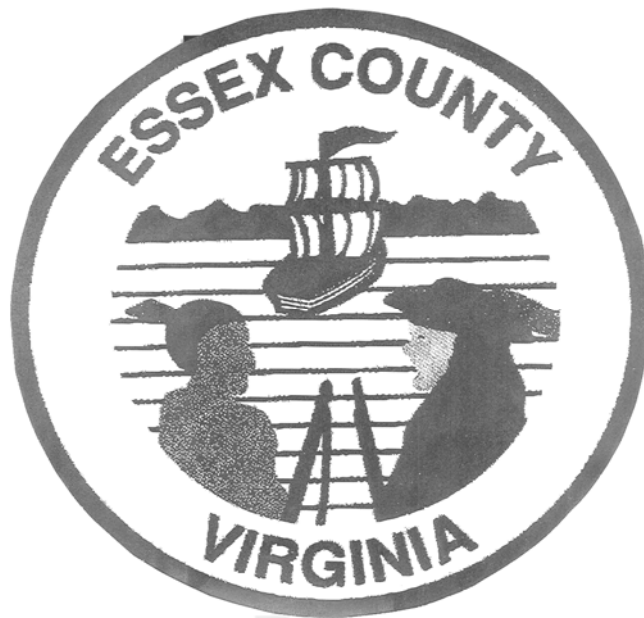


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF ESSEX, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

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

Angelo S. Stevens

Margaret H. Davis

School Board

Larry R. Bullis, Chairperson
Raymond Whitaker, Vice Chairperson

Keren Ellis
Charles W. Slaughter

Elizabeth Martin

Department of Social Services Board

Franklin Rixey, Chairperson
Janie Mitchell, Vice Chairperson

Margie Gray

Other Officials

Judge of the Circuit Court Harry T. Taliaferro, III
Clerk of the Circuit Court G.J. Ashworth
Judge of the General District Court Ricardo Rigual
Judge of the Juvenile and Domestic Relations Court..... Julian W. Johnson
Commonwealth's Attorney..... Vincent S. Donoghue
Commissioner of the Revenue T.M. Blackwell
Treasurer B. A. Davis
Sheriff Stanley S. Clarke
Superintendent of Schools Dr. Scott Burckbuchler
Director of Social Services Rodney Gordon
County Administrator A. Reese Peck
County Attorney Daniel M. Siegel

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COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Essex, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Other Information (continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014, on our consideration of the County of Essex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Essex, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
January 7, 2014

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, 2013.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,555,394 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$8,127,259 (Exhibit 5) after making contributions totaling \$5,650,918 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,483,353, an decrease of \$8,127,259 in comparison with the prior year. The decrease was due in large part to expenditures related to the High School Renovation Project in FY13.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,957,184 or 15% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$1,625,994 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 two major governmental funds – the General Fund and School Construction Fund and one non-major governmental fund – the County Special Revenue Fund.

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information 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 and deferred inflows of resources by \$5,193,452 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Essex, Virginia's Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 21,007,040	\$ 27,680,162
Capital assets	<u>30,493,194</u>	<u>22,453,903</u>
Total assets	<u>\$ 51,500,234</u>	<u>\$ 50,134,065</u>
Current liabilities	\$ 2,559,578	\$ 6,248,929
Long-term liabilities outstanding	<u>37,191,810</u>	<u>38,817,804</u>
Total liabilities	<u>\$ 39,751,388</u>	<u>\$ 45,066,733</u>
Deferred inflows of resources	<u>\$ 5,193,452</u>	<u>\$ -</u>
Net position:		
Net investment in capital assets	\$ 3,353,023	\$ 2,437,068
Restricted for:		
Glebe fund	112,635	112,480
Forfeited assets	87,001	5,183
Law library	7,328	7,328
Unrestricted	<u>2,995,407</u>	<u>2,505,273</u>
Total net position	<u><u>\$ 6,555,394</u></u>	<u><u>\$ 5,067,332</u></u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$1,488,062 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Charges for services	\$ 387,129	\$ 434,701
Operating grants and contributions	3,173,575	2,692,852
General property taxes	12,865,179	12,293,636
Other local taxes	2,064,024	2,129,390
Grants and other contributions not restricted	1,492,519	1,438,719
Other general revenues	139,773	131,692
Total revenues	<u>\$ 20,122,199</u>	<u>\$ 19,120,990</u>
General government administration	\$ 1,601,134	\$ 1,706,609
Judicial administration	706,845	681,831
Public safety	4,263,572	4,064,725
Public works	1,456,944	1,331,201
Health and welfare	2,157,151	2,189,764
Education	6,694,654	6,723,619
Parks, recreation, and cultural	402,704	415,389
Community development	76,721	86,752
Interest and other fiscal charges	1,274,412	1,500,339
Total expenses	<u>\$ 18,634,137</u>	<u>\$ 18,700,229</u>
Change in net position	\$ 1,488,062	\$ 420,761
Net position, beginning of year	5,067,332	4,646,571
Net position, end of year	<u>\$ 6,555,394</u>	<u>\$ 5,067,332</u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$12,483,353, a decrease of \$8,127,259, largely due to expenditures related to the High School Renovation Project, in comparison with the prior year. Approximately 23.7% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources of the General Fund were exceeded by budgetary estimates in the amount of \$269,361. Expenditures and other financing uses did not exceed budgetary estimates by \$692,533, resulting in a positive variance of \$423,172.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2013 amounted to \$30,493,194 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and intangible assets.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$33,523,059. Of this amount, \$20,600,059 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

The County's bonded debt increased by \$1,188,419 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 6.9 percent compared to state's average unemployment rate of 5.5 percent.
- < Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

The fiscal year 2014 budget increased by approximately 23 percent largely due to including the High School Renovation Project in the 2014 budget. The County's real estate rate increased from \$0.695 to \$0.84 per \$100 and all other tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Essex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 205 Cross Street, Post Office Box 1079, Tappahannock, Virginia 22560.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Position
June 30, 2013

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School Board</u>
ASSETS		
Cash and cash equivalents	\$ 2,589,605	\$ 1,664,235
Receivables (net of allowance for uncollectibles):		
Taxes receivable	6,628,718	-
Accounts receivable	55,730	1,825
Due from other governmental units	1,247,457	438,511
Inventories	-	17,169
Prepaid items	-	86,679
Temporarily restricted:		
Cash and cash equivalents	10,485,530	-
Capital assets (net of accumulated depreciation):		
Land and land improvements	1,143,271	42,822
Buildings and improvements	14,324,895	4,720,520
Intangibles	1,704,815	-
Equipment	1,895,973	577,265
Construction in progress	11,424,240	-
Total assets	<u>\$ 51,500,234</u>	<u>\$ 7,549,026</u>
LIABILITIES		
Accounts payable	\$ 2,084,144	\$ 77,859
Accrued liabilities	-	1,554,259
Accrued interest payable	470,238	-
Due to other governmental units	5,196	450,684
Long-term liabilities:		
Due within one year	1,922,327	6,233
Due in more than one year	35,269,483	56,099
Total liabilities	<u>\$ 39,751,388</u>	<u>\$ 2,145,134</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	5,193,452	-
Total deferred inflow of resources	<u>\$ 5,193,452</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 3,353,023	\$ 5,340,607
Restricted for:		
Glebe fund	112,635	-
Forfeited assets	87,001	-
Law library	7,328	-
Unrestricted (deficit)	2,995,407	63,285
Total net position	<u>\$ 6,555,394</u>	<u>\$ 5,403,892</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,601,134	\$ -	\$ 184,875	\$ -	\$ (1,416,259)	
Judicial administration	706,845	52,324	345,138	-	(309,383)	
Public safety	4,263,572	313,977	1,038,260	-	(2,911,335)	
Public works	1,456,944	2,250	8,700	-	(1,445,994)	
Health and welfare	2,157,151	-	1,189,049	-	(968,102)	
Education	6,694,654	-	-	-	(6,694,654)	
Parks, recreation, and cultural	402,704	18,473	-	-	(384,231)	
Community development	76,721	105	1,040	-	(75,576)	
Interest on long-term debt	1,274,412	-	406,513	-	(867,899)	
Total governmental activities	\$ 18,634,137	\$ 387,129	\$ 3,173,575	\$ -	\$ (15,073,433)	
Total primary government	\$ 18,634,137	\$ 387,129	\$ 3,173,575	\$ -		
COMPONENT UNIT:						
School Board	\$ 16,341,212	\$ 183,300	\$ 10,097,091	\$ -		\$ (6,060,821)
Total component unit	\$ 16,341,212	\$ 183,300	\$ 10,097,091	\$ -		\$ (6,060,821)
General revenues:						
General property taxes					\$ 12,865,179	\$ -
Other local taxes:						
Local sales and use tax					1,556,841	-
Consumers' utility taxes					237,950	-
Motor vehicle licenses					244,339	-
Taxes on recordation and wills					24,894	-
Unrestricted revenues from use of money and property					62,865	2,492
Miscellaneous					76,908	9,452
Payments from Essex County					-	6,271,412
Grants and contributions not restricted to specific programs					1,492,519	-
Total general revenues					\$ 16,561,495	\$ 6,283,356
Change in net position					1,488,062	222,535
Net position - beginning - as restated					5,067,332	5,181,357
Net position - ending					\$ 6,555,394	\$ 5,403,892

