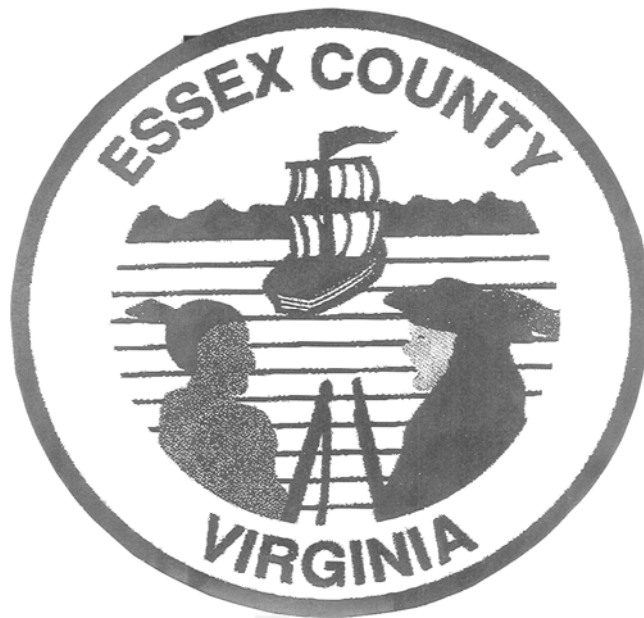


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COUNTY OF ESSEX, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

E. Stanley Langford, Jr., Chairperson
Margaret H. Davis, Vice Chairperson

Sidney N. Johnson

John C. Magruder

School Board

Keren Ellis, Chairperson
Denise Hammond, Vice Chairperson

Jacob Plummer
Larry Lenz

Raymond Whitaker

Department of Social Services Board

Janie Mitchell, Chairperson
Nancy Haynes, Vice Chairperson

Sydney Johnson
Margie Gray
Wright Andrews

Other Officials

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

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COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Essex, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73, and 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding on pages 4-10, 70-71, and 72-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Information (continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, 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
November 30, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Essex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2016.

Financial Highlights

Government-wide Financial Statements

< The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,129,359 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses in the amount of \$4,370,729 (Exhibit 5) after making contributions totaling \$7,102,072 to the School Board.

< As of the close of the current fiscal year; the County's funds reported ending fund balances of \$10,155,789, an increase of \$4,370,729 in comparison with the prior year.

< At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,701,534 or 19% of total general fund expenditures and other financing uses.

< The combined long-term obligations increased by \$1,237,642 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,129,359 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Essex, Virginia's Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 18,772,913	\$ 12,847,438
Capital assets	<u>33,515,604</u>	<u>35,108,498</u>
Total assets	\$ <u>52,288,517</u>	\$ <u>47,955,936</u>
Deferred inflows of resources	\$ <u>511,395</u>	\$ <u>342,507</u>
Current liabilities	\$ 445,349	\$ 527,924
Long-term liabilities outstanding	<u>33,820,675</u>	<u>32,673,493</u>
Total liabilities	\$ <u>34,266,024</u>	\$ <u>33,201,417</u>
Deferred inflows of resources	\$ <u>7,404,529</u>	\$ <u>6,341,701</u>
Net position:		
Net investment in capital assets	\$ 4,595,339	\$ 3,339,253
Restricted for:		
Glebe fund	57,537	200,666
Forfeited assets	84,598	84,740
Law library	7,328	7,329
Asset forfeiture - Comm. Atty	3,455	3,524
Reading program donations	1,300	-
Poor house park	10,000	-
Animal shelter	25,656	-
Capital projects	2,864,317	-
Unrestricted	<u>3,479,829</u>	<u>5,119,813</u>
Total net position	\$ <u><u>11,129,359</u></u>	\$ <u><u>8,755,325</u></u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$2,374,034 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

	Governmental Activities	
	2016	2015
Charges for services	\$ 563,077	\$ 549,536
Operating grants and contributions	3,439,628	3,118,922
General property taxes	15,939,496	14,462,007
Other local taxes	2,494,704	2,242,497
Grants and other contributions not restricted	1,512,974	1,532,152
Other general revenues	395,360	376,183
Total revenues	\$ 24,345,239	\$ 22,281,297
General government administration	\$ 1,623,756	\$ 1,381,868
Judicial administration	726,774	538,448
Public safety	4,443,293	3,890,756
Public works	1,672,349	1,626,640
Health and welfare	2,451,160	1,884,957
Education	8,616,832	9,636,662
Parks, recreation, and cultural	713,163	454,226
Community development	208,534	215,500
Interest and other fiscal charges	1,515,344	1,476,080
Total expenses	\$ 21,971,205	\$ 21,105,137
Change in net position	\$ 2,374,034	\$ 1,176,160
Net position, beginning of year	8,755,325	7,579,165
Net position, end of year	\$ 11,129,359	\$ 8,755,325

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$10,155,789, an increase of \$4,370,729. Approximately 56% 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, budgetary estimates of the General Fund exceeded revenues and other financing sources budgetary estimates in the amount of \$276,785. Expenditures and other financing uses did not exceed budgetary estimates by \$1,432,044, resulting in a positive variance of \$1,155,259.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2016 amounted to \$33,515,604 (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 \$32,202,425. Of this amount, \$18,067,425 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 \$885,531 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2017 fiscal year.

The fiscal year 2017 budget increased approximately 5.3% over the prior year. The County's personal property rate increased from \$3.75 to \$4.00 per \$100. All other tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Position
June 30, 2016

	Primary Government		Component Units	
	Governmental Activities	School Board	EDA	Airport
ASSETS				
Cash and cash equivalents	\$ 6,712,001	\$ 1,507,538	\$ 11,383	\$ 278,394
Cash in custody of others	2,700,976	-	-	-
Investments	-	-	95,785	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,569,496	-	-	-
Accounts receivable	24,727	2,034	-	6,616
Due from other governmental units	765,713	411,207	-	-
Inventories	-	13,005	-	-
Prepaid items	-	-	-	5,324
Capital assets (net of accumulated depreciation):				
Land and land improvements	1,149,371	42,822	-	4,774,900
Buildings and improvements	29,150,751	7,733,798	-	3,604,697
Intangibles	1,501,688	-	-	-
Equipment	1,667,630	531,067	-	17,918
Infrastructure	-	-	-	3,642,621
Construction in progress	46,164	-	-	8,789
Total assets	<u>\$ 52,288,517</u>	<u>\$ 10,241,471</u>	<u>\$ 107,168</u>	<u>\$ 12,339,259</u>
DEFERRED OUTFLOWS OF RESOURCES				
Difference between actual and expected experience related to pension	\$ 143,862	\$ -	\$ -	\$ -
Pension contributions subsequent to measurement date	367,533	1,250,070	-	-
Total deferred outflow of resources	<u>\$ 511,395</u>	<u>\$ 1,250,070</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 105,692	\$ 279,129	\$ -	\$ 268
Accrued liabilities	-	1,595,191	-	4,452
Accrued interest payable	306,662	-	-	-
Unearned revenue	32,995	-	-	-
Long-term liabilities:				
Due within one year	2,107,832	99,916	-	43,202
Due in more than one year	31,712,843	14,139,063	-	944,085
Total liabilities	<u>\$ 34,266,024</u>	<u>\$ 16,113,299</u>	<u>\$ -</u>	<u>\$ 992,007</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 7,039,921	\$ -	\$ -	\$ -
Items related to changes in proportion of net pension liability	-	421,000	-	-
Items related to measurement of net pension liability	364,608	1,174,033	-	-
Total deferred inflow of resources	<u>\$ 7,404,529</u>	<u>\$ 1,595,033</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 4,595,339	\$ 8,020,183	\$ -	\$ 11,061,638
Restricted:				
Glebe fund	57,537	-	-	-
Forfeited assets	84,598	-	-	-
Law library	7,328	-	-	-
Asset forfeiture - Comm. Atty	3,455	-	-	-
Poor house park	10,000	-	-	-
Animal shelter	25,656	-	-	-
Reading program donations	1,300	-	-	-
Capital projects	2,864,317	-	-	-
Unrestricted (deficit)	3,479,829	(14,236,974)	\$ 107,168	285,614
Total net position	<u>\$ 11,129,359</u>	<u>\$ (6,216,791)</u>	<u>\$ 107,168</u>	<u>\$ 11,347,252</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental	Component Units		
					Activities	School Board	EDA	Airport
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,623,756	\$ -	\$ 203,892	\$ -	\$ (1,419,864)			
Judicial administration	726,774	130,829	420,757	-	(175,188)			
Public safety	4,443,293	345,502	920,271	-	(3,177,520)			
Public works	1,672,349	-	7,749	-	(1,664,600)			
Health and welfare	2,451,160	-	1,490,859	-	(960,301)			
Education	8,616,832	-	-	-	(8,616,832)			
Parks, recreation, and cultural	713,163	46,657	-	-	(666,506)			
Community development	208,534	40,089	-	-	(168,445)			
Interest on long-term debt	1,515,344	-	396,100	-	(1,119,244)			
Total governmental activities	\$ 21,971,205	\$ 563,077	\$ 3,439,628	\$ -	\$ (17,968,500)			
Total primary government	\$ 21,971,205	\$ 563,077	\$ 3,439,628	\$ -				
COMPONENT UNITS:								
School Board	\$ 17,244,387	\$ 121,903	\$ 10,154,461	\$ -	\$ (6,968,023)	\$ -	\$ -	\$ -
Economic Development Authority	89,031	-	13,570	-	-	(75,461)	-	-
Airport Authority	781,649	240,228	6,978	270,890	-	-	-	(263,553)
Total component unit	\$ 18,115,067	\$ 362,131	\$ 10,175,009	\$ 270,890	\$ (6,968,023)	\$ (75,461)	\$ -	\$ (263,553)
General revenues:								
General property taxes					\$ 15,939,496	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use tax					1,700,768	-	-	-
Consumers' utility taxes					215,840	-	-	-
Motor vehicle licenses					546,636	-	-	-
Taxes on recordation and wills					31,460	-	-	-
Unrestricted revenues from use of money and property					182,385	3,567	265	-
Miscellaneous					212,975	103,277	12,692	43,767
Payments from Essex County					-	7,738,432	-	80,033
Grants and contributions not restricted to specific programs					1,512,974	-	13,060	-
Total general revenues					\$ 20,342,534	\$ 7,845,276	\$ 26,017	\$ 123,800
Change in net position					2,374,034	877,253	(49,444)	(139,753)
Net position - beginning					8,755,325	(7,094,044)	156,612	11,487,005
Net position - ending					11,129,359	\$ (6,216,791)	\$ 107,168	\$ 11,347,252

