508	30.96%
6/30/2004	7,259,859	7,152,839	(107,020)	101.50%	2,098,828	-5.10%
6/30/2003	7,126,371	6,638,813	(487,558)	107.34%	1,935,080	-25.20%
6/30/2002	7,059,514	6,046,354	(1,013,160)	116.76%	1,971,863	-51.38%
6/30/2001	6,862,875	5,603,046	(1,259,829)	122.48%	1,866,956	-66.77%
6/30/2000	6,267,516	5,173,588	(1,093,928)	121.14%	1,875,354	-58.33%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

6/30/2009	\$ 3,305,008	\$ 3,607,332	\$ 302,324	91.62%	\$ 944,948	31.99%
6/30/2008	3,217,928	3,377,441	159,513	95.28%	927,558	17.20%
6/30/2007	2,893,711	3,073,160	179,449	94.16%	911,540	19.69%
6/30/2006	2,545,467	2,774,236	228,769	91.75%	834,880	27.40%
6/30/2005	2,368,113	2,713,219	345,106	87.28%	841,800	41.00%
6/30/2004	2,258,487	2,424,817	166,330	93.14%	748,216	22.23%
6/30/2003	2,196,943	2,291,359	94,416	95.88%	728,452	12.96%
6/30/2002	2,124,208	2,121,681	(2,527)	100.12%	687,959	-0.37%
6/30/2001	1,997,776	1,944,193	(53,583)	102.76%	632,474	-8.47%
6/30/2000	1,777,027	1,762,971	(14,056)	100.80%	581,598	-2.42%

County of Essex, Virginia
Schedule of Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
County:						
6/30/2009	\$ -	\$ 1,453,700	\$ 1,453,700	0.00%	\$ 2,605,847	55.79%
Schools:						
6/30/2009	\$ -	\$ 2,123,300	\$ 2,123,300	0.00%	\$ 10,690,800	19.86%

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OTHER SUPPLEMENTARY INFORMATION

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***COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES***

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County of Essex, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Capital projects	\$ -	\$ 127,244	\$ 127,244	\$ -
Total expenditures	\$ -	\$ 127,244	\$ 127,244	\$ -
 Excess (deficiency) of revenues over (under) expenditures	 \$ -	 \$ (127,244)	 \$ (127,244)	 \$ -
 OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 127,244	\$ 127,244	\$ -
Total other financing sources (uses)	\$ -	\$ 127,244	\$ 127,244	\$ -
 Net change in fund balances	 \$ -	 \$ -	 \$ -	 \$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

County of Essex, Virginia

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 7,590	\$ 16,105	\$ 15,795	\$ 7,900
Liabilities:				
Amounts held for social services clients	\$ 7,590	\$ 16,105	\$ 15,795	\$ 7,900

*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, 2010

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 30,049	\$ 30,049
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	2,635	2,635
Due from other governmental units	504,640	28,552	533,192
Inventories	-	14,562	14,562
Total assets	<u>\$ 504,640</u>	<u>\$ 75,798</u>	<u>\$ 580,438</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 104,783	\$ 1,684	\$ 106,467
Due to other governmental units	399,857	-	399,857
Total liabilities	<u>\$ 504,640</u>	<u>\$ 1,684</u>	<u>\$ 506,324</u>
Fund balances:			
Reserved for:			
Inventories	\$ -	\$ 14,562	\$ 14,562
Unreserved:			
Undesignated	-	59,552	59,552
Total fund balances	<u>\$ -</u>	<u>\$ 74,114</u>	<u>\$ 74,114</u>
Total liabilities and fund balances	<u>\$ 504,640</u>	<u>\$ 75,798</u>	<u>\$ 580,438</u>

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

Total fund balances per above \$ 74,114

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

Capital assets	\$ 8,273,316	
Accumulated depreciation	<u>(3,403,793)</u>	4,869,523

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

Compensated absences	<u>\$ (55,657)</u>	(55,657)
----------------------	--------------------	----------

Net assets of governmental activities		<u>\$ 4,887,980</u>
---------------------------------------	--	---------------------

County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 4,610	\$ 194	\$ 4,804
Charges for services	20,900	196,694	217,594
Miscellaneous	67,664	1,343	69,007
Recovered costs	119,634	-	119,634
Intergovernmental revenues:			
Local government	5,318,073	-	5,318,073
Commonwealth	8,057,467	16,101	8,073,568
Federal	2,621,445	499,067	3,120,512
Total revenues	<u>\$ 16,209,793</u>	<u>\$ 713,399</u>	<u>\$ 16,923,192</u>
EXPENDITURES			
Current:			
Education	\$ 16,183,446	\$ 715,289	\$ 16,898,735
Debt service:			
Principal retirement	25,161	-	25,161
Interest and other fiscal charges	1,186	-	1,186
Total expenditures	<u>\$ 16,209,793</u>	<u>\$ 715,289</u>	<u>\$ 16,925,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (1,890)</u>	<u>\$ (1,890)</u>
Net change in fund balances	\$ -	\$ (1,890)	\$ (1,890)
Fund balances - beginning	-	76,004	76,004
Fund balances - ending	<u>\$ -</u>	<u>\$ 74,114</u>	<u>\$ 74,114</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 \$ (1,890)