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, 2013

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,855,212	\$ -	\$ 734,393	\$ 2,589,605
Receivables (net of allowance for uncollectibles):				
Taxes receivable	6,628,718	-	-	6,628,718
Accounts receivable	55,730	-	-	55,730
Due from other governmental units	1,247,457	-	-	1,247,457
Temporarily restricted:				
Cash and cash equivalents	-	10,485,530	-	10,485,530
Total assets	<u>\$ 9,787,117</u>	<u>\$ 10,485,530</u>	<u>\$ 734,393</u>	<u>\$ 21,007,040</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 277,755	\$ 1,806,389	\$ -	\$ 2,084,144
Due to other governmental units	5,196	-	-	5,196
Total liabilities	<u>\$ 282,951</u>	<u>\$ 1,806,389</u>	<u>\$ -</u>	<u>\$ 2,089,340</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 6,434,347	\$ -	\$ -	\$ 6,434,347
Total deferred inflow of resources	<u>\$ 6,434,347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,434,347</u>
Fund balances:				
Restricted	\$ 112,635	\$ 8,679,141	\$ 94,329	\$ 8,886,105
Committed				
Debt service funds	-	-	640,064	640,064
Unassigned	2,957,184	-	-	2,957,184
Total fund balances	<u>\$ 3,069,819</u>	<u>\$ 8,679,141</u>	<u>\$ 734,393</u>	<u>\$ 12,483,353</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,787,117</u>	<u>\$ 10,485,530</u>	<u>\$ 734,393</u>	<u>\$ 21,007,040</u>

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

County of Essex, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 12,483,353

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

Capital assets, cost	\$ 40,889,866	
Accumulated depreciation	<u>(10,396,672)</u>	30,493,194

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,240,895

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

Lease revenue bonds	\$ (12,923,000)	
Literary fund loans	(540,000)	
General obligation bonds	(20,060,059)	
Bond premiums	(1,318,647)	
Capital lease	(1,617,670)	
Accrued interest payable	(470,238)	
Net OPEB obligation	(366,712)	
Compensated absences	<u>(365,722)</u>	(37,662,048)

Net position of governmental activities \$ 6,555,394

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, 2013

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 13,091,774	\$ -	\$ -	\$ 13,091,774
Other local taxes	2,064,024	-	-	2,064,024
Permits, privilege fees, and regulatory licenses	53,129	-	-	53,129
Fines and forfeitures	723	-	-	723
Revenue from the use of money and property	39,561	23,304	-	62,865
Charges for services	333,277	-	-	333,277
Miscellaneous	66,073	10,272	563	76,908
Recovered costs	49,970	-	-	49,970
Intergovernmental revenues:				
Commonwealth	3,483,097	-	-	3,483,097
Federal	1,182,997	-	-	1,182,997
Total revenues	<u>\$ 20,364,625</u>	<u>\$ 33,576</u>	<u>\$ 563</u>	<u>\$ 20,398,764</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,661,413	\$ -	\$ -	\$ 1,661,413
Judicial administration	640,070	-	-	640,070
Public safety	4,237,084	-	-	4,237,084
Public works	1,372,443	-	-	1,372,443
Health and welfare	2,126,837	-	-	2,126,837
Education	5,657,354	-	-	5,657,354
Parks, recreation, and cultural	433,515	-	-	433,515
Community development	78,596	-	-	78,596
Capital projects	-	9,332,322	-	9,332,322
Debt service:				
Principal retirement	1,383,786	-	-	1,383,786
Interest and other fiscal charges	1,602,603	-	-	1,602,603
Total expenditures	<u>\$ 19,193,701</u>	<u>\$ 9,332,322</u>	<u>\$ -</u>	<u>\$ 28,526,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,170,924</u>	<u>\$ (9,298,746)</u>	<u>\$ 563</u>	<u>\$ (8,127,259)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 721,319	\$ 721,319
Transfers out	(721,319)	-	-	(721,319)
Total other financing sources (uses)	<u>\$ (721,319)</u>	<u>\$ -</u>	<u>\$ 721,319</u>	<u>\$ -</u>
Net change in fund balances	\$ 449,605	\$ (9,298,746)	\$ 721,882	\$ (8,127,259)
Fund balances - beginning	2,620,214	17,977,887	12,511	20,610,612
Fund balances - ending	<u>\$ 3,069,819</u>	<u>\$ 8,679,141</u>	<u>\$ 734,393</u>	<u>\$ 12,483,353</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, 2013

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

Net change in fund balances - total governmental funds \$ (8,127,259)

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

Capital asset additions	\$ 9,662,439	
Transfer of joint tenancy assets to Component Unit from primary Government	(620,494)	
Depreciation expense	<u>(1,002,654)</u>	8,039,291

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. (226,595)

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

Principal retired on lease revenue bonds	\$ 352,000	
Principal retired on county capital lease	195,367	
Principal retired on school literary fund loans	90,000	
Principal retired on school general obligation bonds	746,419	
Amortization of bond premium	<u>151,560</u>	1,535,346

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

The following is a summary of items supporting this adjustment:

(Increase)decrease in compensated absences	\$ 234,147	
(Increase)decrease in net OPEB obligation	(143,499)	
(Increase)decrease in accrued interest payable	<u>176,631</u>	267,279

Change in net position of governmental activities \$ 1,488,062

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

County of Essex, Virginia
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,844
Receivables:	
Accounts receivable	3,058
Total assets	<u>\$ 4,902</u>
 LIABILITIES	
Amounts held for social services clients	<u>\$ 4,902</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2013

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

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

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

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

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

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2013.

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, 2013.

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

None

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

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

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

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

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.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

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

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

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

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

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

1. Governmental Funds

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

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

The County reports the following non-major governmental funds:

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

Debt Service Fund - The County Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$460,592 at June 30, 2013 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.

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

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

L. Fund Equity (Continued)

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

	<u>General Fund</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Restricted:				
Glebe fund	\$ 112,635	\$ -	\$ -	\$ 112,635
Forfeited assets	-	-	87,001	87,001
Law library	-	-	7,328	7,328
School Construction	-	8,679,141	-	8,679,141
Total Restricted Fund Balance	<u>\$ 112,635</u>	<u>\$ 8,679,141</u>	<u>\$ 94,329</u>	<u>\$ 8,886,105</u>
Committed:				
Debt service	\$ -	\$ -	640,064	640,064
Unassigned	<u>\$ 2,957,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,957,184</u>
Total Fund Balances	<u><u>\$ 3,069,819</u></u>	<u><u>\$ 8,679,141</u></u>	<u><u>\$ 734,393</u></u>	<u><u>\$ 12,483,353</u></u>

M. Net Position

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

N. Long-term Obligations

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

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

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

O. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements has not changed as a result of implementing this Statement and no restatement of prior balances is required.

P. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

Q. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The County early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Refer to Note 16 for effects of implementation.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

R. Net Position Flow Assumption

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

S. Prepaid Items

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The special revenue fund has no legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; 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 School Construction Fund at June 30, 2013.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 74,295
State Non-Arbitrage Pool	10,565,454
Money Market Mutual Fund	2,099
Total	\$ 10,641,848

External Investment Pools

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 4—Due from/to Other Governments:

At June 30, 2013, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Essex County School Board	\$ 450,684	\$ -
Commonwealth of Virginia:		
Local sales tax	290,508	-
State forest payments	1,040	-
Rolling stock tax	539	-
Mobile home titling tax	440	-
State sales Tax	-	283,789
Victim witness	1,352	-
Constitutional officer reimbursements	93,183	-
Recordation tax	5,763	-
Comprehensive services act	47,582	-
Elections	35,212	-
Welfare	33,978	-
Communications tax	56,972	-
Rental tax	220	-
Wireless grant	3,326	-
Wireless equipment	149,526	-
Federal Government:		
School fund grants	-	154,722
Payment in lieu of taxes	3,131	-
Welfare	54,700	-
Homeland security	13,316	-
Transportation safety	1,929	-
Victim/witness	4,056	-
	<u>\$ 1,247,457</u>	<u>\$ 438,511</u>
Total due from other governments		

At June 30, 2013, amounts due to other local governments are as follows:

Other Local Governments:		
Town of Tappahannock	\$ 5,196	\$ -
County of Essex	-	450,684
	<u>\$ 5,196</u>	<u>\$ 450,684</u>
Total due to other governments		