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, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,946,192	\$ 163,832	\$ 1,601,977	\$ 6,712,001
Cash in custody of others	-	2,700,976	-	2,700,976
Receivables (net of allowance for uncollectibles):				
Taxes receivable	8,569,496	-	-	8,569,496
Accounts receivable	24,727	-	-	24,727
Due from other governmental units	764,432	-	1,281	765,713
Total assets	<u>\$ 14,304,847</u>	<u>\$ 2,864,808</u>	<u>\$ 1,603,258</u>	<u>\$ 18,772,913</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 91,881	\$ 491	\$ 13,320	\$ 105,692
Unearned revenue	32,995	-	-	32,995
Total liabilities	<u>\$ 124,876</u>	<u>\$ 491</u>	<u>\$ 13,320</u>	<u>\$ 138,687</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 8,478,437	\$ -	\$ -	\$ 8,478,437
Total deferred inflow of resources	<u>\$ 8,478,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,478,437</u>
Fund balances:				
Restricted	\$ -	\$ 2,864,317	\$ 189,874	\$ 3,054,191
Committed				
Debt service funds	-	-	1,400,064	1,400,064
Unassigned	5,701,534	-	-	5,701,534
Total fund balances	<u>\$ 5,701,534</u>	<u>\$ 2,864,317</u>	<u>\$ 1,589,938</u>	<u>\$ 10,155,789</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,304,847</u>	<u>\$ 2,864,808</u>	<u>\$ 1,603,258</u>	<u>\$ 18,772,913</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 10,155,789

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

Capital assets, cost	\$ 47,995,834	
Accumulated depreciation	<u>(14,480,230)</u>	33,515,604

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

Unavailable revenue - property taxes	\$ 1,438,516	
Items related to measurement of net pension liability	<u>(364,608)</u>	1,073,908

Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds. 367,533

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	\$ (14,135,000)	
Literary fund loan	(270,000)	
General obligation bonds	(17,797,425)	
Bond premiums	(982,221)	
Accrued interest payable	(306,662)	
Difference between actual and expected experience for pension	143,862	
Compensated absences	(281,362)	
Net pension liability	<u>(354,667)</u>	(33,983,475)

Net position of governmental activities \$ 11,129,359

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, 2016

	General	Capital Projects	Special Revenue Fund	Total
REVENUES				
General property taxes	\$ 15,795,828	\$ -	\$ -	\$ 15,795,828
Other local taxes	2,494,704	-	-	2,494,704
Permits, privilege fees, and regulatory licenses	48,111	-	-	48,111
Fines and forfeitures	56,372	-	-	56,372
Revenue from the use of money and property	52,083	123,071	7,231	182,385
Charges for services	458,594	-	-	458,594
Miscellaneous	76,317	100,000	36,658	212,975
Recovered costs	86,451	-	-	86,451
Intergovernmental:				
Commonwealth	3,738,658	-	1,681	3,740,339
Federal	1,212,263	-	-	1,212,263
Total revenues	<u>\$ 24,019,381</u>	<u>\$ 223,071</u>	<u>\$ 45,570</u>	<u>\$ 24,288,022</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,675,663	\$ -	\$ -	\$ 1,675,663
Judicial administration	681,139	-	474	681,613
Public safety	4,336,691	-	5,700	4,342,391
Public works	1,678,337	-	-	1,678,337
Health and welfare	2,460,777	-	-	2,460,777
Education	7,117,472	-	-	7,117,472
Parks, recreation, and cultural	635,840	-	150,355	786,195
Community development	252,030	-	-	252,030
Capital projects	-	125,425	-	125,425
Debt service:				
Principal retirement	8,424,469	-	-	8,424,469
Interest and other fiscal charges	1,682,921	-	-	1,682,921
Total expenditures	<u>\$ 28,945,339</u>	<u>\$ 125,425</u>	<u>\$ 156,529</u>	<u>\$ 29,227,293</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,925,958)</u>	<u>\$ 97,646</u>	<u>\$ (110,959)</u>	<u>\$ (4,939,271)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 32,720	\$ 760,000	\$ 792,720
Transfers out	(792,720)	-	-	(792,720)
Issuance of refunding bond	6,576,049	2,733,951	-	9,310,000
Total other financing sources (uses)	<u>\$ 5,783,329</u>	<u>\$ 2,766,671</u>	<u>\$ 760,000</u>	<u>\$ 9,310,000</u>
Net change in fund balances	\$ 857,371	\$ 2,864,317	\$ 649,041	\$ 4,370,729
Fund balances - beginning	4,844,163	-	940,897	5,785,060
Fund balances - ending	<u>\$ 5,701,534</u>	<u>\$ 2,864,317</u>	<u>\$ 1,589,938</u>	<u>\$ 10,155,789</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, 2016

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

Net change in fund balances - total governmental funds \$ 4,370,729

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

Capital asset additions	\$ 558,968	
Transfer of joint tenancy assets to Component Unit from primary Government	(636,360)	
Depreciation expense	<u>(1,515,502)</u>	(1,592,894)

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

Property taxes	\$ 143,668	
Increase (decrease) in deferred inflows related to the measurement of the net pension liability	<u>463,901</u>	607,569

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

Issuance of long-term debt	\$ (9,310,000)	
Principal retired on lease revenue bonds	6,382,000	
Principal retired on capital lease	1,194,160	
Principal retired on literary fund loans	90,000	
Principal retired on school general obligation bonds	758,309	
Amortization of bond premium	<u>110,194</u>	(775,337)

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	\$ (17,178)	
(Increase) decrease in accrued interest payable	57,384	
Decrease (increase) in net pension liability/asset	(445,127)	
Decrease (increase) in deferred outflows related to difference between actual and expected experience for pension	143,862	
Decrease (increase) in deferred outflows related to pension payments subsequent to the measurement date	<u>25,026</u>	(236,033)

Change in net position of governmental activities \$ 2,374,034

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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 932
	<u>932</u>
LIABILITIES	
Amounts held for social services clients	\$ 932
	<u>932</u>

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

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2016

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2016.

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, 2016.

The Essex County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2016. The Authority does not issue a separate financial report.

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

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

None

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

The County reports the following major governmental funds:

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$210,058 at June 30, 2016 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5/June 5 (50% each date beginning in 2003)	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

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

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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

J. Use of Estimates

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

K. Fund Equity

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

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

K. Fund Equity (Continued)

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

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:				
Restricted:				
Glebe fund	\$ -	\$ -	\$ 57,537	\$ 57,537
Forfeited assets - Sheriff	-	-	84,598	84,598
Forfeited assets - Commonwealth's Attorney	-	-	3,455	3,455
Law library	-	-	7,328	7,328
Poor House park	-	-	10,000	10,000
Animal shelter	-	-	25,656	25,656
Reading program donations	-	-	1,300	1,300
Capital projects	-	2,864,317	-	2,864,317
Total Restricted Fund Balance	\$ -	\$ 2,864,317	\$ 189,874	\$ 3,054,191
Committed:				
Debt service	\$ -	\$ -	\$ 1,400,064	\$ 1,400,064
Unassigned	\$ 5,701,534	\$ -	\$ -	\$ 5,701,534
Total Fund Balances	\$ 5,701,534	\$ 2,864,317	\$ 1,589,938	\$ 10,155,789

L. Pensions

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

M. Net Position

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

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

N. Net Position Flow Assumption

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

O. Long-term Obligations

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

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

P. Deferred Outflows/Inflows of Resources

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

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

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

Q. Prepaid Items

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

R. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72.

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79.

Governmental Accounting Standards Board Statement No. 82, Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures did not appropriations in any fund at June 30, 2016.

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).

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2016 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 4,412

External Investment Pools

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

Note 4—Due from/to Other Governments:

At June 30, 2016, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
Local sales tax	\$ 302,994	\$ -
Court fines and forfeitures	5,816	-
State sales Tax	-	303,135
Refuse disposal	15,625	-
Constitutional officer reimbursements	99,008	-
Recordation tax	7,470	-
Clerk's fees on deeds	8,588	-
Comprehensive services act	133,415	-
Selective enforcement	2,276	-
Domestic violence grant	11,250	-
Welfare	38,343	-
Communications tax	55,654	-
Wireless grant	6,884	-
Other state grants	7,979	-
Federal Government:		
School fund grants	-	108,072
Welfare	70,411	-
Total due from other governments	<u>\$ 765,713</u>	<u>\$ 411,207</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Primary Government:				
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,149,371	\$ -	\$ -	\$ 1,149,371
Construction in progress	129,743	71,950	155,529	46,164
Total capital assets not subject to depreciation	<u>\$ 1,279,114</u>	<u>\$ 71,950</u>	<u>\$ 155,529</u>	<u>\$ 1,195,535</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,565,046	\$ 279,919	\$ -	\$ 3,844,965
Equipment	4,519,706	353,718	11,400	4,862,024
Intangibles	2,807,348	8,910	-	2,816,258
Jointly owned assets	36,109,978	-	832,926	35,277,052
Total capital assets subject to depreciation	<u>\$ 47,002,078</u>	<u>\$ 642,547</u>	<u>\$ 844,326</u>	<u>\$ 46,800,299</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,548,924	\$ 97,147	\$ -	\$ 1,646,071
Equipment	2,722,108	483,686	11,400	3,194,394
Intangibles	1,242,901	71,669	-	1,314,570
Jointly owned assets	7,658,761	863,000	196,566	8,325,195
Total accumulated depreciation	<u>\$ 13,172,694</u>	<u>\$ 1,515,502</u>	<u>\$ 207,966</u>	<u>\$ 14,480,230</u>
Total capital assets subject to depreciation, net	<u>\$ 33,829,384</u>	<u>\$ (872,955)</u>	<u>\$ 636,360</u>	<u>\$ 32,320,069</u>
Governmental activities capital assets, net	<u>\$ 35,108,498</u>	<u>\$ (801,005)</u>	<u>\$ 791,889</u>	<u>\$ 33,515,604</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 5—Capital Assets: (Continued)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Component Unit-School Board:				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Total capital assets not subject to depreciation	\$ 42,822	\$ -	\$ -	\$ 42,822
Capital assets subject to depreciation:				
Equipment	\$ 3,236,428	\$ 185,925	\$ -	\$ 3,422,353
Jointly owned assets	9,289,775	-	(832,926)	10,122,701
Total capital assets subject to depreciation	\$ 12,526,203	\$ 185,925	\$ (832,926)	\$ 13,545,054
Accumulated depreciation:				
Equipment	\$ 2,746,196	\$ 145,090	\$ -	\$ 2,891,286
Jointly owned assets	1,970,319	222,018	(196,566)	2,388,903
Total accumulated depreciation	\$ 4,716,515	\$ 367,108	\$ (196,566)	\$ 5,280,189
Total capital assets subject to depreciation, net	\$ 7,809,688	\$ (181,183)	\$ (636,360)	\$ 8,264,865
Component unit school board capital assets, net	\$ 7,852,510	\$ (181,183)	\$ (636,360)	\$ 8,307,687