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

Capital outlay	\$ 51,763	
Transfer of joint tenancy assets to Component Unit from Primary Government	413,274	
Depreciation expense	<u>(396,274)</u>	68,763

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

25,161

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

(Increase)decrease in accrued leave	\$ 9,818	
(Increase)decrease in interest payable	<u>1,135</u>	10,953

Change in net assets of governmental activities

\$ 102,987

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, 2010

	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	\$ 4,610	\$ (390)
Charges for services	42,000	46,100	20,900	(25,200)
Miscellaneous	22,000	73,664	67,664	(6,000)
Recovered costs	50,000	119,634	119,634	-
Intergovernmental revenues:				
Local government	5,802,962	5,804,132	5,318,073	(486,059)
Commonwealth	8,622,941	8,692,502	8,057,467	(635,035)
Federal	1,754,138	2,328,619	2,621,445	292,826
Total revenues	\$ 16,299,041	\$ 17,069,651	\$ 16,209,793	\$ (859,858)
EXPENDITURES				
Current:				
Education	\$ 16,272,694	\$ 17,043,304	\$ 16,183,446	\$ 859,858
Debt service:				
Principal retirement	25,162	25,162	25,162	-
Interest and other fiscal charges	1,185	1,185	1,185	-
Total expenditures	\$ 16,299,041	\$ 17,069,651	\$ 16,209,793	\$ 859,858
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, 2010

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 194	\$ (806)
Charges for services	229,000	229,000	196,694	(32,306)
Miscellaneous	-	1,343	1,343	-
Intergovernmental revenues:				
Commonwealth	15,925	16,101	16,101	-
Federal	344,262	457,849	499,067	41,218
Total revenues	<u>\$ 590,187</u>	<u>\$ 705,293</u>	<u>\$ 713,399</u>	<u>\$ 8,106</u>
EXPENDITURES				
Current:				
Education	<u>\$ 590,187</u>	<u>\$ 705,394</u>	<u>\$ 715,289</u>	<u>\$ (9,895)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (101)</u>	<u>\$ (1,890)</u>	<u>\$ (1,789)</u>
Net change in fund balances	\$ -	\$ (101)	\$ (1,890)	\$ (1,789)
Fund balances - beginning	-	101	76,004	75,903
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,114</u>	<u>\$ 74,114</u>

County of Essex, Virginia
Statement of Fiduciary Net Assets
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2010

	Chesapeake Bay Governor's <u>School</u>
ASSETS	
Cash and cash equivalents	\$ 138,283
Total assets	<u>\$ 138,283</u>
LIABILITIES	
Accounts payable	\$ 7,105
Total liabilities	<u>\$ 7,105</u>
NET ASSETS	
Held in trust for governor's school	<u>\$ 131,178</u>

County of Essex, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2010

	Chesapeake Bay Governor's <u>School</u>
ADDITIONS	
Contributions:	
Revenue from the Commonwealth	\$ 435,620
Revenue from Federal government	23,541
Tuition	963,000
Total contributions	<u>\$ 1,422,161</u>
 Total additions	 <u>\$ 1,422,161</u>
 DEDUCTIONS	
Operating	<u>\$ 1,230,597</u>
 Change in net assets	 \$ 191,564
 Net assets - beginning	 <u>\$ (60,386)</u>
Net assets - ending	<u><u>\$ 131,178</u></u>