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Construction in progress	2,033,798	9,390,442	-	11,424,240
Total capital assets not subject to depreciation	<u>\$ 3,177,069</u>	<u>\$ 9,390,442</u>	<u>\$ -</u>	<u>\$ 12,567,511</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,565,046	\$ -	\$ -	\$ 3,565,046
Equipment	3,726,302	271,997	100,701	3,897,598
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	18,975,923	-	923,560	18,052,363
Total capital assets subject to depreciation	<u>\$ 29,074,619</u>	<u>\$ 271,997</u>	<u>\$ 1,024,261</u>	<u>\$ 28,322,355</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,278,477	\$ 90,149	\$ -	\$ 1,368,626
Equipment	1,734,931	367,395	100,701	2,001,625
Intangibles	1,032,349	70,184	-	1,102,533
Jointly owned assets	5,752,028	474,926	303,066	5,923,888
Total accumulated depreciation	<u>\$ 9,797,785</u>	<u>\$ 1,002,654</u>	<u>\$ 403,767</u>	<u>\$ 10,396,672</u>
Total capital assets subject to depreciation, net	<u>\$ 19,276,834</u>	<u>\$ (730,657)</u>	<u>\$ 620,494</u>	<u>\$ 17,925,683</u>
Governmental activities capital assets, net	<u>\$ 22,453,903</u>	<u>\$ 8,659,785</u>	<u>\$ 620,494</u>	<u>\$ 30,493,194</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 5—Capital Assets: (Continued)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Total capital assets not subject to depreciation	<u>\$ 42,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,822</u>
Capital assets subject to depreciation:				
Equipment	\$ 3,214,612	\$ 78,590	\$ 248,025	\$ 3,045,177
Jointly owned assets	6,102,594	-	(923,560)	7,026,154
Total capital assets subject to depreciation	<u>\$ 9,317,206</u>	<u>\$ 78,590</u>	<u>\$ (675,535)</u>	<u>\$ 10,071,331</u>
Accumulated depreciation:				
Equipment	\$ 2,397,492	\$ 318,445	\$ 248,025	\$ 2,467,912
Jointly owned assets	1,849,833	152,735	(303,066)	2,305,634
Total accumulated depreciation	<u>\$ 4,247,325</u>	<u>\$ 471,180</u>	<u>\$ (55,041)</u>	<u>\$ 4,773,546</u>
Total capital assets subject to depreciation, net	<u>\$ 5,069,881</u>	<u>\$ (392,590)</u>	<u>\$ (620,494)</u>	<u>\$ 5,297,785</u>
Component unit school board capital assets, net	<u>\$ 5,112,703</u>	<u>\$ (392,590)</u>	<u>\$ (620,494)</u>	<u>\$ 5,340,607</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 17,001
Judicial administration	60,239
Public safety	349,838
Public works	79,794
Health and welfare	12,558
Education	474,926
Parks, recreation and cultural	<u>8,298</u>

Total Governmental activities \$ 1,002,654

Component Unit School Board \$ 471,180

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	<u>Balance at July 1, 2012</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurring by County:					
Compensated absences	\$ 599,869	\$ -	\$ 234,147	\$ 365,722	\$ 36,572
Lease revenue bond	1,969,722	-	3,139	1,966,583	144,394
Add deferred amounts:					
For issuance premium	964,375	-	107,153	857,222	-
Net OPEB obligation	223,213	211,299	67,800	366,712	-
Capital lease (see Note 7)	<u>1,813,037</u>	<u>-</u>	<u>195,367</u>	<u>1,617,670</u>	<u>203,573</u>
Total incurred by County	<u>\$ 5,570,216</u>	<u>\$ 211,299</u>	<u>\$ 607,606</u>	<u>\$ 5,173,909</u>	<u>\$ 384,539</u>
Incurring by School Board:					
State Literary Fund Loan	\$ 630,000	\$ -	\$ 90,000	\$ 540,000	\$ 90,000
General obligation bonds	20,806,478	-	746,419	20,060,059	750,182
Add deferred amounts:					
For issuance premium	505,832	-	44,407	461,425	-
Lease revenue bonds	<u>11,305,278</u>	<u>-</u>	<u>348,861</u>	<u>10,956,417</u>	<u>697,606</u>
Total incurred by School Board	<u>\$ 33,247,588</u>	<u>\$ -</u>	<u>\$ 1,229,687</u>	<u>\$ 32,017,901</u>	<u>\$ 1,537,788</u>
Total Governmental Obligations, Primary Government	<u>\$ 38,817,804</u>	<u>\$ 211,299</u>	<u>\$ 1,837,293</u>	<u>\$ 37,191,810</u>	<u>\$ 1,922,327</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations			
	Lease Revenue		Capital Lease	
	Bond Principal	Bond Interest	Principal	Interest
2014	\$ 144,394	\$ 86,862	\$ 203,573	\$ 67,942
2015	150,672	80,792	212,123	59,392
2016	156,950	74,416	221,032	50,483
2017	164,797	67,223	230,315	41,200
2018	172,645	59,659	239,988	31,526
2019	178,923	52,164	250,068	21,447
2020	186,771	44,700	260,571	10,944
2021	145,963	37,336	-	-
2022	153,811	30,164	-	-
2023	161,659	22,079	-	-
2024	171,075	13,554	-	-
2025	178,923	4,585	-	-
Total	<u>\$ 1,966,583</u>	<u>\$ 573,534</u>	<u>\$ 1,617,670</u>	<u>\$ 282,934</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations					
	State Literary Fund Loan		General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 90,000	\$ 21,600	\$ 750,182	\$ 476,853	\$ 697,606	\$ 408,905
2015	90,000	18,000	754,143	448,692	723,328	383,070
2016	90,000	14,400	758,310	420,325	750,050	356,171
2017	90,000	10,800	762,696	391,739	781,203	327,058
2018	90,000	7,200	1,367,311	362,924	812,355	296,674
2019	90,000	3,600	1,372,167	333,868	840,077	265,982
2020	-	-	1,377,279	304,556	872,229	234,896
2021	-	-	1,380,311	277,324	798,037	203,533
2022	-	-	1,383,500	249,932	831,189	172,098
2023	-	-	912,093	227,298	864,341	138,143
2024	-	-	913,986	210,404	900,925	102,695
2025	-	-	917,352	192,038	936,077	65,754
2026	-	-	920,895	173,496	564,000	37,802
2027	-	-	924,621	154,769	585,000	16,787
2028	-	-	1,473,545	124,810	-	-
2029	-	-	1,125,555	89,870	-	-
2030	-	-	1,150,556	66,404	-	-
2031	-	-	1,170,557	43,339	-	-
2032	-	-	645,000	14,673	-	-
Total	<u>\$ 540,000</u>	<u>\$ 75,600</u>	<u>\$ 20,060,059</u>	<u>\$ 4,563,314</u>	<u>\$ 10,956,417</u>	<u>\$ 3,009,568</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

General Obligations:

Incurred by County:

Lease Revenue Bond:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 31.39% of this debt. \$ 1,966,583

Capital Lease:

\$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%. \$ 1,617,670

Compensated absences (payable by General Fund) \$ 365,722

Net OPEB obligation (payable by the General Fund) \$ 366,712

Unamortized Premium \$ 857,222

Total Incurred by County \$ 5,173,909

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board:

State Literary Fund Loan:

\$1,800,000 State Literary Fund loan issued February 15, 2999, due in annual principal installments of \$900,000 through 2019, interest payable annually at 4%. \$ 540,000

Lease Revenue Bonds:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 68.61% of this debt. \$ 4,298,417

\$1,000,000 lease revenue refunding bond issued December 13, 2011, due in varying annual installments through November 2024, interest payable semi-annually at 3.29%. 951,000

\$6,000,000 lease revenue refunding bond issued December 13, 2011, due in varying annual installments through December 15, 2026, interest payable semi-annually at 3.29%. 5,707,000

Total Lease Revenue Bonds \$ 10,956,417

General Obligation Bonds:

\$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%. \$ 5,279,955

\$10,000,000 qualified school construction bond issued December 15, 2011, due in varying annual installments through December 1, 2030, interest at 4.250%. 9,800,000

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

\$4,340,228 bond, issued November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%. 2,010,104

Total General Obligation Bonds \$ 20,060,059

Unamortized premium \$ 461,425

Total Incurred by School Board \$ 32,017,901

Total Long-Term Obligations, Primary Government \$ 37,191,810

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Component Unit School Board:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2013.

	Balance Payable at July 1, 2012	Increases	Decreases	Balance Payable at June 30, 2013	Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 47,961	\$ 19,988	\$ 5,617	\$ 62,332	\$ 6,233
Total Component Unit-School Board	<u>\$ 47,961</u>	<u>\$ 19,988</u>	<u>\$ 5,617</u>	<u>\$ 62,332</u>	<u>\$ 6,233</u>

Note 7—Capital Lease:

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

The asset acquired through capital lease is as follows:

Asset:	Primary Government
Equipment	\$ 2,764,966
Less: accumulated depreciation	(1,244,235)
Total	<u>\$ 1,520,731</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2013, are as follows:

Year Ended June 30	Primary Government
2014	\$ 271,515
2015	271,515
2016	271,515
2017	271,515
2018	271,515
2019	271,515
2020	<u>271,514</u>
Total minimum lease payments	\$ 1,900,604
Less: amount representing interest	<u>(282,934)</u>
Present value of minimum lease payments	<u>\$ 1,617,670</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 8—Unearned and Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$6,434,347 is comprised of the following:

Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$6,333,467 at June 30, 2013.

Unavailable Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$100,880 at June 30, 2013.