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 5—Capital Assets: (Continued)

Component Unit-Airport:	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not subject to depreciation:				
Land and land improvements	\$ 4,774,900	\$ -	\$ -	\$ 4,774,900
Construction in progress	841,176	281,597	1,113,984	8,789
Total capital assets not subject to depreciation	<u>\$ 5,616,076</u>	<u>\$ 281,597</u>	<u>\$ 1,113,984</u>	<u>\$ 4,783,689</u>
Capital assets subject to depreciation:				
Improvements other than buildings	\$ 576,503	\$ -	\$ -	\$ 576,503
Buildings	2,982,693	1,113,984	-	4,096,677
Infrastructure	6,454,784	-	-	6,454,784
Furniture	25,799	-	-	25,799
Equipment	18,003	7,800	-	25,803
Total capital assets subject to depreciation	<u>\$ 10,057,782</u>	<u>\$ 1,121,784</u>	<u>\$ -</u>	<u>\$ 11,179,566</u>
Accumulated depreciation:				
Improvements other than buildings	\$ 173,034	\$ 28,825	\$ -	\$ 201,859
Buildings	730,068	136,556	-	866,624
Infrastructure	2,488,255	323,908	-	2,812,163
Furniture	19,926	2,580	-	22,506
Equipment	7,848	3,330	-	11,178
Total accumulated depreciation	<u>\$ 3,419,131</u>	<u>\$ 495,199</u>	<u>\$ -</u>	<u>\$ 3,914,330</u>
Total capital assets subject to depreciation, net	<u>\$ 6,638,651</u>	<u>\$ 626,585</u>	<u>\$ -</u>	<u>\$ 7,265,236</u>
Component unit airport capital assets, net	<u>\$ 12,254,727</u>	<u>\$ 908,182</u>	<u>\$ 1,113,984</u>	<u>\$ 12,048,925</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government:	
Governmental activities:	
General government administration	\$ 41,710
Judicial administration	59,974
Public safety	444,778
Public works	91,690
Health and welfare	9,030
Education	863,000
Parks, recreation and cultural	5,320
Total Governmental activities	<u>\$ 1,515,502</u>
Component Unit School Board	<u>\$ 367,108</u>
Component Unit Airport	<u>\$ 495,199</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

	Balance at July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 264,184	\$ 43,596	\$ 26,418	\$ 281,362	\$ 28,136
Lease revenue bond	1,671,517	3,736,000	156,950	5,250,567	445,597
Add deferred amounts:					
For issuance premium	714,352	-	71,435	642,917	-
Net pension liability	(90,460)	1,574,353	1,129,226	354,667	-
Capital lease (see Note 7)	1,194,160	-	1,194,160	-	-
Total incurred by County	\$ 3,753,753	\$ 5,353,949	\$ 2,578,189	\$ 6,529,513	\$ 473,733
Incurred by School Board:					
State Literary Fund Loan	\$ 360,000	\$ -	\$ 90,000	\$ 270,000	\$ 90,000
General obligation bonds	18,555,734	-	758,309	17,797,425	762,696
Add deferred amounts:					
For issuance premium	378,063	-	38,759	339,304	-
Lease revenue bonds	9,535,483	5,574,000	6,225,050	8,884,433	781,403
Total incurred by School Board	\$ 28,829,280	\$ 5,574,000	\$ 7,112,118	\$ 27,291,162	\$ 1,634,099
Total Governmental Activities Obligations, Primary Government	\$ 32,583,033	\$ 10,927,949	\$ 9,690,307	\$ 33,820,675	\$ 2,107,832

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue	
	Bond	
	Principal	Interest
2017	\$ 445,597	\$ 174,223
2018	481,045	139,252
2019	494,523	124,208
2020	509,970	109,014
2021	476,764	93,736
2022	493,411	78,453
2023	509,258	62,053
2024	526,676	45,018
2025	543,723	27,333
2026	374,400	13,804
2027	395,200	4,637
Total	<u>\$ 5,250,567</u>	<u>\$ 871,731</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

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
2017	\$ 90,000	\$ 10,800	\$ 762,696	\$ 391,739	\$ 781,403	\$ 307,431
2018	90,000	7,200	1,367,311	362,924	839,955	249,788
2019	90,000	3,600	1,372,167	333,868	864,477	222,082
2020	-	-	1,377,279	304,556	893,029	194,174
2021	-	-	1,380,311	277,324	815,237	166,206
2022	-	-	1,383,500	249,932	845,589	138,363
2023	-	-	912,093	227,298	874,741	108,221
2024	-	-	913,986	210,404	907,325	76,822
2025	-	-	917,352	192,038	938,277	44,143
2026	-	-	920,895	173,496	561,600	20,706
2027	-	-	924,621	154,769	562,800	6,955
2028	-	-	1,473,545	124,810	-	-
2029	-	-	1,125,555	89,870	-	-
2030	-	-	1,150,556	66,404	-	-
2031	-	-	1,170,558	43,339	-	-
2032	-	-	645,000	14,673	-	-
Total	<u>\$ 270,000</u>	<u>\$ 21,600</u>	<u>\$ 17,797,425</u>	<u>\$ 3,217,444</u>	<u>\$ 8,884,433</u>	<u>\$ 1,534,891</u>

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

General Obligations:

Incurred by County:

Lease Revenue Bond:

\$9,310,000 lease revenue refunding bond issued March 24, 2016, due in varying annual installments through December 2026, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 40.00% of this debt.	\$ 3,736,000
\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 31.39% of this debt.	<u>1,514,567</u>
Total Lease Revenue Bonds	\$ <u>5,250,567</u>
Compensated absences (payable by General Fund)	\$ <u>281,362</u>
Net pension liability	\$ <u>354,667</u>
Unamortized Premium	\$ <u>642,917</u>
Total Incurred by County	\$ <u>6,529,513</u>

Bond Refundings

Revenue Bonds

The County issued \$9,310,000 in Lease Revenue Refunding Bonds, Series 2016 with a coupon rate of 2.42%. The proceeds were used to refund \$5,501,434 of outstanding Lease Revenue Bonds, Series 2011A and 2011B which had interest rates ranging from 2.125% to 5.125% and \$994,874 of an outstanding capital lease which had an interest rate of 2.76%. Included in the refunding was new debt of \$1,789,000 for emergency communication equipment and \$939,000 for the acquisition of land for a public park. The net proceeds of \$9,189,580 (after payment of \$120,420 in issuance costs) plus other available funds were used to call the Series 2011 bonds and capital lease. As a result, the 2011 Series bonds and capital lease have been removed from the statement of net position.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board:

State Literary Fund Loan:

\$1,800,000 State Literary Fund loan issued February 15, 1999, due in annual principal installments of \$900,000 through 2019, interest payable annually at 4%. \$ 270,000

Lease Revenue Bonds:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in varying annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 68.61% of this debt. \$ 3,310,433

\$9,310,000 lease revenue refunding bond issued March 24, 2016, due in varying annual installments through December 2026, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 60.00% of this debt. 5,574,000

Total Lease Revenue Bonds \$ 8,884,433

General Obligation Bonds:

\$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%. \$ 4,270,244

\$10,000,000 qualified school construction bond issued December 15, 2011, due in varying annual installments through December 1, 2030, interest at 4.250%. 9,200,000

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

\$4,340,228 bond, issued November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%. 1,357,181

Total General Obligation Bonds \$ 17,797,425

Unamortized premium \$ 339,304

Total Incurred by School Board \$ 27,291,162

Total Long-Term Obligations, Primary Government \$ 33,820,675

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

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, 2016.

	<u>Balance at July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Component Unit-School Board:					
Capital leases	\$ 208,608	\$ 163,750	\$ 84,854	\$ 287,504	\$ 86,171
Compensated absences	103,525	44,279	10,353	137,451	13,745
Net pension liability	13,485,570	3,477,380	3,148,926	13,814,024	-
Total Component Unit-School Board	<u>\$ 13,797,703</u>	<u>\$ 3,685,409</u>	<u>\$ 3,244,133</u>	<u>\$ 14,238,979</u>	<u>\$ 99,916</u>

Details of long-term obligations:

Capital Leases:

\$263,247 capital lease for the purchase of three school buses issued October 27, 2014, due in annual installments of \$54,639 through 2019, interest payable annually at an interest rate of 1.89%. The cost of the school buses was \$263,247. At June 30, 2016, accumulated depreciation for the school buses amounted to \$39,487.

\$ 157,911

\$163,750 capital lease for the purchase of two school buses issued December 14, 2016, due in annual installments of \$34, 516 through 2020, interest payable annually at an interest rate of 2.60%. The cost of the school buses was \$163,750. At June 30, 2016, accumulated depreciation for the school buses amounted to \$16,375.

129,593

Total Capital Leases

\$ 287,504

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Component Unit Airport:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2016.