SUPPORTING SCHEDULES

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County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<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	\$ 8,130,000	\$ 8,130,000	\$ 8,372,050	\$ 242,050
Real and personal public service corporation taxes	190,000	190,000	204,875	14,875
Personal property taxes	1,555,560	1,555,560	1,809,265	253,705
Mobile home taxes	50,900	50,900	26,587	(24,313)
Machinery and tools taxes	41,000	41,000	58,963	17,963
Merchant's capital taxes	67,000	67,000	66,778	(222)
Penalties	125,020	125,020	144,640	19,620
Interest	68,000	68,000	88,303	20,303
Total general property taxes	<u>\$ 10,227,480</u>	<u>\$ 10,227,480</u>	<u>\$ 10,771,461</u>	<u>\$ 543,981</u>
Other local taxes:				
Local sales and use taxes	\$ 2,000,000	\$ 2,000,000	\$ 1,574,985	\$ (425,015)
Consumers' utility taxes	610,000	610,000	215,470	(394,530)
Motor vehicle licenses	240,000	240,000	255,013	15,013
Taxes on recordation and wills	80,000	80,000	91,311	11,311
Total other local taxes	<u>\$ 2,930,000</u>	<u>\$ 2,930,000</u>	<u>\$ 2,136,779</u>	<u>\$ (793,221)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,500	\$ 8,500	\$ 9,056	\$ 556
Transfer fees	500	500	391	(109)
Permits and other licenses	59,500	59,500	54,195	(5,305)
Total permits, privilege fees, and regulatory licenses	<u>\$ 68,500</u>	<u>\$ 68,500</u>	<u>\$ 63,642</u>	<u>\$ (4,858)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 15,020	\$ (14,980)
Revenue from use of money and property:				
Revenue from use of money	\$ 48,100	\$ 48,100	\$ 7,093	\$ (41,007)
Revenue from use of property	30,000	30,000	32,142	2,142
Total revenue from use of money and property	<u>\$ 78,100</u>	<u>\$ 78,100</u>	<u>\$ 39,235</u>	<u>\$ (38,865)</u>
Charges for services:				
Court costs	\$ 31,000	\$ 31,000	\$ 24,804	\$ (6,196)
Charges for courthouse maintenance	15,000	15,000	13,266	(1,734)
Criminal/traffic cases fees-security	50,000	50,000	71,913	21,913
Charges for Commonwealth's Attorney	500	500	361	(139)
Charges for community development	200	200	347	147
Charges for parks and recreation	13,000	13,000	17,952	4,952
Total charges for services	<u>\$ 109,700</u>	<u>\$ 109,700</u>	<u>\$ 128,643</u>	<u>\$ 18,943</u>
Miscellaneous revenue:				
Miscellaneous	\$ 48,000	\$ 48,000	\$ 85,746	\$ 37,746

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's erosion and sediment control	2,500	2,500	2,500	-
Jurors payments	-	-	2,125	2,125
Water and sewer connection fee	-	-	9,000	9,000
Sheriff-EHS security	13,000	13,000	17,231	4,231
Total recovered costs	\$ 45,500	\$ 45,500	\$ 60,856	\$ 15,356
Total revenue from local sources	\$ 13,537,280	\$ 13,537,280	\$ 13,301,382	\$ (235,898)
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ -	\$ -	\$ 368,667	\$ 368,667
Mobile home titling tax	20,000	20,000	27,976	7,976
Rolling stock tax	600	600	406	(194)
Auto rental tax	2,000	2,000	619	(1,381)
State recordation tax	40,000	40,000	59,268	19,268
Personal property tax relief funds	1,200,000	1,200,000	1,054,171	(145,829)
Reduction in aid to local governments	-	-	(71,963)	(71,963)
Total noncategorical aid	\$ 1,262,600	\$ 1,262,600	\$ 1,439,144	\$ 176,544
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 168,000	\$ 168,000	\$ 157,994	\$ (10,006)
Sheriff	645,000	645,000	560,877	(84,123)
Commissioner of revenue	102,000	102,000	92,048	(9,952)
Treasurer	90,000	90,000	81,506	(8,494)
Medical examiner	250	250	-	(250)
Registrar/electoral board	52,000	52,000	43,184	(8,816)
Clerk of the Circuit Court	170,000	170,000	165,282	(4,718)
Total shared expenses	\$ 1,227,250	\$ 1,227,250	\$ 1,100,891	\$ (126,359)
Other categorical aid:				
Public assistance and welfare administration	\$ 471,107	\$ 471,107	\$ 370,612	\$ (100,495)
Emergency medical services - four for life	9,500	9,500	10,949	1,449
Emergency services	30,000	30,000	4,305	(25,695)
Law enforcement block grant	-	-	943	943
Comprehensive services act	550,000	550,000	425,352	(124,648)
Litter control	7,500	7,500	6,174	(1,326)
Wireless funds	100	100	34,049	33,949
Victim-witness grant	28,000	28,000	23,824	(4,176)
Domestic violence grant	40,000	40,000	37,252	(2,748)
Fire programs fund	21,365	21,365	21,660	295
Total other categorical aid	\$ 1,157,572	\$ 1,157,572	\$ 935,120	\$ (222,452)
Total categorical aid	\$ 2,384,822	\$ 2,384,822	\$ 2,036,011	\$ (348,811)
Total revenue from the Commonwealth	\$ 3,647,422	\$ 3,647,422	\$ 3,475,155	\$ (172,267)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 8,500	\$ 8,500	\$ 14,793	\$ 6,293
Categorical aid:				
Public assistance and welfare administration	\$ 711,182	\$ 711,182	\$ 711,182	\$ -
Public assistance and welfare administration - ARRA	41,197	41,197	41,197	-
Homeland security grant	-	-	18,250	18,250
Transportation safety	-	-	10,130	10,130
Emergency preparedness	-	-	13,316	13,316
Edward Byrne justice assistance grant	-	-	23,925	23,925
Total categorical aid	\$ 752,379	\$ 752,379	\$ 818,000	\$ 65,621
Total revenue from the federal government	\$ 760,879	\$ 760,879	\$ 832,793	\$ 71,914
Total General Fund	\$ 17,945,581	\$ 17,945,581	\$ 17,609,330	\$ (336,251)
Total Primary Government	\$ 17,945,581	\$ 17,945,581	\$ 17,609,330	\$ (336,251)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 5,000	\$ 5,000	\$ 4,610	\$ (390)
Charges for services:				
Charges for education	\$ 6,000	\$ 10,100	\$ 10,100	\$ -
Tuition and payments from other divisions	36,000	36,000	10,800	(25,200)
Total charges for services	\$ 42,000	\$ 46,100	\$ 20,900	\$ (25,200)
Miscellaneous revenue:				
Miscellaneous	\$ 22,000	\$ 73,664	\$ 67,664	\$ (6,000)
Recovered costs:				
E-rates	\$ 50,000	\$ 119,634	\$ 119,634	\$ -
Total recovered costs	\$ 50,000	\$ 119,634	\$ 119,634	\$ -
Total revenue from local sources	\$ 119,000	\$ 244,398	\$ 212,808	\$ (31,590)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 5,802,962	\$ 5,804,132	\$ 5,318,073	\$ (486,059)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,349,286	\$ 1,349,286	\$ 1,287,641	\$ (61,645)
Basic school aid	4,729,951	4,729,951	4,393,045	(336,906)
Remedial summer education	63,271	63,271	54,706	(8,565)
Gifted and talented	42,422	42,799	42,799	-