Note 9—Commitments and Contingent Liabilities:

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

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

The following construction contracts were outstanding at June 30, 2013:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Balance</u>
High School Renovation	Loughridge & Company LLC	\$ 17,874,679	\$ 8,896,503

Note 10—Litigation:

At June 30, 2013, there were no matters of litigation involving the County or School Board which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

Note 12—Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Note 12—Defined Benefit Pension Plan (Continued):

A. Plan Description (Continued)

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional's contribution rate for the fiscal year ended 2013 were 9.94% and 12.10% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$918,386, \$541,971, and \$336,366 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012, and 2011, respectively, and these contributions represented 11.66%, 6.33% and 3.93% respectively, of current covered payroll.

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 12—Defined Benefit Pension Plan (continued):

C. Annual Pension Cost

For fiscal year 2013, the County’s annual pension cost of \$159,827 was equal to the County’s required and actual contributions.

For fiscal year 2013, the School Board’s annual pension cost for the School Board’s non-professional employees was \$109,174 which was equal to the School 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, 2013	\$ 159,827	100%	\$ -
June 30, 2012	206,967	100%	-
June 30, 2011	191,871	100%	-
School Board:			
Non-Professional:			
June 30, 2013	\$ 109,174	100%	\$ -
June 30, 2012	59,921	100%	-
June 30, 2011	61,526	100%	-

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

Note 12—Defined Benefit Pension Plan (continued):

D. Funded Status and Funding Progress:

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 87.66% funded. The actuarial accrued liability for benefits was \$12,125,971, and the actuarial value of assets was \$10,629,537, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,496,434. The covered payroll (annual payroll of active employees covered by the plan) was \$3,044,790, and ratio of the UAAL to the covered payroll was 49.15%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's Non-Professional plan was 77.62% funded. The actuarial accrued liability for benefits was \$4,296,050 and the actuarial value of assets was \$3,334,746, resulting in an unfunded actuarial accrued liability (UAAL) of \$961,254. The covered payroll (annual payroll of active employees covered by the plan) was \$815,218 and ratio of the UAAL to the covered payroll was 117.91%.

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

Note 13—Surety Bonds:

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

Note 14-Other Postemployment Benefits - Retiree Health Insurance Credit

A. Post-retirement Medical Plan for Employees

Plan Description

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

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

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

Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$87,428, \$51,372, and \$51,354, respectively and equaled the required contributions for each year.

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Note 15–Other Postemployment Benefits - Health Insurance:

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, the spouse may continue coverage through COBRA only. Retirees that are medicare eligible may not continue medical benefits.

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

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

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

B. Funding Policy

The funding policies of both groups of retirees are described above. The Schools currently have 12 retirees and 4 spouses on its plan. The County has 3 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, 2013

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

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

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the 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	\$ 216,904	\$ 89,700
Interest on net OPEB obligation	10,557	-
Adjustment to annual required contribution	(16,162)	-
Annual OPEB cost (expense)	<u>\$ 211,299</u>	<u>\$ 89,700</u>
Contributions made	(67,800)	(89,700)
Increase in net OPEB obligation	\$ 143,499	\$ -
Net OPEB obligation-beginning of year	223,213	-
Net OPEB obligation-end of year	<u>\$ 366,712</u>	<u>\$ -</u>

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 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2011	\$ 96,200	56.55%	\$ 152,251
6/30/2012	122,562	42.10%	223,213
6/30/2013	211,299	32.09%	366,712
Schools:			
6/30/2011	\$ 270,700	100.00%	-
6/30/2012	255,600	100.00%	-
6/30/2013	89,700	100.00%	-

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

D. Funded Status and Funding Progress

As of June 30, 2012, most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$1,786,100, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,145,500, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 155.92 percent.

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

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

E. Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2013 using Scale AA.

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2013

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

E. Actuarial Methods and Assumptions (Continued)

Healthcare cost trend rate -The actuarial includes a healthcare cost trend rate of 7.50% in 2013 graded down to 4.83% in 2083. The healthcare cost trend rate selected is consistent with prevalent practices. The actuary used medical trend with information from the Getzen Trend Model, Milliman's Health Cost Guidelines and actuarial judgment. These trend rates do not include the effects of changes in demographics of the covered group.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The actuarial has a payroll growth of 3.75%. The remaining amortization period for the County at June 30, 2009 was thirty years. The remaining amortization period for the School Board at June 30, 2013 was 10.57 years.

Note 16-Restatement of Beginning Net Position:

The following adjustment was made to beginning net position at June 30, 2013:

	<u>Primary Government- Governmental Activities</u>
Net position as previously reported at June 30, 2012	\$ 5,489,725
Adjustment to expenses issuance costs on debt previous deferred and amortized in accordance with implementation of GASB 65 on July 1, 2012	<u>(422,393)</u>
Net position as restated July 1, 2012	<u>\$ 5,067,332</u>

Note 17-Upcoming Pronouncements:

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

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 12,892,550	\$ 12,892,550	\$ 13,091,774	\$ 199,224
Other local taxes	2,453,000	2,453,000	2,064,024	(388,976)
Permits, privilege fees, and regulatory licenses	50,900	50,900	53,129	2,229
Fines and forfeitures	20,000	20,000	723	(19,277)
Revenue from the use of money and property	6,000	36,000	39,561	3,561
Charges for services	407,500	407,500	333,277	(74,223)
Miscellaneous	34,500	26,210	66,073	39,863
Recovered costs	46,500	46,500	49,970	3,470
Intergovernmental revenues:				
Commonwealth	3,655,332	3,639,332	3,483,097	(156,235)
Federal	1,087,694	1,061,994	1,182,997	121,003
Total revenues	<u>\$ 20,653,976</u>	<u>\$ 20,633,986</u>	<u>\$ 20,364,625</u>	<u>\$ (269,361)</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,870,082	\$ 1,984,784	\$ 1,661,413	\$ 323,371
Judicial administration	662,605	631,699	640,070	(8,371)
Public safety	3,934,428	4,237,084	4,237,084	-
Public works	1,287,135	1,670,381	1,372,443	297,938
Health and welfare	2,771,313	2,861,313	2,126,837	734,476
Education	5,896,744	5,968,227	5,657,354	310,873
Parks, recreation, and cultural	414,911	433,515	433,515	-
Community development	95,545	86,337	78,596	7,741
Debt service:				
Principal retirement	2,266,827	2,266,827	1,383,786	883,041
Bond issuance costs	-	13,000	-	13,000
Interest and other fiscal charges	-	-	1,602,603	(1,602,603)
Total expenditures	<u>\$ 20,199,590</u>	<u>\$ 20,153,167</u>	<u>\$ 19,193,701</u>	<u>\$ 959,466</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 454,386</u>	<u>\$ 480,819</u>	<u>\$ 1,170,924</u>	<u>\$ 690,105</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (454,386)	\$ (454,386)	\$ (721,319)	\$ (266,933)
Total other financing sources (uses)	<u>\$ (454,386)</u>	<u>\$ (454,386)</u>	<u>\$ (721,319)</u>	<u>\$ (266,933)</u>
Net change in fund balances	\$ -	\$ 26,433	\$ 449,605	\$ 423,172
Fund balances - beginning	-	-	2,620,214	2,620,214
Fund balances - ending	<u>\$ -</u>	<u>\$ 26,433</u>	<u>\$ 3,069,819</u>	<u>\$ 3,043,386</u>

County of Essex, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2013

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/2012	\$ 10,629,537	\$ 12,125,971	1,496,434	87.66%	\$ 3,044,790	49.15%
6/30/2011	10,498,047	11,702,990	1,204,943	89.70%	2,813,798	42.82%
6/30/2010	10,082,202	11,074,505	992,303	91.04%	2,685,512	36.95%
6/30/2009	9,922,881	10,215,591	292,710	97.13%	2,631,999	11.12%
6/30/2008	9,722,245	9,741,035	18,790	99.81%	2,499,246	0.75%
6/30/2007	8,771,925	8,928,843	156,918	98.24%	2,339,918	6.71%
6/30/2006	7,801,682	8,210,115	408,433	95.03%	2,272,077	17.98%
6/30/2005	7,394,828	8,046,993	652,165	91.90%	2,106,508	30.96%
6/30/2004	7,259,859	7,152,839	(107,020)	101.50%	2,098,828	-5.10%
6/30/2003	7,126,371	6,638,813	(487,558)	107.34%	1,935,080	-25.20%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

6/30/2012	\$ 3,334,796	\$ 4,296,050	\$ 961,254	77.62%	\$ 815,218	117.91%
6/30/2011	3,377,127	4,205,391	828,264	80.30%	857,006	96.65%
6/30/2010	3,337,816	3,813,663	475,847	87.52%	909,049	52.35%
6/30/2009	3,305,008	3,607,332	302,324	91.62%	944,948	31.99%
6/30/2008	3,217,928	3,377,441	159,513	95.28%	927,558	17.20%
6/30/2007	2,893,711	3,073,160	179,449	94.16%	911,540	19.69%
6/30/2006	2,545,467	2,774,236	228,769	91.75%	834,880	27.40%
6/30/2005	2,368,113	2,713,219	345,106	87.28%	841,800	41.00%
6/30/2004	2,258,487	2,424,817	166,330	93.14%	748,216	22.23%
6/30/2003	2,196,943	2,291,359	94,416	95.88%	728,452	12.96%