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Due Within One Year
Component Unit-Airport: Revenue bond	\$ 1,028,615	\$ -	\$ 41,328	\$ 987,287	\$ 43,202

Year Ending June 30	Revenue Bond	
	Principal	Interest
2017	\$ 43,202	\$ 44,356
2018	45,164	42,393
2019	47,218	40,340
2020	49,368	38,189
2021	51,620	35,938
2022-2026	295,763	142,024
2027-2031	370,314	67,472
2032	84,638	2,919
Total	\$ 987,287	\$ 413,631

Revenue Bond:

\$1,272,000 taxable revenue bond dated March 21, 2007, 4.54% interest, due in semi-annual combined principal and interest installments of \$87,557 beginning January 1, 2009 through July 1, 2032. \$ 987,287

Note 7—Capital Leases:

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 7—Capital Leases: (Continued)

The asset acquired through capital lease is as follows:

	<u>Component Unit School Board</u>
Asset:	
Equipment	\$ 426,997
Less: accumulated depreciation	<u>(55,862)</u>
Total	<u>\$ 371,135</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ended June 30</u>	<u>Component Unit School Board</u>
2017	\$ 89,155
2018	89,155
2019	89,155
2020	<u>34,516</u>
Total minimum lease payments	\$ 301,981
Less: amount representing interest	<u>(14,477)</u>
Present value of minimum lease payments	<u>\$ 287,504</u>

Note 8—Unearned and Deferred/Unavailable Revenue:

Deferred/Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unearned and deferred/unavailable revenue totaling \$8,511,432 is comprised of the following:

Deferred/Unavailable Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$8,288,926 at June 30, 2016.

Deferred/Unavailable Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$189,511 at June 30, 2016.

Other Unearned Revenue - Other unearned revenue items totaled \$32,995, which consisted of asset forfeiture grant funding.

Note 9—Commitments and Contingent Liabilities:

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

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

Note 10—Litigation:

At June 30, 2016, there were no matters of litigation involving the County or School Board which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

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Note 12—Pension Plan:

Plan Description

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

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

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	36	31
Inactive members:		
Vested inactive members	7	3
Non-vested inactive members	14	10
Inactive members active elsewhere in VRS	36	9
Total inactive members	57	22
Active members	76	42
Total covered employees	169	95

Contributions

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

The County’s contractually required contribution rate for the year ended June 30, 2016 was 9.59% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Note 12—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$367,533 and \$339,491 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 11.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$72,072 and \$67,266 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Asset)

The County's and Component Unit School Board's (nonprofessional) net pension liabilities (assets) were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County’s Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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Note 12—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balances at June 30, 2014	\$ 13,334,374	\$ 13,424,834	\$ (90,460)
Changes for the year:			
Service cost	\$ 453,060	\$ -	\$ 453,060
Interest	909,667	-	909,667
Differences between expected and actual experience	203,064	-	203,064
Contributions - employer	-	339,491	(339,491)
Contributions - employee	-	176,928	(176,928)
Net investment income	-	612,807	(612,807)
Benefit payments, including refunds of employee contributions	(678,261)	(678,261)	-
Administrative expenses	-	(8,433)	8,433
Other changes	-	(129)	129
Net changes	<u>\$ 887,530</u>	<u>\$ 442,403</u>	<u>\$ 445,127</u>
Balances at June 30, 2015	<u>\$ 14,221,904</u>	<u>\$ 13,867,237</u>	<u>\$ 354,667</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 4,483,153	\$ 4,159,583	\$ 323,570
Changes for the year:			
Service cost	\$ 93,039	\$ -	\$ 93,039
Interest	302,607	-	302,607
Differences between expected and actual experience	(85,304)	-	(85,304)
Contributions - employer	-	67,266	(67,266)
Contributions - employee	-	29,178	(29,178)
Net investment income	-	183,178	(183,178)
Benefit payments, including refunds of employee contributions	(320,380)	(320,380)	-
Administrative expenses	-	(2,695)	2,695
Other changes	-	(39)	39
Net changes	\$ (10,038)	\$ (43,492)	\$ 33,454
Balances at June 30, 2015	\$ 4,473,115	\$ 4,116,091	\$ 357,024

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
	County		
Net Pension Liability (Asset)	\$ 2,103,151	\$ 354,667	\$ (1,106,653)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 859,546	\$ 357,024	\$ (71,808)

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$176,855 and \$11,054 respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,862	\$ -	\$ -	\$ 54,057
Net difference between projected and actual earnings on pension plan investments	-	364,608	-	110,976
Employer contributions subsequent to the measurement date	367,533	-	72,072	-
Total	<u>\$ 511,395</u>	<u>\$ 364,608</u>	<u>\$ 72,072</u>	<u>\$ 165,033</u>

\$367,533 and \$72,072 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction or component (since asset isn't reduced) of the Net Pension Liability (Asset) in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	\$ (83,732)	\$ (74,910)
2018	(83,732)	(66,473)
2019	(117,477)	(43,662)
2020	64,195	20,012
Thereafter	-	-

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$1,177,998 and \$1,117,453 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$13,457,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.10692% as compared to 0.10891% at June 30, 2014.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense of \$877,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 185,000
Net difference between projected and actual earnings on pension plan investments	-	824,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	421,000
Employer contributions subsequent to the measurement date	<u>1,177,998</u>	<u>-</u>
Total	<u>\$ 1,177,998</u>	<u>\$ 1,430,000</u>

\$1,177,998 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2016	\$ (473,000)
2017	(473,000)
2018	(473,000)
2019	32,000
Thereafter	(43,000)

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 12—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

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

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School Board's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	19,694,000	\$ 13,457,000	\$ 8,324,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2016

Note 13—Surety Bonds:

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

Note 14—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

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

Note 14—Upcoming Pronouncements: (Continued)

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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County of Essex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<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	\$ 15,476,200	\$ 15,476,200	\$ 15,795,828	\$ 319,628
Other local taxes	2,385,000	2,385,000	2,494,704	109,704
Permits, privilege fees, and regulatory licenses	46,800	46,800	48,111	1,311
Fines and forfeitures	30,000	30,000	56,372	26,372
Revenue from the use of money and property	37,994	37,994	52,083	14,089
Charges for services	380,050	380,050	458,594	78,544
Miscellaneous	15,200	35,439	76,317	40,878
Recovered costs	130,500	130,500	86,451	(44,049)
Intergovernmental:				
Commonwealth	4,975,206	5,376,108	3,738,658	(1,637,450)
Federal	398,075	398,075	1,212,263	814,188
Total revenues	<u>\$ 23,875,025</u>	<u>\$ 24,296,166</u>	<u>\$ 24,019,381</u>	<u>\$ (276,785)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,741,911	\$ 1,736,376	\$ 1,675,663	\$ 60,713
Judicial administration	654,234	747,907	681,139	66,768
Public safety	4,197,617	4,716,555	4,336,691	379,864
Public works	1,710,013	1,754,263	1,678,337	75,926
Health and welfare	2,382,397	2,846,892	2,460,777	386,115
Education	7,262,797	7,262,797	7,117,472	145,325
Parks, recreation, and cultural	517,140	671,762	635,840	35,922
Community development	259,883	264,975	252,030	12,945
Debt service:				
Principal retirement	1,849,606	8,425,655	8,424,469	1,186
Interest and other fiscal charges	1,682,921	1,682,921	1,682,921	-
Total expenditures	<u>\$ 22,258,519</u>	<u>\$ 30,110,103</u>	<u>\$ 28,945,339</u>	<u>\$ 1,164,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,616,506</u>	<u>\$ (5,813,937)</u>	<u>\$ (4,925,958)</u>	<u>\$ 887,979</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (1,060,000)	\$ (792,720)	\$ 267,280
Issuance of refunding bond	-	6,576,049	6,576,049	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 5,516,049</u>	<u>\$ 5,783,329</u>	<u>\$ 267,280</u>
Net change in fund balances	\$ 1,616,506	\$ (297,888)	\$ 857,371	\$ 1,155,259
Fund balances - beginning	(1,616,506)	297,888	4,844,163	4,546,275
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,701,534</u>	<u>\$ 5,701,534</u>

County of Essex, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 7,231	\$ 7,231
Miscellaneous	-	19,633	36,658	17,025
Intergovernmental:				
Commonwealth	-	1,897	1,681	(216)
Total revenues	\$ -	\$ 21,530	\$ 45,570	\$ 24,040
EXPENDITURES				
Current:				
Judicial administration	\$ -	\$ 474	\$ 474	\$ -
Public safety	-	22,158	5,700	16,458
Parks, recreation, and cultural	-	285,238	150,355	134,883
Total expenditures	\$ -	\$ 307,870	\$ 156,529	\$ 151,341
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (286,340)	\$ (110,959)	\$ 175,381
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 760,000	\$ 760,000
Net change in fund balances	\$ -	\$ (286,340)	\$ 649,041	\$ 935,381
Fund balances - beginning	-	286,340	940,897	654,557
Fund balances - ending	\$ -	\$ -	\$ 1,589,938	\$ 1,589,938

County of Essex, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 453,060	\$ 420,544
Interest	909,667	867,420
Changes of benefit terms	-	-
Differences between expected and actual experience	203,064	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(678,261)	(690,595)
Net change in total pension liability	\$ 887,530	\$ 597,369
Total pension liability - beginning	13,334,374	12,737,005
Total pension liability - ending (a)	\$ 14,221,904	\$ 13,334,374
Plan fiduciary net position		
Contributions - employer	\$ 339,491	\$ 335,255
Contributions - employee	176,928	168,893
Net investment income	612,807	1,852,569
Benefit payments, including refunds of employee contributions	(678,261)	(690,595)
Administrative expense	(8,433)	(10,053)
Other	(129)	97
Net change in plan fiduciary net position	\$ 442,403	\$ 1,656,166
Plan fiduciary net position - beginning	13,424,834	11,768,668
Plan fiduciary net position - ending (b)	\$ 13,867,237	\$ 13,424,834
County's net pension liability (asset) - ending (a) - (b)	\$ 354,667	\$ (90,460)
Plan fiduciary net position as a percentage of the total pension liability	97.51%	100.68%
Covered payroll	\$ 3,571,499	\$ 3,382,143
County's net pension liability as a percentage of covered payroll	9.93%	-2.67%

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

County of Essex, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2016

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

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

County of Essex, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Year Ended June 30, 2016