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 176,287	\$ 177,853	\$ 177,853	\$ -
Enrollment loss	13,307	13,307	-	(13,307)
Special education	669,325	675,273	675,273	-
Textbook payment	111,730	111,730	-	(111,730)
GED funding	7,859	7,859	7,859	-
Vocational education	79,514	95,665	90,852	(4,813)
School fringes	609,934	612,263	526,904	(85,359)
Educational Technology	128,000	140,913	140,913	-
State lottery payments	85,664	109,803	109,803	-
Early reading intervention	25,467	29,105	29,105	-
Homebound	4,730	4,730	3,401	(1,329)
At risk payments	278,191	278,191	274,371	(3,820)
Primary class size	212,768	212,768	211,021	(1,747)
SOL Algebra readiness	18,581	18,581	18,581	-
English as a second language	16,654	16,654	10,840	(5,814)
Other state aid	-	2,500	2,500	-
Total categorical aid	\$ 8,622,941	\$ 8,692,502	\$ 8,057,467	\$ (635,035)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 658,480	\$ 993,183	\$ 873,113	\$ (120,070)
Title I - ARRA	-	-	102,322	102,322
Title VI-B	380,000	416,657	410,394	(6,263)
Title VI-B - special education - ARRA	-	125,057	163,080	38,023
Preschool grant	19,000	20,292	20,292	-
State fiscal stabilization fund - ARRA	572,153	572,153	873,505	301,352
Vocational education	33,000	33,895	33,895	-
21st Century grant	-	67,192	64,511	(2,681)
Drug free schools	6,673	12,636	12,636	-
Title II-A	80,637	83,359	64,830	(18,529)
Title II-D	4,195	4,195	2,867	(1,328)
Total categorical aid	\$ 1,754,138	\$ 2,328,619	\$ 2,621,445	\$ 292,826
Total School Operating Fund	\$ 16,299,041	\$ 17,069,651	\$ 16,209,793	\$ (859,858)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 194	\$ (806)
Charges for services:				
Cafeteria sales	\$ 229,000	\$ 229,000	\$ 196,694	\$ (32,306)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 1,343	\$ 1,343	\$ -
Total revenue from local sources	\$ 230,000	\$ 231,343	\$ 198,231	\$ (33,112)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 15,925	\$ 16,101	\$ 16,101	\$ -
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 344,262	\$ 457,849	\$ 465,553	\$ 7,704
Commodities	-	-	33,514	33,514
Total categorical aid	\$ 344,262	\$ 457,849	\$ 499,067	\$ 41,218
Total revenue from the federal government	\$ 344,262	\$ 457,849	\$ 499,067	\$ 41,218
Total School Cafeteria Fund	\$ 590,187	\$ 705,293	\$ 713,399	\$ 8,106
Total Discretely Presented Component Unit - School Board	\$ 16,889,228	\$ 17,774,944	\$ 16,923,192	\$ (851,752)