County of Essex, Virginia
 Schedule of OPEB Funding Progress
 For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
County:						
6/30/2009	\$ -	\$ 1,453,700	\$ 1,453,700	0.00%	\$ 2,605,847	55.79%
6/30/2012	-	1,786,100	1,786,100	0.00%	1,145,500	155.92%
Schools:						
6/30/2009	\$ -	\$ 2,123,300	\$ 2,123,300	0.00%	\$ 10,690,800	19.86%
6/30/2011	-	1,859,900	1,859,900	0.00%	9,713,900	19.15%
6/30/2013	-	825,300	825,300	0.00%	9,009,100	9.16%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of Essex, Virginia
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2013

	School Construction Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$	-	\$ 23,000	\$ 23,304	\$ 304
Miscellaneous		-	-	10,272	10,272
Total revenues	\$	-	\$ 23,000	\$ 33,576	\$ 10,576
EXPENDITURES					
Current:					
Capital projects	\$	-	\$ 7,855,361	\$ 9,332,322	\$ (1,476,961)
Total expenditures	\$	-	\$ 7,855,361	\$ 9,332,322	\$ (1,476,961)
Excess (deficiency) of revenues over (under) expenditures	\$	-	\$ (7,832,361)	\$ (9,298,746)	\$ (1,466,385)
Net change in fund balances	\$	-	\$ (7,832,361)	\$ (9,298,746)	\$ (1,466,385)
Fund balances - beginning		-	7,832,361	17,977,887	10,145,526
Fund balances - ending	\$	-	-	\$ 8,679,141	\$ 8,679,141

County of Essex, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ (377)	\$ 9,224	\$ 7,003	\$ 1,844
Accounts receivable	-	3,058	-	3,058
Total assets	<u>\$ (377)</u>	<u>\$ 12,282</u>	<u>\$ 7,003</u>	<u>\$ 4,902</u>
Liabilities:				
Amounts held for social services clients	<u>\$ (377)</u>	<u>\$ 12,282</u>	<u>\$ 7,003</u>	<u>\$ 4,902</u>

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Essex, Virginia
 Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2013

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,507,502	\$ 156,733	\$ 1,664,235
Receivables (net of allowance for uncollectibles):			
Accounts receivable	-	1,825	1,825
Due from other governmental units	438,511	-	438,511
Inventories	-	17,169	17,169
Prepaid items	86,679	-	86,679
Total assets	<u>\$ 2,032,692</u>	<u>\$ 175,727</u>	<u>\$ 2,208,419</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 74,507	\$ 3,352	\$ 77,859
Accrued liabilities	1,507,501	46,758	1,554,259
Due to other governmental units	450,684	-	450,684
Total liabilities	<u>\$ 2,032,692</u>	<u>\$ 50,110</u>	<u>\$ 2,082,802</u>
Fund balances:			
Nonspendable	\$ 86,679	\$ 17,169	\$ 103,848
Committed	-	108,448	108,448
Unassigned	(86,679)	-	(86,679)
Total fund balances	<u>\$ -</u>	<u>\$ 125,617</u>	<u>\$ 125,617</u>
Total liabilities and fund balances	<u>\$ 2,032,692</u>	<u>\$ 175,727</u>	<u>\$ 2,208,419</u>

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

Total fund balances per above	\$ 125,617
-------------------------------	------------

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

Capital assets, cost	\$ 10,114,153	
Accumulated depreciation	(4,773,546)	5,340,607

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	\$ (62,332)	(62,332)
----------------------	-------------	----------

Net position of governmental activities	\$ 5,403,892
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County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,272	\$ 220	\$ 2,492
Charges for services	9,000	174,300	183,300
Miscellaneous	9,452	-	9,452
Recovered costs	153,558	-	153,558
Intergovernmental revenues:			
Local government	5,650,918	-	5,650,918
Commonwealth	8,047,437	18,082	8,065,519
Federal	1,458,401	573,171	2,031,572
Total revenues	\$ 15,331,038	\$ 765,773	\$ 16,096,811
EXPENDITURES			
Current:			
Education	\$ 15,331,038	\$ 756,771	\$ 16,087,809
Total expenditures	\$ 15,331,038	\$ 756,771	\$ 16,087,809
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 9,002	\$ 9,002
Net change in fund balances	\$ -	\$ 9,002	\$ 9,002
Fund balances - beginning	-	116,615	116,615
Fund balances - ending	\$ -	\$ 125,617	\$ 125,617

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	\$ 9,002
--	----------

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

Capital asset, additions	\$ 78,590	
Transfer of joint tenancy assets to Component Unit from Primary Government	620,494	
Depreciation expense	(471,180)	227,904

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

The following is a summary of items supporting this adjustment:

(Increase)decrease in compensated absences	\$ (14,371)	(14,371)
--	-------------	----------

Change in net position of governmental activities	\$ 222,535
---	------------

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, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 9,000	\$ 9,000	\$ 2,272	\$ (6,728)
Charges for services	8,000	8,000	9,000	1,000
Miscellaneous	82,808	8,326	9,452	1,126
Recovered costs	60,000	113,000	153,558	40,558
Intergovernmental revenues:				
Local government	5,890,308	5,961,791	5,650,918	(310,873)
Commonwealth	8,254,424	8,254,424	8,047,437	(206,987)
Federal	1,363,998	1,543,997	1,458,401	(85,596)
Total revenues	<u>\$ 15,668,538</u>	<u>\$ 15,898,538</u>	<u>\$ 15,331,038</u>	<u>\$ (567,500)</u>
EXPENDITURES				
Current:				
Education	\$ 15,668,538	\$ 15,898,538	\$ 15,331,038	\$ 567,500
Total expenditures	<u>\$ 15,668,538</u>	<u>\$ 15,898,538</u>	<u>\$ 15,331,038</u>	<u>\$ 567,500</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2013