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

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

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 367,533	\$ 367,533	\$ -	\$ 3,832,457	9.59%
2015	342,507	342,507	-	3,571,499	9.59%
2014	336,185	336,185	-	3,382,143	9.94%
2013	319,935	319,935	-	3,218,662	9.94%
2012	206,975	206,975	-	2,969,511	6.97%
2011	191,871	191,871	-	2,752,815	6.97%
2010	152,538	152,538	-	2,666,757	5.72%
2009	149,056	149,056	-	2,605,867	5.72%
2008	138,646	138,646	-	2,458,258	5.64%
2007	132,791	132,791	-	2,354,445	5.64%
Component Unit School Board (nonprofessional)					
2016	\$ 72,072	\$ 72,072	\$ -	\$ 643,497	11.20%
2015	69,288	69,288	-	618,647	11.20%
2014	102,436	102,436	-	846,582	12.10%
2013	107,076	107,076	-	884,923	12.10%
2012	59,778	59,778	-	826,804	7.23%
2011	61,526	61,526	-	850,976	7.23%
2010	68,492	68,492	-	930,592	7.36%
2009	69,651	69,651	-	946,344	7.36%
2008	74,233	74,233	-	931,402	7.97%
2007	72,254	72,254	-	906,580	7.97%
Component Unit School Board (professional)					
2016	\$ 1,177,998	\$ 1,177,998	\$ -	\$ 8,378,364	14.06%
2015	1,117,453	1,117,453	-	7,706,572	14.50%
2014	924,793	924,793	-	7,931,329	11.66%
2013	918,386	918,386	-	7,876,381	11.66%
2012	970,068	970,068	-	8,561,942	11.33%
2011	764,312	764,312	-	8,558,925	8.93%
2010	1,250,583	1,250,583	-	9,055,634	13.81%
2009	1,252,171	1,252,171	-	9,067,133	13.81%
2008	1,312,467	1,312,467	-	8,578,216	15.30%
2007	1,266,482	1,266,482	-	8,918,887	14.20%

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Essex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2016

	Capital Projects Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 122,996	\$ 123,071	\$ 75
Miscellaneous	-	29,983	100,000	70,017
Total revenues	\$ -	\$ 152,979	\$ 223,071	\$ 70,092
EXPENDITURES				
Capital projects	\$ -	\$ 3,186,930	\$ 125,425	\$ 3,061,505
Total expenditures	\$ -	\$ 3,186,930	\$ 125,425	\$ 3,061,505
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (3,033,951)	\$ 97,646	\$ 3,131,597
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 300,000	\$ 32,720	\$ (267,280)
Refunding bond issued	-	2,733,951	2,733,951	-
Total other financing sources (uses)	\$ -	\$ 3,033,951	\$ 2,766,671	\$ (267,280)
Net change in fund balances	\$ -	\$ -	\$ 2,864,317	\$ 2,864,317
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 2,864,317	\$ 2,864,317

County of Essex, Virginia

Fiduciary Funds
 Statement of Changes in Assets and Liabilities - Agency Funds
 For the Year Ended June 30, 2016

	<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	\$ 8,973	\$ 192,226	\$ 200,267	\$ 932
Liabilities:				
Amounts held for social services clients	\$ 8,973	\$ 192,226	\$ 200,267	\$ 932

*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, 2016

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,471,920	\$ 35,618	\$ 1,507,538
Receivables (net of allowance for uncollectibles):			
Accounts receivable	2,034	-	2,034
Due from other governmental units	372,780	38,427	411,207
Inventories	-	13,005	13,005
Total assets	<u>\$ 1,846,734</u>	<u>\$ 87,050</u>	<u>\$ 1,933,784</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 278,598	\$ 531	\$ 279,129
Accrued liabilities	1,568,136	27,055	1,595,191
Total liabilities	<u>\$ 1,846,734</u>	<u>\$ 27,586</u>	<u>\$ 1,874,320</u>
Fund balances:			
Nonspendable	\$ -	\$ 13,005	\$ 13,005
Committed	-	46,459	46,459
Total fund balances	<u>\$ -</u>	<u>\$ 59,464</u>	<u>\$ 59,464</u>
Total liabilities and fund balances	<u>\$ 1,846,734</u>	<u>\$ 87,050</u>	<u>\$ 1,933,784</u>

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

Total fund balances per above \$ 59,464

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	\$ 13,587,876	
Accumulated depreciation	(5,280,189)	8,307,687

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

Items related to measurement of net pension liability (1,595,033)

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds. 1,250,070

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

Capital lease	\$ (287,504)	
Net pension liability	(13,814,024)	
Compensated absences	(137,451)	(14,238,979)

Net position of governmental activities \$ (6,216,791)

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, 2016

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 3,503	\$ 64	\$ 3,567
Charges for services	4,950	116,953	121,903
Miscellaneous	103,184	93	103,277
Recovered costs	70,392	-	70,392
Intergovernmental:			
Local government	7,102,072	-	7,102,072
Commonwealth	8,428,048	28,473	8,456,521
Federal	839,584	652,356	1,491,940
Total revenues	<u>\$ 16,551,733</u>	<u>\$ 797,939</u>	<u>\$ 17,349,672</u>
EXPENDITURES			
Current:			
Education	\$ 16,715,483	\$ 859,582	\$ 17,575,065
Total expenditures	<u>\$ 16,715,483</u>	<u>\$ 859,582</u>	<u>\$ 17,575,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (163,750)</u>	<u>\$ (61,643)</u>	<u>\$ (225,393)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital leases	<u>\$ 163,750</u>	<u>\$ -</u>	<u>\$ 163,750</u>
Net change in fund balances	\$ -	\$ (61,643)	\$ (61,643)
Fund balances - beginning	-	121,107	121,107
Fund balances - ending	<u>\$ -</u>	<u>\$ 59,464</u>	<u>\$ 59,464</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ (61,643)
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 depreciation exceeded capital outlays in the current period. The following is a summary of items supporting this adjustment:			
Capital asset additions		\$ 185,925	
Transfer of joint tenancy assets to Component Unit from Primary Government		636,360	
Depreciation expense		<u>(367,108)</u>	455,177
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
(Increase) decrease in items related to measurement of net pension liability			861,666
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.			
			(78,896)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:			
(Increase) decrease in net pension liability		\$ (328,454)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date		63,329	
(Increase) decrease in compensated absences		<u>(33,926)</u>	(299,051)
Change in net position of governmental activities			<u>\$ 877,253</u>

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, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 3,503	\$ 1,003
Charges for services	-	-	4,950	4,950
Miscellaneous	87,328	87,328	103,184	15,856
Recovered costs	-	-	70,392	70,392
Intergovernmental:				
Local government	7,247,397	7,247,397	7,102,072	(145,325)
Commonwealth	8,671,119	8,728,522	8,428,048	(300,474)
Federal	1,374,313	1,374,313	839,584	(534,729)
Total revenues	<u>\$ 17,382,657</u>	<u>\$ 17,440,060</u>	<u>\$ 16,551,733</u>	<u>\$ (888,327)</u>
EXPENDITURES				
Current:				
Education	\$ 17,382,657	\$ 17,603,810	\$ 16,715,483	\$ 888,327
Total expenditures	<u>\$ 17,382,657</u>	<u>\$ 17,603,810</u>	<u>\$ 16,715,483</u>	<u>\$ 888,327</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (163,750)	\$ (163,750)	\$ -
OTHER FINANCING SOURCES (USES)				
Issuance of capital leases	\$ -	\$ 163,750	\$ 163,750	\$ -
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, 2016

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 64	\$ 64
Charges for services	188,863	188,863	116,953	(71,910)
Miscellaneous	-	-	93	93
Intergovernmental:				
Commonwealth	17,115	17,115	28,473	11,358
Federal	665,433	716,287	652,356	(63,931)
Total revenues	<u>\$ 871,411</u>	<u>\$ 922,265</u>	<u>\$ 797,939</u>	<u>\$ (124,326)</u>
EXPENDITURES				
Current:				
Education	\$ 871,411	\$ 922,265	\$ 859,582	\$ 62,683
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (61,643)	\$ (61,643)
Net change in fund balances	\$ -	\$ -	\$ (61,643)	\$ (61,643)
Fund balances - beginning	-	-	121,107	121,107
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,464</u>	<u>\$ 59,464</u>

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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County of Essex, Virginia
Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2016

ASSETS

Cash and cash equivalents	\$ 11,383
Investments	<u>95,785</u>
Total assets	<u><u>\$ 107,168</u></u>

NET POSITION

Unrestricted	<u><u>\$ 107,168</u></u>
--------------	--------------------------

County of Essex, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2016

Operating revenues:	
Grant reimbursement	\$ 13,060
Bond issue fees	12,692
Total operating revenues	<u>\$ 25,752</u>
Operating expenses:	
Other charges	<u>\$ 89,031</u>
Operating income (loss)	<u>\$ (63,279)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 265
Contributions	13,570
Total nonoperating revenues (expenses)	<u>\$ 13,835</u>
Change in net position	\$ (49,444)
Net position, beginning of year	<u>156,612</u>
Net position, end of year	<u><u>\$ 107,168</u></u>

County of Essex, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2016

Cash flows from operating activities:	
Receipts from customers and users	\$ 25,752
Payments for operating activities	<u>(89,031)</u>
Net cash provided by (used for) operating activities	<u>\$ (63,279)</u>
Cash flows from noncapital financing activities:	
Contributions	<u>\$ 13,570</u>
Net cash provided by (used for) financing activities	<u>\$ 13,570</u>
Cash flows from investing activities:	
Proceeds from sale of investments	<u>\$ 55,759</u>
Net cash provided by (used for) investing activities	<u>\$ 55,759</u>
Net increase (decrease) in cash and cash equivalents	\$ 6,050
Cash and cash equivalents, beginning of year	<u>5,333</u>
Cash and cash equivalents, end of year	<u><u>\$ 11,383</u></u>