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County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 1,358,082	\$ 1,358,082	\$ 496,432	\$ 861,650
General and financial administration:				
County administrator	\$ 412,197	\$ 412,197	\$ 417,882	\$ (5,685)
Commissioner of revenue	251,619	251,619	255,999	(4,380)
Independent Auditor	35,000	35,000	38,674	(3,674)
Treasurer	210,903	210,903	206,919	3,984
Total general and financial administration	\$ 909,719	\$ 909,719	\$ 919,474	\$ (9,755)
Board of elections:				
Electoral board and officials	\$ 23,097	\$ 23,097	\$ 20,046	\$ 3,051
Registrar	85,115	85,115	80,915	4,200
Total board of elections	\$ 108,212	\$ 108,212	\$ 100,961	\$ 7,251
Total general government administration	\$ 2,376,013	\$ 2,376,013	\$ 1,516,867	\$ 859,146
Judicial administration:				
Courts:				
Circuit court	\$ 19,157	\$ 19,157	\$ 18,619	\$ 538
General district court	6,219	6,219	5,811	408
Sheriff	24,460	24,460	56,821	(32,361)
Juvenile and domestic relations court	97,385	97,385	91,866	5,519
Northern Neck Essex County Group Home Commission	31,232	31,232	23,424	7,808
Clerk of the circuit court	248,405	248,405	253,173	(4,768)
Total courts	\$ 426,858	\$ 426,858	\$ 449,714	\$ (22,856)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 266,348	\$ 266,348	\$ 255,380	\$ 10,968
Total judicial administration	\$ 693,206	\$ 693,206	\$ 705,094	\$ (11,888)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 967,297	\$ 967,297	\$ 1,051,679	\$ (84,382)
Fire and rescue services:				
Fire department	\$ 134,690	\$ 134,690	\$ 134,985	\$ (295)
Ambulance and rescue services	564,014	560,996	685,868	(124,872)
Forestry service	6,820	6,820	7,114	(294)
Total fire and rescue services	\$ 705,524	\$ 702,506	\$ 827,967	\$ (125,461)
Correction and detention:				
Sheriff	\$ 1,064,935	\$ 1,064,935	\$ 1,106,760	\$ (41,825)
Inspections:				
Building	\$ 200,485	\$ 200,485	\$ 203,783	\$ (3,298)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 94,810	\$ 94,810	\$ 117,289	\$ (22,479)
Emergency services	78,770	81,788	56,277	25,511
Medical examiner	500	500	100	400
Total other protection	\$ 174,080	\$ 177,098	\$ 173,666	\$ 3,432
Total public safety	\$ 3,112,321	\$ 3,112,321	\$ 3,363,855	\$ (251,534)
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 530,041	\$ 530,041	\$ 744,347	\$ (214,306)
Refuse collection	181,704	181,704	5,016	176,688
Total sanitation and waste removal	\$ 711,745	\$ 711,745	\$ 749,363	\$ (37,618)
Maintenance of general buildings and grounds:				
General properties	\$ 348,081	\$ 348,081	\$ 480,219	\$ (132,138)
Total public works	\$ 1,059,826	\$ 1,059,826	\$ 1,229,582	\$ (169,756)
Health and welfare:				
Health:				
Supplement of local health department	\$ 133,000	\$ 133,000	\$ 108,155	\$ 24,845
Mental health and mental retardation:				
Community services board	\$ 32,553	\$ 32,553	\$ 32,553	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,665,488	\$ 1,665,488	\$ 1,539,124	\$ 126,364
Bay transit	84,852	84,852	84,852	-
Comprehensive services act	750,000	750,000	712,639	37,361
Contributions to other civic organizations	36,463	36,463	38,764	(2,301)
Total welfare	\$ 2,536,803	\$ 2,536,803	\$ 2,375,379	\$ 161,424
Total health and welfare	\$ 2,702,356	\$ 2,702,356	\$ 2,516,087	\$ 186,269
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 6,436	\$ 6,436	\$ 6,436	\$ -
Contribution to County School Board	5,802,962	5,804,132	5,318,073	486,059
Total education	\$ 5,809,398	\$ 5,810,568	\$ 5,324,509	\$ 486,059
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 151,140	\$ 151,140	\$ 154,192	\$ (3,052)
Swimming pool and park	98,128	98,128	130,589	(32,461)
Total parks and recreation	\$ 249,268	\$ 249,268	\$ 284,781	\$ (35,513)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Museum	\$ 17,000	\$ 17,000	\$ 17,000	\$ -
Library:				
Contribution to county library	\$ 161,733	\$ 161,733	\$ 167,222	\$ (5,489)
Total parks, recreation, and cultural	\$ 428,001	\$ 428,001	\$ 469,003	\$ (41,002)
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 25,500	\$ 25,500	\$ 30,500	\$ (5,000)
Total planning and community development	\$ 25,500	\$ 25,500	\$ 30,500	\$ (5,000)
Environmental management:				
Contribution to soil and water conservation district	\$ 11,875	\$ 11,875	\$ 11,875	\$ -
Litter control program	2,000	2,000	866	1,134
Total environmental management	\$ 13,875	\$ 13,875	\$ 12,741	\$ 1,134
Cooperative extension program:				
Extension office	\$ 42,835	\$ 42,835	\$ 41,482	\$ 1,353
Total community development	\$ 82,210	\$ 82,210	\$ 84,723	\$ (2,513)
Debt service:				
Principal retirement	\$ 988,807	\$ 988,807	\$ 988,807	\$ -
Interest and other fiscal charges	946,640	946,640	946,640	-
Bond issuance cost	-	-	161,509	(161,509)
Total debt service	\$ 1,935,447	\$ 1,935,447	\$ 2,096,956	\$ (161,509)
Total General Fund	\$ 18,198,778	\$ 18,199,948	\$ 17,306,676	\$ 893,272
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
School Capital projects expenditures	\$ -	\$ 127,244	\$ 127,244	\$ -
Total capital projects	\$ -	\$ 127,244	\$ 127,244	\$ -
Total County Capital Projects Fund	\$ -	\$ 127,244	\$ 127,244	\$ -
Total Primary Government	\$ 18,198,778	\$ 18,327,192	\$ 17,433,920	\$ 893,272