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 160	\$ 160	\$ 220	\$ 60
Charges for services	214,740	214,740	174,300	(40,440)
Intergovernmental revenues:				
Commonwealth	17,879	17,879	18,082	203
Federal	448,291	541,790	573,171	31,381
Total revenues	<u>\$ 681,070</u>	<u>\$ 774,569</u>	<u>\$ 765,773</u>	<u>\$ (8,796)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 681,070</u>	<u>\$ 774,569</u>	<u>\$ 756,771</u>	<u>\$ 17,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,002</u>	<u>\$ 9,002</u>
Net change in fund balances	\$ -	\$ -	\$ 9,002	\$ 9,002
Fund balances - beginning	-	-	116,615	116,615
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,617</u>	<u>\$ 125,617</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, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,673,000	\$ 10,673,000	\$ 10,514,864	\$ (158,136)
Real and personal public service corporation taxes	240,000	240,000	287,864	47,864
Personal property taxes	1,657,900	1,657,900	1,820,273	162,373
Mobile home taxes	-	-	32,056	32,056
Machinery and tools taxes	56,000	56,000	58,272	2,272
Merchant's capital taxes	67,150	67,150	76,565	9,415
Penalties	128,500	128,500	161,771	33,271
Interest	70,000	70,000	140,109	70,109
Total general property taxes	<u>\$ 12,892,550</u>	<u>\$ 12,892,550</u>	<u>\$ 13,091,774</u>	<u>\$ 199,224</u>
Other local taxes:				
Local sales and use taxes	\$ 1,868,000	\$ 1,868,000	\$ 1,556,841	\$ (311,159)
Consumers' utility taxes	300,000	300,000	237,950	(62,050)
Motor vehicle licenses	240,000	240,000	244,339	4,339
Taxes on recordation and wills	45,000	45,000	24,894	(20,106)
Total other local taxes	<u>\$ 2,453,000</u>	<u>\$ 2,453,000</u>	<u>\$ 2,064,024</u>	<u>\$ (388,976)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 7,260	\$ (740)
Transfer fees	500	500	403	(97)
Permits and other licenses	42,400	42,400	45,466	3,066
Total permits, privilege fees, and regulatory licenses	<u>\$ 50,900</u>	<u>\$ 50,900</u>	<u>\$ 53,129</u>	<u>\$ 2,229</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 723	\$ (19,277)
Revenue from use of money and property:				
Revenue from use of money	\$ 6,000	\$ 4,000	\$ 8,981	\$ 4,981
Revenue from use of property	-	32,000	30,580	(1,420)
Total revenue from use of money and property	<u>\$ 6,000</u>	<u>\$ 36,000</u>	<u>\$ 39,561</u>	<u>\$ 3,561</u>
Charges for services:				
Charges for courthouse maintenance	14,500	14,500	6,308	(8,192)
Criminal/traffic cases fees-security	55,000	55,000	44,395	(10,605)
Charges for correction and detention	2,000	2,000	1,267	(733)
Charges for Commonwealth's Attorney	500	500	898	398
Charges for community development	1,500	1,500	105	(1,395)
Charges for EMS	300,000	300,000	256,589	(43,411)
Charges for selective enforcement	15,000	15,000	2,992	(12,008)
Charges for parks and recreation	19,000	19,000	18,473	(527)
Charges for water and sewer connection fees	-	-	2,250	2,250
Total charges for services	<u>\$ 407,500</u>	<u>\$ 407,500</u>	<u>\$ 333,277</u>	<u>\$ (74,223)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 34,500	\$ 26,210	\$ 66,073	\$ 39,863
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's erosion and sediment control	3,000	3,000	1,875	(1,125)
Jurors payments	1,500	1,500	-	(1,500)
Sheriff-EHS security	12,000	12,000	18,095	6,095
Total recovered costs	<u>\$ 46,500</u>	<u>\$ 46,500</u>	<u>\$ 49,970</u>	<u>\$ 3,470</u>
Total revenue from local sources	<u>\$ 15,910,950</u>	<u>\$ 15,932,660</u>	<u>\$ 15,698,531</u>	<u>\$ (234,129)</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ -	\$ -	\$ 360,343	\$ 360,343
Mobile home titling tax	5,000	5,000	14,860	9,860
Rolling stock tax	1,100	1,100	539	(561)
Auto rental tax	1,000	1,000	1,586	586
State recordation tax	60,000	60,000	117,018	57,018
Personal property tax relief funds	1,217,231	1,054,000	1,054,171	171
Reduction in aid to local governments	(67,335)	(67,335)	(59,129)	8,206
Total noncategorical aid	<u>\$ 1,216,996</u>	<u>\$ 1,053,765</u>	<u>\$ 1,489,388</u>	<u>\$ 435,623</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 152,700	\$ 152,700	\$ 152,882	\$ 182
Sheriff	568,998	568,998	590,793	21,795
Commissioner of revenue	82,221	82,221	81,017	(1,204)
Treasurer	66,338	66,338	67,112	774
Medical examiner	250	250	-	(250)
Registrar/electoral board	46,500	46,500	35,212	(11,288)
Clerk of the Circuit Court	166,334	166,334	168,879	2,545
Total shared expenses	<u>\$ 1,083,341</u>	<u>\$ 1,083,341</u>	<u>\$ 1,095,895</u>	<u>\$ 12,554</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 654,995	\$ 654,995	\$ 311,208	\$ (343,787)
Emergency medical services - four for life	-	9,500	11,739	2,239
Emergency services	-	13,000	116,128	103,128
Comprehensive services act	550,000	550,000	214,580	(335,420)
Litter control	-	6,000	8,700	2,700
Wireless funds	-	17,000	37,284	20,284
Wireless equipment grant	-	-	149,526	149,526
Disaster relief	-	-	4,503	4,503
State forestry	-	-	1,040	1,040
GIS system grant	150,000	150,000	-	(150,000)
Records preservation	-	14,000	7,075	(6,925)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental Revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
Victim-witness grant	\$ -	\$ 25,000	\$ 4,075	\$ (20,925)
Domestic violence grant	-	40,000	30,422	(9,578)
Fire programs fund	-	22,731	-	(22,731)
Other state funds	-	-	1,534	1,534
Total other categorical aid	<u>\$ 1,354,995</u>	<u>\$ 1,502,226</u>	<u>\$ 897,814</u>	<u>\$ (604,412)</u>
Total categorical aid	<u>\$ 2,438,336</u>	<u>\$ 2,585,567</u>	<u>\$ 1,993,709</u>	<u>\$ (591,858)</u>
Total revenue from the Commonwealth	<u>\$ 3,655,332</u>	<u>\$ 3,639,332</u>	<u>\$ 3,483,097</u>	<u>\$ (156,235)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 7,700</u>	<u>\$ -</u>	<u>\$ 3,131</u>	<u>\$ 3,131</u>
Categorical aid:				
Public assistance and welfare administration	\$ 654,994	\$ 654,994	\$ 647,688	\$ (7,306)
Comprehensive services	-	-	15,573	15,573
Homeland security grant	-	-	16,040	16,040
Transportation safety	-	-	6,674	6,674
Disaster assistance	-	-	18,761	18,761
Victim-witness	-	-	12,227	12,227
Emergency preparedness	-	-	26,632	26,632
Edward Byrne justice assistance grant	-	-	25,766	25,766
Department of justice grant	-	-	3,992	3,992
QSCB Interest subsidy	425,000	407,000	406,513	(487)
Total categorical aid	<u>\$ 1,079,994</u>	<u>\$ 1,061,994</u>	<u>\$ 1,179,866</u>	<u>\$ 117,872</u>
Total revenue from the federal government	<u>\$ 1,087,694</u>	<u>\$ 1,061,994</u>	<u>\$ 1,182,997</u>	<u>\$ 121,003</u>
Total General Fund	<u>\$ 20,653,976</u>	<u>\$ 20,633,986</u>	<u>\$ 20,364,625</u>	<u>\$ (269,361)</u>
Special Revenue Fund:				
County Special Revenue Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 563	\$ 563
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563</u>	<u>\$ 563</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 23,000	\$ 23,304	\$ 304
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 10,272	\$ 10,272
Total revenue from local sources	\$ -	\$ 23,000	\$ 33,576	\$ 10,576
Total School Construction Fund	\$ -	\$ 23,000	\$ 33,576	\$ 10,576
Total Primary Government	\$ 20,653,976	\$ 20,656,986	\$ 20,398,764	\$ (258,222)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 9,000	\$ 9,000	\$ 2,272	\$ (6,728)
Charges for services:				
Charges for education	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Tuition and payments from other divisions	2,000	2,000	3,000	1,000
Total charges for services	\$ 8,000	\$ 8,000	\$ 9,000	\$ 1,000
Miscellaneous revenue:				
Miscellaneous	\$ 82,808	\$ 8,326	\$ 9,452	\$ 1,126
Recovered costs:				
E-rates	\$ 55,000	\$ 105,000	\$ 150,508	\$ 45,508
Other recovered costs	5,000	8,000	3,050	(4,950)
Total recovered costs	\$ 60,000	\$ 113,000	\$ 153,558	\$ 40,558
Total revenue from local sources	\$ 159,808	\$ 138,326	\$ 174,282	\$ 35,956
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 5,890,308	\$ 5,961,791	\$ 5,650,918	\$ (310,873)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,660,652	\$ 1,660,652	\$ 1,660,847	\$ 195
Basic school aid	3,959,959	3,959,959	3,797,874	(162,085)
Remedial summer education	40,787	40,787	61,047	20,260
Gifted and talented	40,962	40,962	39,666	(1,296)

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental Revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 223,512	\$ 223,512	\$ 216,441	\$ (7,071)
Special education	514,702	514,702	506,954	(7,748)
Textbook payment	79,903	79,903	77,375	(2,528)
Mentor teacher program	-	-	2,943	2,943
GED funding	7,859	7,859	7,859	-
Vocational education	83,706	83,706	87,874	4,168
School fringes	675,880	675,880	654,496	(21,384)
Early reading intervention	24,635	24,635	22,875	(1,760)
At risk payments	290,887	290,887	403,292	112,405
Primary class size	252,702	252,702	241,596	(11,106)
Technology	154,000	154,000	155,576	1,576
National board certification	-	-	5,000	5,000
At risk four-year olds	125,119	125,119	-	(125,119)
SOL Algebra readiness	25,305	25,305	25,137	(168)
English as a second language	9,745	9,745	9,745	-
Other state aid	84,109	84,109	70,840	(13,269)
Total categorical aid	<u>\$ 8,254,424</u>	<u>\$ 8,254,424</u>	<u>\$ 8,047,437</u>	<u>\$ (206,987)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 477,322	\$ 477,322	\$ 378,347	\$ (98,975)
Title VI-B	381,005	531,004	490,245	(40,759)
Title VI-B - rural and low income	31,873	31,873	29,269	(2,604)
Preschool grant	19,080	19,080	26,878	7,798
Vocational education	31,863	31,863	34,435	2,572
Title III	2,126	2,126	-	(2,126)
School improvement	361,811	361,811	383,428	21,617
Title II-A	55,788	85,788	115,799	30,011
Title II-D	3,130	3,130	-	(3,130)
Total categorical aid	<u>\$ 1,363,998</u>	<u>\$ 1,543,997</u>	<u>\$ 1,458,401</u>	<u>\$ (85,596)</u>
Total School Operating Fund	<u>\$ 15,668,538</u>	<u>\$ 15,898,538</u>	<u>\$ 15,331,038</u>	<u>\$ (567,500)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 160	\$ 160	\$ 220	\$ 60
Charges for services:				
Cafeteria sales	\$ 214,740	\$ 214,740	\$ 174,300	\$ (40,440)
Total revenue from local sources	\$ 214,900	\$ 214,900	\$ 174,520	\$ (40,380)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 17,879	\$ 17,879	\$ 18,082	\$ 203
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 448,291	\$ 498,291	\$ 529,672	\$ 31,381
Commodities	-	43,499	43,499	-
Total categorical aid	\$ 448,291	\$ 541,790	\$ 573,171	\$ 31,381
Total revenue from the federal government	\$ 448,291	\$ 541,790	\$ 573,171	\$ 31,381
Total School Cafeteria Fund	\$ 681,070	\$ 774,569	\$ 765,773	\$ (8,796)
Total Discretely Presented Component Unit - School Board	\$ 16,349,608	\$ 16,673,107	\$ 16,096,811	\$ (576,296)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 1,703,469	\$ 822,565	\$ 499,194	\$ 323,371
General and financial administration:				
County administrator	\$ 445,226	\$ 444,906	\$ 444,906	\$ -
Commissioner of revenue	262,268	269,298	269,298	-
Independent Auditor	39,000	63,411	63,411	-
Treasurer	223,884	244,732	244,732	-
Assessor	85,500	28,515	28,515	-
Total general and financial administration	<u>\$ 1,055,878</u>	<u>\$ 1,050,862</u>	<u>\$ 1,050,862</u>	<u>\$ -</u>
Board of elections:				
Electoral board and officials	\$ 24,587	\$ 21,377	\$ 21,377	\$ -
Registrar	86,148	89,980	89,980	-
Total board of elections	<u>\$ 110,735</u>	<u>\$ 111,357</u>	<u>\$ 111,357</u>	<u>\$ -</u>
Total general government administration	<u>\$ 2,870,082</u>	<u>\$ 1,984,784</u>	<u>\$ 1,661,413</u>	<u>\$ 323,371</u>
Judicial administration:				
Courts:				
Circuit court	\$ 19,538	\$ 18,394	\$ 18,394	\$ -
General district court	6,219	7,728	7,728	-
Sheriff	32,131	59,800	59,800	-
Juvenile and domestic relations court	83,135	31,778	31,778	-
Northern Neck Essex County Group Home Commission	4,885	(3,486)	4,885	(8,371)
Clerk of the circuit court	261,499	256,451	256,451	-
Total courts	<u>\$ 407,407</u>	<u>\$ 370,665</u>	<u>\$ 379,036</u>	<u>\$ (8,371)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 255,198	\$ 261,034	\$ 261,034	\$ -
Total judicial administration	<u>\$ 662,605</u>	<u>\$ 631,699</u>	<u>\$ 640,070</u>	<u>\$ (8,371)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,130,467	\$ 1,103,902	\$ 1,103,902	\$ -
Fire and rescue services:				
Fire department	\$ 149,485	\$ 156,165	\$ 156,165	\$ -
Ambulance and rescue services	1,043,685	1,092,159	1,092,159	-
Forestry service	7,114	7,114	7,114	-
Total fire and rescue services	<u>\$ 1,200,284</u>	<u>\$ 1,255,438</u>	<u>\$ 1,255,438</u>	<u>\$ -</u>
Correction and detention:				
Sheriff	\$ 1,178,756	\$ 1,281,352	\$ 1,281,352	\$ -
Inspections:				
Building	\$ 224,520	\$ 371,930	\$ 371,930	\$ -