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SUPPORTING SCHEDULES

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County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,225,000	\$ 11,225,000	\$ 11,093,419	\$ (131,581)
Real and personal public service corporation taxes	390,000	390,000	416,180	26,180
Personal property taxes	3,384,000	3,384,000	3,643,679	259,679
Mobile home taxes	38,200	38,200	59,952	21,752
Machinery and tools taxes	42,000	42,000	64,178	22,178
Merchant's capital taxes	82,500	82,500	131,086	48,586
Penalties	177,000	177,000	203,966	26,966
Interest	137,500	137,500	183,368	45,868
Total general property taxes	<u>\$ 15,476,200</u>	<u>\$ 15,476,200</u>	<u>\$ 15,795,828</u>	<u>\$ 319,628</u>
Other local taxes:				
Local sales and use taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,700,768	\$ 768
Consumers' utility taxes	225,000	225,000	215,840	(9,160)
Motor vehicle licenses	400,000	400,000	546,636	146,636
Taxes on recordation and wills	60,000	60,000	31,460	(28,540)
Total other local taxes	<u>\$ 2,385,000</u>	<u>\$ 2,385,000</u>	<u>\$ 2,494,704</u>	<u>\$ 109,704</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,000	\$ 6,000	\$ 6,038	\$ 38
Transfer fees	400	400	429	29
Permits and other licenses	40,400	40,400	41,644	1,244
Total permits, privilege fees, and regulatory licenses	<u>\$ 46,800</u>	<u>\$ 46,800</u>	<u>\$ 48,111</u>	<u>\$ 1,311</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,000	\$ 30,000	\$ 56,372	\$ 26,372
Revenue from use of money and property:				
Revenue from use of money	\$ 7,000	\$ 7,000	\$ 20,463	\$ 13,463
Revenue from use of property	30,994	30,994	31,620	626
Total revenue from use of money and property	<u>\$ 37,994</u>	<u>\$ 37,994</u>	<u>\$ 52,083</u>	<u>\$ 14,089</u>
Charges for services:				
Charges for courthouse maintenance	\$ 7,000	\$ 7,000	\$ 11,383	\$ 4,383
Criminal/traffic cases fees-security	48,000	48,000	62,019	14,019
Charges for correction and detention	1,500	1,500	968	(532)
Charges for Commonwealth's Attorney	750	750	1,055	305
Charges for community development	100	100	40,089	39,989
Charges for EMS	300,000	300,000	250,836	(49,164)
Charges for selective enforcement	200	200	45,587	45,387
Charges for parks and recreation	22,500	22,500	46,657	24,157
Total charges for services	<u>\$ 380,050</u>	<u>\$ 380,050</u>	<u>\$ 458,594</u>	<u>\$ 78,544</u>
Miscellaneous:				
Miscellaneous	\$ 15,200	\$ 35,439	\$ 76,317	\$ 40,878
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,625	\$ 625
Town's erosion and sediment control	88,500	88,500	41,309	(47,191)
Sheriff-EHS security	12,000	12,000	14,517	2,517
Total recovered costs	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ 86,451</u>	<u>\$ (44,049)</u>
Total revenue from local sources	<u>\$ 18,501,744</u>	<u>\$ 18,521,983</u>	<u>\$ 19,068,460</u>	<u>\$ 546,477</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ 355,000	\$ 355,000	\$ 340,723	\$ (14,277)
Mobile home titling tax	8,000	8,000	21,404	13,404
Rolling stock tax	1,000	1,000	-	(1,000)
Auto rental tax	1,000	1,000	41	(959)
State recordation tax	70,000	70,000	93,019	23,019
Personal property tax relief funds	1,054,171	1,054,171	1,054,171	-
Total noncategorical aid	<u>\$ 1,489,171</u>	<u>\$ 1,489,171</u>	<u>\$ 1,509,358</u>	<u>\$ 20,187</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 161,150	\$ 216,735	\$ 209,291	\$ (7,444)
Sheriff	622,881	622,881	614,098	(8,783)
Commissioner of revenue	86,349	86,349	86,078	(271)
Treasurer	72,988	72,988	72,160	(828)
Registrar/electoral board	51,707	60,188	36,590	(23,598)
Clerk of the Circuit Court	171,500	175,466	175,967	501
Total shared expenses	<u>\$ 1,166,575</u>	<u>\$ 1,234,607</u>	<u>\$ 1,194,184</u>	<u>\$ (40,423)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,607,239	\$ 1,607,239	\$ 344,094	\$ (1,263,145)
Emergency medical services - four for life	12,000	23,241	11,937	(11,304)
Emergency services	30,000	57,342	139	(57,203)
Library	17,000	17,000	-	(17,000)
Comprehensive services act	514,000	724,000	394,832	(329,168)
Litter control	7,664	7,664	7,749	85
Registrar equipment grant	-	-	5,080	5,080
Wireless funds	40,000	40,000	41,482	1,482
DMV grant	8,700	8,700	-	(8,700)
Victim-witness grant	16,500	16,500	2,863	(13,637)
Rescue squad	-	64,245	133,600	69,355
Domestic violence grant	40,000	40,000	45,000	5,000
Fire programs fund	26,357	26,357	27,814	1,457
Clerk records grant	-	20,042	20,042	-
Other state funds	-	-	484	484
Total other categorical aid	<u>\$ 2,319,460</u>	<u>\$ 2,652,330</u>	<u>\$ 1,035,116</u>	<u>\$ (1,617,214)</u>
Total categorical aid	<u>\$ 3,486,035</u>	<u>\$ 3,886,937</u>	<u>\$ 2,229,300</u>	<u>\$ (1,657,637)</u>
Total revenue from the Commonwealth	<u>\$ 4,975,206</u>	<u>\$ 5,376,108</u>	<u>\$ 3,738,658</u>	<u>\$ (1,637,450)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 3,675	\$ 3,675	\$ 3,616	\$ (59)
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ -	\$ 751,933	\$ 751,933
Transportation safety	-	-	7,214	7,214
Disaster assistance	-	-	577	577
Victim-witness	-	-	8,588	8,588
Emergency preparedness	-	-	37,281	37,281
Edward Byrne justice assistance grant	-	-	2,325	2,325
Help America vote act	-	-	3,500	3,500
Asset forfeiture	-	-	1,129	1,129
QSCB Interest subsidy	394,400	394,400	396,100	1,700
Total categorical aid	<u>\$ 394,400</u>	<u>\$ 394,400</u>	<u>\$ 1,208,647</u>	<u>\$ 814,247</u>
Total revenue from the federal government	<u>\$ 398,075</u>	<u>\$ 398,075</u>	<u>\$ 1,212,263</u>	<u>\$ 814,188</u>
Total General Fund	<u>\$ 23,875,025</u>	<u>\$ 24,296,166</u>	<u>\$ 24,019,381</u>	<u>\$ (276,785)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
County Special Revenue Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5	\$ 5
Revenue from the use of property	-	-	7,226	7,226
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,231</u>	<u>\$ 7,231</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 19,633	\$ 36,658	\$ 17,025
Total revenue from local sources	<u>\$ -</u>	<u>\$ 19,633</u>	<u>\$ 43,889</u>	<u>\$ 24,256</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 1,897	\$ 1,681	\$ (216)
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 1,897</u>	<u>\$ 1,681</u>	<u>\$ (216)</u>
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ 21,530</u>	<u>\$ 45,570</u>	<u>\$ 24,040</u>
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 75	\$ 75
Revenue from the use of property	-	122,996	122,996	-
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ 122,996</u>	<u>\$ 123,071</u>	<u>\$ 75</u>
Miscellaneous:				
Miscellaneous	\$ -	\$ 29,983	\$ 100,000	\$ 70,017
Total revenue from local sources	<u>\$ -</u>	<u>\$ 152,979</u>	<u>\$ 223,071</u>	<u>\$ 70,092</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ 152,979</u>	<u>\$ 223,071</u>	<u>\$ 70,092</u>
Total Primary Government	<u>\$ 23,875,025</u>	<u>\$ 24,470,675</u>	<u>\$ 24,288,022</u>	<u>\$ (182,653)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 3,503	\$ 1,003
Charges for services:				
Charges for education	\$ -	\$ -	\$ 4,950	\$ 4,950
Miscellaneous:				
Miscellaneous	\$ 87,328	\$ 87,328	\$ 103,184	\$ 15,856
Recovered costs:				
E-rates	\$ -	\$ -	\$ 70,392	\$ 70,392
Total revenue from local sources	<u>\$ 89,828</u>	<u>\$ 89,828</u>	<u>\$ 182,029</u>	<u>\$ 92,201</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 7,247,397	\$ 7,247,397	\$ 7,102,072	\$ (145,325)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,708,044	\$ 1,708,044	\$ 1,705,005	\$ (3,039)
Basic school aid	4,085,108	4,085,108	3,932,107	(153,001)
Remedial summer education	52,541	52,541	47,056	(5,485)
Gifted and talented	41,079	41,079	39,818	(1,261)
Remedial education	238,607	238,607	231,282	(7,325)
Special education	561,119	561,119	543,893	(17,226)
Textbook payment	84,097	84,097	81,516	(2,581)
Mentor teacher program	3,614	3,614	1,681	(1,933)
GED funding	7,859	7,859	7,859	-
Vocational education	88,276	88,276	86,222	(2,054)
School fringes	840,241	840,241	813,858	(26,383)
Early reading intervention	28,427	28,427	28,427	-
Homebound	13,471	13,471	9,922	(3,549)
At risk payments	308,531	308,531	299,118	(9,413)
Primary class size	249,806	249,806	247,729	(2,077)
Technology	178,400	178,400	116,491	(61,909)
Preschool initiative	-	-	11,737	11,737
At risk four-year olds	132,689	132,689	117,366	(15,323)
Security grant	-	57,403	57,403	-
SOL Algebra readiness	23,313	23,313	25,208	1,895
English as a second language	17,811	17,811	13,730	(4,081)
Other state aid	8,086	8,086	10,620	2,534
Total categorical aid	<u>\$ 8,671,119</u>	<u>\$ 8,728,522</u>	<u>\$ 8,428,048</u>	<u>\$ (300,474)</u>
Total revenue from the Commonwealth	8,671,119	8,728,522	8,428,048	(300,474)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 518,375	\$ 518,375	\$ 395,422	\$ (122,953)
Title VI-B	615,415	615,415	328,352	(287,063)
Title VI-B - rural and low income	55,216	55,216	22,728	(32,488)
Preschool grant	21,500	21,500	17,177	(4,323)
Vocational education	33,362	33,362	30,277	(3,085)
Title III	4,161	4,161	3,792	(369)
Title II-A	126,284	126,284	41,836	(84,448)
Total categorical aid	<u>\$ 1,374,313</u>	<u>\$ 1,374,313</u>	<u>\$ 839,584</u>	<u>\$ (534,729)</u>
Total School Operating Fund	<u>\$ 17,382,657</u>	<u>\$ 17,440,060</u>	<u>\$ 16,551,733</u>	<u>\$ (888,327)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 64	\$ 64
Charges for services:				
Cafeteria sales	\$ 188,863	\$ 188,863	\$ 116,953	\$ (71,910)
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 93	\$ 93
Total revenue from local sources	\$ 188,863	\$ 188,863	\$ 117,110	\$ (71,753)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 17,115	\$ 17,115	\$ 28,473	\$ 11,358
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 665,433	\$ 665,433	\$ 601,502	\$ (63,931)
Commodities	-	50,854	50,854	-
Total categorical aid	\$ 665,433	\$ 716,287	\$ 652,356	\$ (63,931)
Total revenue from the federal government	\$ 665,433	\$ 716,287	\$ 652,356	\$ (63,931)
Total School Cafeteria Fund	\$ 871,411	\$ 922,265	\$ 797,939	\$ (124,326)
Total Discretely Presented Component Unit - School Board	\$ 18,254,068	\$ 18,362,325	\$ 17,349,672	\$ (1,012,653)