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,251,718	\$ 1,420,672	\$ 1,382,328	\$ 38,344
Instruction costs	12,437,547	13,015,064	12,345,161	669,903
Pupil transportation	1,085,884	1,085,884	1,020,873	65,011
Operation and maintenance of school plant	1,497,545	1,521,684	1,435,084	86,600
Total education	\$ 16,272,694	\$ 17,043,304	\$ 16,183,446	\$ 859,858
Debt service:				
Principal retirement	\$ 25,161	\$ 25,161	\$ 25,161	\$ -
Interest and other fiscal charges	1,186	1,186	1,186	-
Total debt service	\$ 26,347	\$ 26,347	\$ 26,347	\$ -
Total School Operating Fund	\$ 16,299,041	\$ 17,069,651	\$ 16,209,793	\$ 859,858
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 590,187	\$ 705,394	\$ 681,775	\$ 23,619
Commodities	-	-	33,514	(33,514)
Total school food services	\$ 590,187	\$ 705,394	\$ 715,289	\$ (9,895)
Total education	\$ 590,187	\$ 705,394	\$ 715,289	\$ (9,895)
Total School Cafeteria Fund	\$ 590,187	\$ 705,394	\$ 715,289	\$ (9,895)
Total Discretely Presented Component Unit - School Board	\$ 16,889,228	\$ 17,775,045	\$ 16,925,082	\$ 849,963

OTHER STATISTICAL SECTION

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2002-03	\$ 1,331,963	\$ 469,632	\$ 1,979,437	\$ 1,158,272	\$ 1,625,402	\$ 4,817,352	\$ 266,103	\$ 459,878	\$ 428,246	\$ 12,536,285
2003-04	1,202,809	574,385	2,102,504	1,294,730	1,653,966	4,990,305	294,255	61,135	402,084	12,576,173
2004-05	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149
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

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2002-03	\$ 145,476	\$ 2,378,172	\$ 430,140	\$	6,087,052	1,850,522	76,641	23,377	1,102,843	\$	12,094,223
2003-04	243,366	2,341,867	-		6,861,360	2,021,596	46,619	24,740	1,199,160		12,738,708
2004-05	207,305	2,854,011	-		10,726,095	2,136,779	39,235	85,746	1,453,937		17,503,108
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

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

Table 3

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

Fiscal Year	General				Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural			Debt Service	Total
	Government Administration	Judicial Administration	Public Safety	Public Works				Health and Welfare	Education (2)	Recreation, and Cultural		
2000-01	\$ 900,918	\$ 505,630	\$ 2,106,497	\$ 1,281,154	\$ 1,275,592	\$ 11,243,736	\$ 237,553	\$ 484,968	\$ 635,024	\$ 18,671,072		
2001-02	1,083,584	454,052	1,967,676	1,170,695	1,494,472	12,047,326	266,194	381,585	5,310,228	24,175,812		
2002-03	1,329,003	462,585	1,989,524	1,205,273	1,620,452	12,244,486	266,836	465,524	1,053,224	20,636,907		
2003-04	1,188,244	514,059	2,117,068	1,337,864	1,662,231	13,146,496	292,555	61,135	970,811	21,290,463		
2004-05	1,283,740	520,491	2,297,532	1,283,460	1,818,040	13,669,677	316,073	49,916	1,048,292	22,287,221		
2005-06	2,566,088	643,287	2,588,658	1,218,893	2,245,207	14,481,828	401,242	57,745	1,049,188	25,252,136		
2006-07	1,615,589	687,338	2,718,932	1,255,696	2,255,040	15,393,625	472,872	64,931	1,595,676	26,059,699		
2007-08	1,854,877	705,787	3,225,150	1,373,317	3,074,857	16,415,089	419,815	81,674	1,631,400	28,781,966		
2008-09	1,561,628	635,967	6,059,597	1,386,767	2,640,100	17,113,270	422,557	91,643	2,531,253	32,442,782		
2009-10	1,516,867	705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685		