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 141,982	\$ 156,653	\$ 156,653	\$ -
Emergency services	58,169	67,789	67,789	-
Medical examiner	250	20	20	-
Total other protection	<u>\$ 200,401</u>	<u>\$ 224,462</u>	<u>\$ 224,462</u>	<u>\$ -</u>
Total public safety	<u>\$ 3,934,428</u>	<u>\$ 4,237,084</u>	<u>\$ 4,237,084</u>	<u>\$ -</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 678,491	\$ 993,106	\$ 695,168	\$ 297,938
Refuse collection	188,670	5,016	5,016	-
Total sanitation and waste removal	<u>\$ 867,161</u>	<u>\$ 998,122</u>	<u>\$ 700,184</u>	<u>\$ 297,938</u>
Maintenance of general buildings and grounds:				
General properties	\$ 419,974	\$ 672,259	\$ 672,259	\$ -
Total public works	<u>\$ 1,287,135</u>	<u>\$ 1,670,381</u>	<u>\$ 1,372,443</u>	<u>\$ 297,938</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 108,155	\$ 108,155	\$ 108,155	\$ -
Mental health and mental retardation:				
Community services board	\$ 32,553	\$ 32,553	\$ 32,553	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,786,253	\$ 1,786,253	\$ 1,452,563	\$ 333,690
Bay transit	94,352	94,352	94,352	-
Comprehensive services act	750,000	840,000	439,214	400,786
Total welfare	<u>\$ 2,630,605</u>	<u>\$ 2,720,605</u>	<u>\$ 1,986,129</u>	<u>\$ 734,476</u>
Total health and welfare	<u>\$ 2,771,313</u>	<u>\$ 2,861,313</u>	<u>\$ 2,126,837</u>	<u>\$ 734,476</u>
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 6,436	\$ 6,436	\$ 6,436	\$ -
Contribution to County School Board	5,890,308	5,961,791	5,650,918	310,873
Total education	<u>\$ 5,896,744</u>	<u>\$ 5,968,227</u>	<u>\$ 5,657,354</u>	<u>\$ 310,873</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 138,462	\$ 171,157	\$ 171,157	\$ -
Swimming pool and park	95,120	69,869	69,869	-
Total parks and recreation	<u>\$ 233,582</u>	<u>\$ 241,026</u>	<u>\$ 241,026</u>	<u>\$ -</u>

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<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	\$ 18,500	\$ 18,500	\$ 18,500	\$ -
Library:				
Contribution to county library	\$ 162,829	\$ 173,989	\$ 173,989	\$ -
Total parks, recreation, and cultural	\$ 414,911	\$ 433,515	\$ 433,515	\$ -
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 16,300	\$ 16,300	\$ 16,300	\$ -
Environmental management:				
Contribution to soil and water conservation district	\$ 11,025	\$ 11,025	\$ 11,025	\$ -
Litter control program	2,000	2,000	2,243	(243)
Other environmental management	22,253	22,253	14,269	7,984
Total environmental management	\$ 35,278	\$ 35,278	\$ 27,537	\$ 7,741
Cooperative extension program:				
Extension office	\$ 43,967	\$ 34,759	\$ 34,759	\$ -
Total community development	\$ 95,545	\$ 86,337	\$ 78,596	\$ 7,741
Debt service:				
Principal retirement	\$ 2,266,827	\$ 2,266,827	\$ 1,383,786	\$ 883,041
Interest and other fiscal charges	-	-	1,602,603	(1,602,603)
Bond issuance cost	-	13,000	-	13,000
Total debt service	\$ 2,266,827	\$ 2,279,827	\$ 2,986,389	\$ (706,562)
Total General Fund	\$ 20,199,590	\$ 20,153,167	\$ 19,193,701	\$ 959,466
School Construction Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 7,855,361	\$ 9,332,322	\$ (1,476,961)
Total Primary Government	\$ 20,199,590	\$ 28,008,528	\$ 28,526,023	\$ (517,495)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 963,574	\$ 968,574	\$ 932,447	\$ 36,127
Instruction costs	12,181,363	12,404,365	12,076,916	327,449
Pupil transportation	1,183,743	1,185,742	1,118,328	67,414
Operation and maintenance of school plant	1,339,858	1,339,857	1,203,347	136,510
Total education	<u>\$ 15,668,538</u>	<u>\$ 15,898,538</u>	<u>\$ 15,331,038</u>	<u>\$ 567,500</u>
Total School Operating Fund	<u>\$ 15,668,538</u>	<u>\$ 15,898,538</u>	<u>\$ 15,331,038</u>	<u>\$ 567,500</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 681,070	\$ 731,070	\$ 713,272	\$ 17,798
Commodities	-	43,499	43,499	-
Total school food services	<u>\$ 681,070</u>	<u>\$ 774,569</u>	<u>\$ 756,771</u>	<u>\$ 17,798</u>
Total education	<u>\$ 681,070</u>	<u>\$ 774,569</u>	<u>\$ 756,771</u>	<u>\$ 17,798</u>
Total School Cafeteria Fund	<u>\$ 681,070</u>	<u>\$ 774,569</u>	<u>\$ 756,771</u>	<u>\$ 17,798</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,349,608</u>	<u>\$ 16,673,107</u>	<u>\$ 16,087,809</u>	<u>\$ 585,298</u>

OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	County of Essex, Virginia Government-Wide Expenses by Function Last Ten Fiscal Years										Total
	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt		
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	1,272,056	578,040	2,276,421	1,233,508	1,767,963	5,220,049	316,237	49,916	421,341	13,135,531	
2005-06	1,806,010	702,243	2,588,662	1,173,164	2,249,567	5,139,957	421,983	57,745	429,931	14,569,262	
2006-07	1,680,451	737,022	2,762,429	1,327,043	2,256,548	5,757,576	469,444	64,931	955,334	16,010,778	
2007-08	1,882,055	770,077	2,830,590	1,157,611	3,056,909	5,052,164	411,997	1,063,524	883,657	17,108,584	
2008-09	1,568,632	700,133	3,451,014	1,354,988	2,645,966	8,194,820	427,867	91,643	1,046,589	19,481,652	
2009-10	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149	
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575	
2011-12	1,706,609	681,831	4,064,725	1,331,201	2,189,764	6,723,619	415,389	86,752	1,500,339	18,700,229	
2012-13	1,601,134	706,845	4,263,572	1,456,944	2,157,151	6,694,654	402,704	76,721	1,274,412	18,634,137	