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County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<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	\$ 289,499	\$ 253,219	\$ 230,365	\$ 22,854
General and financial administration:				
County administrator	\$ 163,620	\$ 163,084	\$ 158,223	\$ 4,861
Legal services	75,000	85,306	85,306	-
Commissioner of revenue	385,372	392,373	384,560	7,813
Independent Auditor	43,000	44,900	44,900	-
Treasurer	246,977	265,004	264,888	116
Management services	317,592	298,876	289,570	9,306
Total general and financial administration	\$ 1,231,561	\$ 1,249,543	\$ 1,227,447	\$ 22,096
Board of elections:				
Electoral board and officials	\$ 126,977	\$ 138,990	\$ 128,228	\$ 10,762
Registrar	93,874	94,624	89,623	5,001
Total board of elections	\$ 220,851	\$ 233,614	\$ 217,851	\$ 15,763
Total general government administration	\$ 1,741,911	\$ 1,736,376	\$ 1,675,663	\$ 60,713
Judicial administration:				
Courts:				
Circuit court	\$ 12,828	\$ 12,828	\$ 12,828	\$ -
General district court	1,879	1,879	431	1,448
Sheriff	57,734	57,734	49,122	8,612
Juvenile and domestic relations court	32,340	37,840	27,888	9,952
Northern Neck Essex County Group Home Commission	-	4,885	4,885	-
Clerk of the circuit court	282,391	308,726	288,362	20,364
Total courts	\$ 387,172	\$ 423,892	\$ 383,516	\$ 40,376
Commonwealth's attorney:				
Commonwealth's attorney	\$ 267,062	\$ 324,015	\$ 297,623	\$ 26,392
Total judicial administration	\$ 654,234	\$ 747,907	\$ 681,139	\$ 66,768
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,190,963	\$ 1,174,436	\$ 1,012,245	\$ 162,191
Fire and rescue services:				
Fire department	\$ 206,357	\$ 235,439	\$ 234,115	\$ 1,324
Ambulance and rescue services	1,115,733	1,321,480	1,188,330	133,150
Forestry service	7,829	7,829	7,829	-
Total fire and rescue services	\$ 1,329,919	\$ 1,564,748	\$ 1,430,274	\$ 134,474
Correction and detention:				
Sheriff	\$ 1,258,307	\$ 1,336,770	\$ 1,276,058	\$ 60,712

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 235,699	\$ 233,243	\$ 233,217	\$ 26
Other protection:				
Animal control	\$ 182,479	\$ 171,749	\$ 149,438	\$ 22,311
Emergency services	-	235,359	235,359	-
Medical examiner	250	250	100	150
Total other protection	\$ 182,729	\$ 407,358	\$ 384,897	\$ 22,461
Total public safety	\$ 4,197,617	\$ 4,716,555	\$ 4,336,691	\$ 379,864
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 749,950	\$ 749,950	\$ 732,963	\$ 16,987
Maintenance of general buildings and grounds:				
General properties	\$ 672,124	\$ 700,456	\$ 698,577	\$ 1,879
Communication	66,500	65,790	52,361	13,429
Technology	221,439	238,067	194,436	43,631
Total maintenance of general buildings and grounds	\$ 960,063	\$ 1,004,313	\$ 945,374	\$ 58,939
Total public works	\$ 1,710,013	\$ 1,754,263	\$ 1,678,337	\$ 75,926
Health and welfare:				
Health:				
Supplement of local health department	\$ 127,020	\$ 127,049	\$ 127,049	-
Mental health and mental retardation:				
Community services board	\$ 33,530	\$ 33,530	\$ 33,530	-
Welfare:				
Public assistance and welfare administration	\$ 1,607,239	\$ 1,626,923	\$ 1,478,443	\$ 148,480
Bay transit	100,608	110,608	110,608	-
Comprehensive services act	514,000	948,782	711,147	237,635
Total welfare	\$ 2,221,847	\$ 2,686,313	\$ 2,300,198	\$ 386,115
Total health and welfare	\$ 2,382,397	\$ 2,846,892	\$ 2,460,777	\$ 386,115
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 15,400	\$ 15,400	\$ 15,400	-
Contribution to County School Board	7,247,397	7,247,397	7,102,072	145,325
Total education	\$ 7,262,797	\$ 7,262,797	\$ 7,117,472	\$ 145,325

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 236,122	\$ 246,104	\$ 241,172	\$ 4,932
Swimming pool and park	62,616	212,129	194,375	17,754
Total parks and recreation	<u>\$ 298,738</u>	<u>\$ 458,233</u>	<u>\$ 435,547</u>	<u>\$ 22,686</u>
Cultural enrichment:				
Museum	\$ 22,000	\$ 22,000	\$ 22,000	\$ -
Library:				
Contribution to county library	\$ 196,402	\$ 191,529	\$ 178,293	\$ 13,236
Total parks, recreation, and cultural	<u>\$ 517,140</u>	<u>\$ 671,762</u>	<u>\$ 635,840</u>	<u>\$ 35,922</u>
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 16,300	\$ 16,300	\$ 16,300	\$ -
Economic development	111,909	112,946	106,998	5,948
Total planning and community development	<u>\$ 128,209</u>	<u>\$ 129,246</u>	<u>\$ 123,298</u>	<u>\$ 5,948</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 11,025	\$ 11,025	\$ 11,025	\$ -
Litter control program	10,000	10,000	7,601	2,399
Other environmental management	63,286	67,286	66,936	350
Total environmental management	<u>\$ 84,311</u>	<u>\$ 88,311</u>	<u>\$ 85,562</u>	<u>\$ 2,749</u>
Cooperative extension program:				
Extension office	\$ 47,363	\$ 47,418	\$ 43,170	\$ 4,248
Total community development	<u>\$ 259,883</u>	<u>\$ 264,975</u>	<u>\$ 252,030</u>	<u>\$ 12,945</u>
Debt service:				
Principal retirement	\$ 1,849,606	\$ 8,425,655	\$ 8,424,469	\$ 1,186
Interest and other fiscal charges	1,682,921	1,682,921	1,682,921	-
Total debt service	<u>\$ 3,532,527</u>	<u>\$ 10,108,576</u>	<u>\$ 10,107,390</u>	<u>\$ 1,186</u>
Total General Fund	<u>\$ 22,258,519</u>	<u>\$ 30,110,103</u>	<u>\$ 28,945,339</u>	<u>\$ 1,164,764</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Commonwealth's Attorney:				
Asset Forfeiture	\$ -	\$ 474	\$ 474	\$ -
Public Safety:				
Sheriff:				
Asset forfeiture	\$ -	\$ 2,525	\$ 1,423	\$ 1,102
Other protection:				
Animal control	\$ -	\$ 19,633	\$ 4,277	\$ 15,356
Total public safety	<u>\$ -</u>	<u>\$ 22,158</u>	<u>\$ 5,700</u>	<u>\$ 16,458</u>

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Read and roll	\$ -	\$ 285,238	\$ 150,355	\$ 134,883
Total County Special Revenue Fund	\$ -	\$ 307,870	\$ 156,529	\$ 151,341
Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 3,153,880	\$ 92,375	\$ 3,061,505
Bond issuance	-	33,050	33,050	-
Total capital projects	\$ -	\$ 3,186,930	\$ 125,425	\$ 3,061,505
Total Primary Government	\$ 22,258,519	\$ 33,604,903	\$ 29,227,293	\$ 4,377,610
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 982,417	\$ 982,417	\$ 933,360	\$ 49,057
Instruction costs	12,560,575	12,617,978	11,809,311	808,667
Technology	914,253	914,253	913,784	469
Pupil transportation	1,520,731	1,684,481	1,604,645	79,836
Operation and maintenance of school plant	1,404,681	1,404,681	1,454,383	(49,702)
Total education	\$ 17,382,657	\$ 17,603,810	\$ 16,715,483	\$ 888,327
Total School Operating Fund	\$ 17,382,657	\$ 17,603,810	\$ 16,715,483	\$ 888,327
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 871,411	\$ 871,411	\$ 808,728	\$ 62,683
Commodities	-	50,854	50,854	-
Total school food services	\$ 871,411	\$ 922,265	\$ 859,582	\$ 62,683
Total education	\$ 871,411	\$ 922,265	\$ 859,582	\$ 62,683
Total School Cafeteria Fund	\$ 871,411	\$ 922,265	\$ 859,582	\$ 62,683
Total Discretely Presented Component Unit - School Board	\$ 18,254,068	\$ 18,526,075	\$ 17,575,065	\$ 951,010

OTHER STATISTICAL INFORMATION

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2006-07	\$ 1,680,451	\$ 737,022	\$ 2,762,429	\$ 1,327,043	\$ 2,256,548	\$ 5,757,576	\$ 469,444	\$ 64,931	\$ 955,334	\$ 16,010,778
2007-08	1,882,055	770,077	2,830,590	1,157,611	3,056,909	5,052,164	411,997	1,063,524	883,657	17,108,584
2008-09	1,568,632	700,133	3,451,014	1,354,988	2,645,966	8,194,820	427,867	91,643	1,046,589	19,481,652
2009-10	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575
2011-12	1,706,609	681,831	4,064,725	1,331,201	2,189,764	6,723,619	415,389	86,752	1,500,339	18,700,229
2012-13	1,601,134	706,845	4,263,572	1,456,944	2,157,151	6,694,654	402,704	76,721	1,274,412	18,634,137
2013-14	1,277,471	656,005	3,966,673	1,617,463	2,149,596	7,095,834	398,171	161,570	1,501,151	18,823,934
2014-15	1,381,868	538,448	3,890,756	1,626,640	1,884,957	9,636,662	454,226	215,500	1,476,080	21,105,137
2015-16	1,623,756	726,774	4,443,293	1,672,349	2,451,160	8,616,832	713,163	208,534	1,515,344	21,971,205