(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
2000-01	\$ 5,832,992	\$ 1,929,244	\$ 56,623	\$ 34,272	\$ 106,164	\$ 230,530	\$ 143,248	\$ 236,157	\$ 11,144,734	\$ 19,713,964
2001-02	5,659,772	1,961,849	58,333	38,550	63,936	222,681	241,214	839,351	10,829,643	19,915,329
2002-03	6,120,576	1,850,522	57,508	27,493	78,987	275,927	241,361	47,249	11,566,548	20,266,171
2003-04	6,767,686	2,021,596	77,979	36,320	62,003	353,044	368,369	62,893	11,462,450	21,212,340
2004-05	7,311,584	2,351,868	107,142	45,812	66,119	380,864	129,467	80,724	11,868,105	22,341,685
2005-06	7,936,224	2,790,987	133,626	31,953	113,892	406,127	119,477	45,749	12,351,867	23,929,902
2006-07	8,955,083	2,959,126	127,766	22,451	158,986	362,006	150,669	37,001	14,183,804	26,956,892
2007-08	9,944,811	2,723,813	149,560	26,643	135,976	392,803	248,544	57,273	15,296,604	28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449

(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
2000-01	\$ 6,445,527	\$ 6,140,700	95.27%	\$ 210,544	\$ 6,351,244	98.54%	\$ 458,676	7.12%
2001-02	6,710,097	6,353,551	94.69%	143,748	6,497,299	96.83%	459,994	6.86%
2002-03	7,247,743	6,818,534	94.08%	98,241	6,916,775	95.43%	505,145	6.97%
2003-04	7,900,376	7,571,684	95.84%	104,501	7,676,185	97.16%	624,008	7.90%
2004-05	8,253,021	7,925,141	96.03%	209,930	8,135,071	98.57%	595,900	7.22%
2005-06	8,332,662	8,632,952	103.60%	50,903	8,683,855	104.21%	743,774	8.93%
2006-07	10,103,491	9,482,844	93.86%	274,547	9,757,391	96.57%	766,958	7.59%
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%

(1) Exclusive of penalties and interest.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
					Real Estate	Personal Property	
2000-01	\$ 672,538,983	\$ 69,081,680	\$ 5,397,587	\$ 1,129,322	\$ 30,179,871	\$ 29,197	\$ 778,356,640
2001-02	690,995,192	72,961,276	5,540,821	1,076,947	31,997,499	15,988	802,587,723
2002-03	763,477,472	75,162,736	6,586,780	1,006,220	32,353,642	54,167	878,641,017
2003-04	787,924,966	74,416,595	3,048,121	1,131,318	32,931,405	99,116	899,551,521
2004-05	809,803,080	73,567,793	3,042,496	1,232,474	28,711,283	90,467	916,447,593
2005-06	843,771,375	80,431,913	2,864,967	1,310,886	25,350,924	68,638	953,798,703
2006-07	866,975,291	88,602,590	1,145,886	1,534,735	22,814,835	87,574	981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642	1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107	1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997

(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
2000-01	\$ 0.58	\$ 0.58	\$ 3.50	\$ 3.75	\$ 3.50
2001-02	0.58	0.58	3.50	3.75	3.50
2002-03	0.58	0.58	3.50	3.75	3.50
2003-04	0.58/0.70	0.58	3.50	3.75	3.50
2004-05	0.68	0.70	3.50	3.75	3.50
2005-06	0.68/0.78	0.68	3.50	3.75	3.50
2006-07	0.78	0.78	3.50	3.75	3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.605	0.53	3.50	3.75	3.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	9,989	\$ 778,356,640	\$ 7,732,105	\$ 7,732,105	0.99%	774
2001-02	9,989	802,587,723	7,208,961	7,208,961	0.90%	722
2002-03	9,989	878,641,017	6,734,571	6,734,571	0.77%	674
2003-04	9,989	899,551,521	6,288,212	6,288,212	0.70%	630
2004-05	9,989	916,447,593	5,825,811	5,825,811	0.64%	583
2005-06	9,989	953,798,703	5,366,726	5,366,726	0.56%	537
2006-07	9,989	981,160,911	4,874,092	4,874,092	0.50%	488
2007-08	9,989	1,603,457,440	11,715,737	11,715,737	0.73%	1,173
2008-09	9,989	1,613,936,980	10,658,109	10,658,109	0.66%	1,067
2009-10	9,989	1,627,201,997	9,911,985	9,911,985	0.61%	992

(1) Center for Public Service at the University of Virginia.