Table 2

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

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			
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	387,129	3,173,575	-	7,345,504	2,351,868	61,747	23,737	1,115,202	14,458,762		
2005-06	315,666	2,536,302	-	7,954,220	2,790,987	110,792	35,161	1,243,410	14,986,538		
2006-07	254,479	2,781,182	-	8,961,879	2,959,126	480,937	71,592	1,179,123	16,688,318		
2007-08	305,834	3,649,195	214,103	10,104,272	2,723,813	138,994	132,002	1,190,595	18,458,808		
2008-09	216,826	3,245,589	208,140	10,638,177	2,581,539	54,714	67,214	1,066,074	18,078,273		
2009-10	207,305	2,854,011	-	10,726,095	2,136,779	39,235	85,746	1,453,937	17,503,108		
2010-11	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416		
2011-12	434,701	2,692,852	-	12,293,636	2,129,390	101,251	30,441	1,438,719	19,120,990		
2012-13	387,129	3,173,575	-	12,865,179	2,064,024	62,865	76,908	1,492,519	20,122,199		

Table 3

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

Fiscal Year	General Government Administration				Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
	\$	\$	\$	\$								
2003-04	1,188,244	514,059	2,117,068	1,337,864	1,662,231	13,146,496	292,555	61,135	970,811	21,290,463		
2004-05	1,283,740	520,491	2,297,532	1,283,460	1,818,040	13,669,677	316,073	49,916	1,048,292	22,287,221		
2005-06	2,566,088	643,287	2,588,658	1,218,893	2,245,207	14,481,828	401,242	57,745	1,049,188	25,252,136		
2006-07	1,615,589	687,338	2,718,932	1,255,696	2,255,040	15,393,625	472,872	64,931	1,595,676	26,059,699		
2007-08	1,854,877	705,787	3,225,150	1,373,317	3,074,857	16,415,089	419,815	81,674	1,631,400	28,781,966		
2008-09	1,561,628	635,967	6,059,597	1,386,767	2,640,100	17,113,270	422,557	91,643	2,531,253	32,442,782		
2009-10	1,516,867	705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685		
2010-11	1,836,494	696,193	3,721,774	1,211,682	2,542,294	16,171,436	443,490	63,246	1,894,696	28,581,305		
2011-12	1,676,226	661,423	3,660,306	1,280,425	2,159,172	16,514,738	391,855	89,252	9,311,473	35,744,870		
2012-13	1,661,413	640,070	4,237,084	1,372,443	2,126,837	16,094,245	433,515	78,596	2,986,389	29,630,592		

(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.

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
2003-04	\$ 6,767,686	\$ 2,021,596	\$ 77,979	\$ 36,320	\$ 62,003	\$ 353,044	\$ 368,369	\$ 62,893	\$ 11,462,450	\$ 21,212,340
2004-05	7,311,584	2,351,868	107,142	45,812	66,119	380,864	129,467	80,724	11,868,105	22,341,685
2005-06	7,936,224	2,790,987	133,626	31,953	113,892	406,127	119,477	45,749	12,351,867	23,929,902
2006-07	8,955,083	2,959,126	127,766	22,451	158,986	362,006	150,669	37,001	14,183,804	26,956,892
2007-08	9,944,811	2,723,813	149,560	26,643	135,976	392,803	248,544	57,273	15,296,604	28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449
2010-11	11,396,506	2,036,898	53,796	19,104	89,158	316,073	76,163	164,932	14,321,871	28,474,501
2011-12	12,035,208	2,129,390	55,316	11,198	80,357	565,775	54,251	135,576	14,388,805	29,455,876
2012-13	13,091,774	2,064,024	53,129	723	42,053	516,577	76,088	203,528	14,763,185	30,811,081

(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
2003-04	\$ 7,900,376	\$ 7,571,684	95.84%	\$ 104,501	\$ 7,676,185	97.16%	\$ 624,008	7.90%
2004-05	8,253,021	7,925,141	96.03%	209,930	8,135,071	98.57%	595,900	7.22%
2005-06	8,332,662	8,632,952	103.60%	50,903	8,683,855	104.21%	743,774	8.93%
2006-07	10,103,491	9,482,844	93.86%	274,547	9,757,391	96.57%	766,958	7.59%
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,350,599	11.06%
2011-12	13,667,004	12,518,036	91.59%	271,965	12,790,001	93.58%	1,542,285	11.28%
2012-13	13,825,984	13,144,229	95.07%	699,836	13,844,065	100.13%	1,480,509	10.71%

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

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Merchant's Capital	Public Utility (2)		Total
					Real Estate	Personal Property	
2003-04	\$ 787,924,966	\$ 74,416,595	\$ 3,048,121	\$ 1,131,318	\$ 32,931,405	\$ 99,116	\$ 899,551,521
2004-05	809,803,080	73,567,793	3,042,496	1,232,474	28,711,283	90,467	916,447,593
2005-06	843,771,375	80,431,913	2,864,967	1,310,886	25,350,924	68,638	953,798,703
2006-07	866,975,291	88,602,590	1,145,886	1,534,735	22,814,835	87,574	981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642	1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107	1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997
2010-11	1,492,473,385	85,051,484	1,633,681	1,759,440	39,121,599	81,257	1,620,120,846
2011-12	1,505,791,681	88,167,722	1,689,475	1,815,583	37,440,722	83,997	1,634,989,180
2012-13	1,250,196,928	88,542,338	1,664,900	2,057,170	40,960,386	91,137	1,383,512,859

(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
2003-04	\$ 0.58/0.70	\$ 0.58	\$ 3.50	\$ 3.75	\$ 3.50
2004-05	0.68	0.70	3.50	3.75	3.50
2005-06	0.68/0.78	0.68	3.50	3.75	3.50
2006-07	0.78	0.78	3.50	3.75	3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.605	0.53	3.50	3.75	3.50
2010-11	0.605	0.605	3.50	3.75	3.50
2011-12	0.695	0.605	3.50	3.75	3.50
2012-13	0.695/.84	0.695	3.50	3.75	3.50

(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
2003-04	9,989	\$ 899,551,521	\$ 8,058,212	\$ 8,058,212	0.90%	\$ 807
2004-05	9,989	916,447,593	7,470,811	7,470,811	0.82%	748
2005-06	9,989	953,798,703	8,981,726	8,981,726	0.94%	899
2006-07	9,989	981,160,911	16,681,092	16,681,092	1.70%	1,670
2007-08	9,989	1,603,457,440	18,914,280	18,914,280	1.18%	1,894
2008-09	9,989	1,613,936,980	17,780,609	17,780,609	1.10%	1,780
2009-10	11,151	1,627,201,997	17,050,985	17,050,985	1.05%	1,529
2010-11	11,151	1,620,120,846	16,269,670	16,269,670	1.00%	1,459
2011-12	11,151	1,634,989,180	34,711,478	34,711,478	2.12%	3,113
2012-13	11,151	1,383,512,859	33,523,059	33,523,059	2.42%	3,006

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

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

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

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Essex, Virginia's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
January 7, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2013. County of Essex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Essex, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Essex, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Essex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Richmond, Virginia
January 7, 2014

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950112/0950113	\$ 14,089
Temporary Assistance for Needy Families	93.558	0400112/0400113	131,130
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112/0500113	571
Low Income Home Energy Assistance	93.568	0600412/00600413	6,793
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760112/0760113	19,848
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112/090113	563
Foster Care - Title IV-E	93.658	1100112/1100113	65,627
Adoption Assistance	93.659	1120112/1120113	42,492
Social Services Block Grant	93.667	1000112/1000113	94,940
Chafee Foster Care Independence Program	93.674	9150112/9150113	546
Children's Health Insurance Program	93.767	0540112/0540113	4,507
Medical Assistance Program	93.778	1200112/1200113	105,881
Total Department of Health and Human Services			<u>\$ 486,987</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52749	\$ 26,632
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602	18,761
State Homeland Security Program	97.073	77501-52708	16,040
Total Department of Homeland Security			<u>\$ 61,433</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Food Distribution	10.555	N/A	\$ 43,499
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-45707	392,424
School Breakfast Program	10.553	17901-40591	137,248
			<u>\$ 573,171</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010100	\$ 176,274
Total Department of Agriculture			<u>\$ 749,445</u>

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	60507-50287	\$ 6,674
Department of Justice:			
Direct Payments:			
Other Department of Justice Grant	16.xxx	N/A	\$ 3,992
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	39001-76000	12,227
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	25,766
Total Department of Justice			<u>\$ 41,985</u>
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 378,347
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	490,245
Special Education - Preschool Grants	84.173	17901-62521	26,877
Career and Technical Education - Basic Grants to States	84.048	17901-61095	34,435
Rural Education	84.358	17901- 43481	29,270
Improving Teacher Quality State Grants	84.367	17901-61480	115,799
ARRA - School improvement grants	84.388	17901-42990	383,428
Total Department of Education			<u>\$ 1,458,401</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,804,925</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of Essex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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, 2013. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:		
General Fund	\$	1,182,997
Component Unit School Board:		
School Operating Fund	\$	1,458,401
School Special Revenue Fund		573,171
Total component unit School Board	\$	2,031,572
Total federal expenditures per basic financial statements	\$	3,214,569
Federal interest subsidy	\$	(406,513)
Payments in Lieu of Taxes		(3,131)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	2,804,925

County of Essex, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes ✓ no
 Significant deficiency(ies) identified? yes ✓ none reported
 Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes ✓ no
 Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.388	ARRA - School Improvement Grant

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, 2013

There were no prior year findings and questioned costs.

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