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		
2006-07	\$ 254,479	\$ 2,781,182	\$ -	\$ 8,961,879	\$ 2,959,126	\$ 480,937	\$ 71,592	\$ 1,179,123	\$ 16,688,318	
2007-08	305,834	3,649,195	214,103	10,104,272	2,723,813	138,994	132,002	1,190,595	18,458,808	
2008-09	216,826	3,245,589	208,140	10,638,177	2,581,539	54,714	67,214	1,066,074	18,078,273	
2009-10	207,305	2,854,011	-	10,726,095	2,136,779	39,235	85,746	1,453,937	17,503,108	
2010-11	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416	
2011-12	434,701	2,692,852	-	12,293,636	2,129,390	101,251	30,441	1,438,719	19,120,990	
2012-13	387,129	3,173,575	-	12,865,179	2,064,024	62,865	76,908	1,492,519	20,122,199	
2013-14	486,365	2,994,419	-	13,459,968	1,892,560	53,199	88,612	1,505,664	20,480,787	
2014-15	549,536	3,118,922	-	14,462,007	2,242,497	48,115	328,068	1,532,152	22,281,297	
2015-16	563,077	3,439,628	-	15,939,496	2,494,704	182,385	212,975	1,512,974	24,345,239	

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2006-07	\$ 1,615,589	\$ 687,338	\$ 2,718,932	\$ 1,255,696	\$ 2,255,040	\$ 15,393,625	\$ 472,872	\$ 64,931	\$ 1,595,676	\$ 26,059,699
2007-08	1,854,877	705,787	3,225,150	1,373,317	3,074,857	16,415,089	419,815	81,674	1,631,400	28,781,966
2008-09	1,561,628	635,967	6,059,597	1,386,767	2,640,100	17,113,270	422,557	91,643	2,531,253	32,442,782
2009-10	1,516,867	705,094	3,363,855	1,229,582	2,516,087	16,905,171	469,003	84,723	2,123,303	28,913,685
2010-11	1,836,494	696,193	3,721,774	1,211,682	2,542,294	16,171,436	443,490	63,246	1,894,696	28,581,305
2011-12	1,676,226	661,423	3,660,306	1,280,425	2,159,172	16,514,738	391,855	89,252	9,311,473	35,744,870
2012-13	1,661,413	640,070	4,237,084	1,372,443	2,126,837	16,094,245	433,515	78,596	2,986,389	29,630,592
2013-14	1,386,537	624,493	3,955,020	1,695,600	2,158,657	16,149,300	409,144	164,070	3,580,296	30,123,117
2014-15	1,400,155	635,031	4,122,850	1,586,688	1,916,587	17,196,877	464,733	286,126	3,553,194	31,162,241
2015-16	1,675,663	681,613	4,342,391	1,678,337	2,460,777	17,590,465	786,195	252,030	10,107,390	39,574,861

(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
2005-06	\$ 7,936,224	\$ 2,790,987	\$ 133,626	\$ 31,953	\$ 113,892	\$ 406,127	\$ 119,477	\$ 45,749	\$ 12,351,867	\$ 23,929,902
2006-07	8,955,083	2,959,126	127,766	22,451	158,986	362,006	150,669	37,001	14,183,804	26,956,892
2007-08	9,944,811	2,723,813	149,560	26,643	135,976	392,803	248,544	57,273	15,296,604	28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449
2010-11	11,396,506	2,036,898	53,796	19,104	89,158	316,073	76,163	164,932	14,321,871	28,474,501
2011-12	12,035,208	2,129,390	55,316	11,198	80,357	565,775	54,251	135,576	14,388,805	29,455,876
2012-13	13,091,774	2,064,024	53,129	723	42,053	516,577	76,088	203,528	14,763,185	30,811,081
2013-14	13,492,136	1,892,560	47,868	49,737	48,985	527,304	119,050	126,842	14,279,539	30,584,021
2014-15	14,375,886	2,242,497	55,722	121,180	58,143	492,624	351,564	179,327	14,950,044	32,826,987
2015-16	15,795,828	2,494,704	48,111	56,372	62,881	580,497	216,252	156,843	14,901,063	34,312,551

(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
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
2006-07	\$ 10,103,491	\$ 9,482,844	93.86%	\$ 274,547	\$ 9,757,391	96.57%	\$ 766,958	7.59%
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,350,599	11.06%
2011-12	13,667,004	12,518,036	91.59%	271,965	12,790,001	93.58%	1,542,285	11.28%
2012-13	13,825,984	13,144,229	95.07%	699,836	13,844,065	100.13%	1,480,509	10.71%
2013-14	14,450,761	13,795,011	95.46%	426,979	14,221,990	98.42%	1,394,233	9.65%
2014-15	15,266,583	14,439,033	94.58%	645,104	15,084,137	98.80%	1,470,710	9.63%
2015-16	15,337,344	14,669,612	95.65%	738,882	15,408,494	100.46%	1,780,183	11.61%

(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	
2006-07	\$ 866,975,291	\$ 88,602,590	\$ 1,145,886	\$ 1,534,735	\$ 22,814,835	\$ 87,574	\$ 981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642	1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107	1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997
2010-11	1,492,473,385	85,051,484	1,633,681	1,759,440	39,121,599	81,257	1,620,120,846
2011-12	1,505,791,681	88,167,722	1,689,475	1,815,583	37,440,722	83,997	1,634,989,180
2012-13	1,250,196,928	88,542,338	1,664,900	2,057,170	40,960,386	91,137	1,383,512,859
2013-14	1,253,447,626	96,842,771	1,071,575	2,091,590	42,005,340	113,855	1,395,572,757
2014-15	1,258,320,412	97,286,467	1,087,150	2,221,244	43,138,410	101,500	1,402,155,183
2015-16	1,256,583,672	101,433,884	1,013,750	2,270,908	44,267,085	80,990	1,405,650,289

(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
2006-07	\$ 0.78	\$ 0.78	\$ 3.50	\$ 3.75	\$ 3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.61	0.53	3.50	3.75	3.50
2010-11	0.605	0.61	3.50	3.75	3.50
2011-12	0.695	0.605	3.50	3.75	3.50
2012-13	0.695/.84	0.695	3.50	3.75	3.50
2013-14	0.84/.86	0.84	3.50	3.75	3.50
2014-15	0.86/.88	0.86	3.75	3.75	3.75
2015-16	0.88	0.88	3.75	3.75	3.75

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006-07	9,989	\$ 981,160,911	\$ 16,681,092	\$ 16,681,092	1.70%	\$ 1,670
2007-08	9,989	1,603,457,440	18,914,280	18,914,280	1.18%	1,894
2008-09	9,989	1,613,936,980	17,780,609	17,780,609	1.10%	1,780
2009-10	11,151	1,627,201,997	17,050,985	17,050,985	1.05%	1,529
2010-11	11,151	1,620,120,846	16,269,670	16,269,670	1.00%	1,459
2011-12	11,151	1,634,989,180	34,711,478	34,711,478	2.12%	3,113
2012-13	11,151	1,383,512,859	33,523,059	33,523,059	2.42%	3,006
2013-14	11,151	1,395,572,757	31,840,877	31,840,877	2.28%	2,855
2014-15	11,151	1,402,155,183	30,122,734	30,122,734	2.15%	2,701
2015-16	11,151	1,405,650,289	32,202,425	32,202,425	2.29%	2,888

(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, 2016, and the related notes to the financial statements, which collectively comprise the County of Essex, Virginia's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
November 30, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Essex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia
November 30, 2016

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

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	0950115/0950116	\$ 14,272
Temporary Assistance for Needy Families	93.558	0400115/0400116	110,382
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	129
Low Income Home Energy Assistance	93.568	0600415/00600416	11,791
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760115/0760116	16,188
Chafee Education and Training Vouchers	93.599	0760115/0760116	58
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/090116	726
Foster Care - Title IV-E	93.658	1100115/1100116	113,192
Adoption Assistance	93.659	1120115/1120116	57,849
Social Services Block Grant	93.667	1000115/1000116	76,395
Chafee Foster Care Independence Program	93.674	9150115/9150116	1,572
Children's Health Insurance Program	93.767	0540115/0540116	6,410
Medical Assistance Program	93.778	1200115/1200116	192,049
Total Department of Health and Human Services			<u>\$ 601,013</u>
U. S. Election Assistance Commission:			
Pass Through Payments:			
<i>State Board of Elections:</i>			
Help America Vote Act Requirements Payments	90.401	72302-40040	<u>\$ 3,500</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	77501-52749	\$ 37,281
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	77602	<u>577</u>
Total Department of Homeland Security			<u>\$ 37,858</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
<i>Department of Agriculture:</i>			
Summer Food Service Program for Children	10.559	N/A	\$ 16,150
Food Distribution	10.555	N/A	\$ 50,854
<i>Department of Education:</i>			
National School Lunch Program	10.555	17901-45707	440,002
School Breakfast Program	10.553	17901-40591	145,350
Total Child Nutrition Cluster			<u>\$ 652,356</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116	<u>\$ 150,920</u>
Total Department of Agriculture			<u>\$ 803,276</u>

County of Essex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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	\$ 7,214
Department of Treasury:			
Direct Payments:			
Sheriff Asset Forfeiture Funds	21.000	N/A	\$ 1,129
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime Victim Assistance	16.575	39001-76000	\$ 8,588
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	2,325
Total Department of Justice			\$ 10,913
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 395,422
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	328,352
Special Education - Preschool Grants	84.173	17901-62521	17,177
Total Special Education Cluster			\$ 345,529
Career and Technical Education - Basic Grants to States	84.048	17901-61095	30,277
Rural Education	84.358	17901- 43481	22,728
English Language Acquisition State Grants	84.365	17901	3,792
Supporting Effective Instruction State Grant	84.367	17901-61480	41,836
Total Department of Education			\$ 839,584
Total Expenditures of Federal Awards			\$ 2,304,487

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, 2016

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

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	\$ 1,212,263
Component Unit - School Board:	
School Operating Fund	\$ 839,584
School Special Revenue Fund	652,356
Total component unit School Board	\$ 1,491,940
Total federal expenditures per basic financial statements	\$ 2,704,203
Federal interest subsidy	\$ (396,100)
Payments in Lieu of Taxes	(3,616)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 2,304,487

County of Essex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

There were no prior year audit findings.

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