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

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

COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Essex, Virginia's basic financial statements and have issued our report thereon dated January 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted other matters that we have reported to management of the County of Essex, Virginia, in a separate letter dated January 4, 2011.

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



Richmond, Virginia
January 4, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2010. The County of Essex, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Essex, Virginia's management. Our responsibility is to express an opinion on the County of Essex, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Essex, Virginia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Essex, Virginia's compliance with those requirements.

In our opinion, the County of Essex, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the County of Essex, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Essex, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Essex, Virginia's internal control over compliance.

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

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

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



Richmond, Virginia
January 4, 2011

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	0950109/0950110	\$ 13,109
Temporary assistance for needy families	93.558	0400109/0400110	109,251
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	375
Low income home energy assistance	93.568	0600409/00600410	6,014
Child Care Cluster:			
Child care and development block grant	93.575	0770109/0770110	102,970
ARRA - Child care and development block grant	93.713	0740109/0780109	26,529
Child care mandatory and matching funds of the child care development fund	93.596	0760109/0760110	89,246
Chafee education and training vouchers	93.599	0760109/0760110	556
Child welfare services - state grants	93.645	0900109/090110	382
Foster care - Title IV-E	93.658	1100109/1100110	81,861
ARRA - Foster care - Title IV-E	93.658	1100109/1100110	5,094
Adoption assistance	93.659	1120109/1120110	10,225
ARRA - Adoption assistance	93.659	1120109/1120110	764
Social services block grant	93.667	1000109/1000110	39,939
Chafee foster care independence program	93.674	9150109/9150110	790
Children's health insurance program	93.767	0540109/0540110	7,182
Medical assistance program	93.778	1200109/1200110	93,130
Total Department of Health and Human Services			<u>\$ 587,417</u>
U. S. Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency management performance grant	97.042	77501-52749	\$ 13,316
State homeland security grant program	97.073	77501-52708	18,250
Total U.S. Department of Homeland Security			<u>\$ 31,566</u>
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Child Nutrition Cluster:			
Food Distribution	10.555	17901-45707	\$ 33,515
<i>Department of Education:</i>			
Child Nutrition Cluster:			
School breakfast program	10.553	17901-40591	112,231
National school lunch program	10.555	17901-45707	353,321
<i>Department of Social Services:</i>			
SNAP Cluster:			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/0010100	\$ 156,152
ARRA - State administrative matching grants for the supplemental nutrition assistance program	10.561	0040109/0040110	8,810
Total Department of Agriculture			<u>\$ 664,029</u>

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

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 program	20.600	60507-50287	\$ 10,130
Department of Interior:			
Direct Payments:			
<i>Bureau of Land Management:</i>			
Payment in lieu of taxes	15.226	N/A	\$ 14,793
Department of Justice:			
Pass Through Payments:			
Compensation Board:			
ARRA - Edward Byrne memorial justice assistance grant program/grants to states and territories	16.803	2009-SU-B9-0033	\$ 23,925
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Cluster:			
Title I grants to local educational agencies	84.010	17901-42901-42999	\$ 873,113
ARRA - Title I grants to local educational agencies	84.389	17901-42913	102,322
Special Education Cluster:			
Special education - grants to states	84.027	17901-43071-61234	410,394
ARRA - Special education - grants to states	84.391	17901-61245	163,080
Special education - preschool grants	84.173	17901-62521	20,292
Career and technical education - basic grants to states	84.048	17901-61095	33,895
Safe and drug free schools and communities - state grants	84.186	17901-60511	12,636
Twenty-first century community learning centers	84.287	17901-60565	64,511
Education technology state grants	84.318	17901-61600	2,867
Improving teacher quality state grants	84.367	17901-61480	64,830
ARRA - State fiscal stabilization funds - education state grants	84.394	17901-62532	873,505
Total Department of Education			\$ 2,621,445
Corporation for National and Community Service:			
Pass Through Payments:			
<i>Department of Education:</i>			
Learn and Serve America	94.004	17901-60185	\$ 23,541
Total Expenditures of Federal Awards			\$ 3,976,846

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, 2010

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, 2010. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 832,793
Component Unit Public Schools:	
School Operating Fund	\$ 2,621,445
School Special Revenue Fund	499,067
Fiduciary fund	23,541
Total component unit public schools	<u>\$ 3,144,053</u>
Total federal expenditures per basic financial statements	<u>\$ 3,976,846</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,976,846</u></u>

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies identified? _____ yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	State Fiscal Stabilization Funds - Education
	State Grants, Recovery Act
84.010/84.389	Title I Cluster
93.575/93.713/93.596	Child Care Cluster
84.027/84.173/84.391/84.392	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
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2010

There were no prior year findings and questioned costs.

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