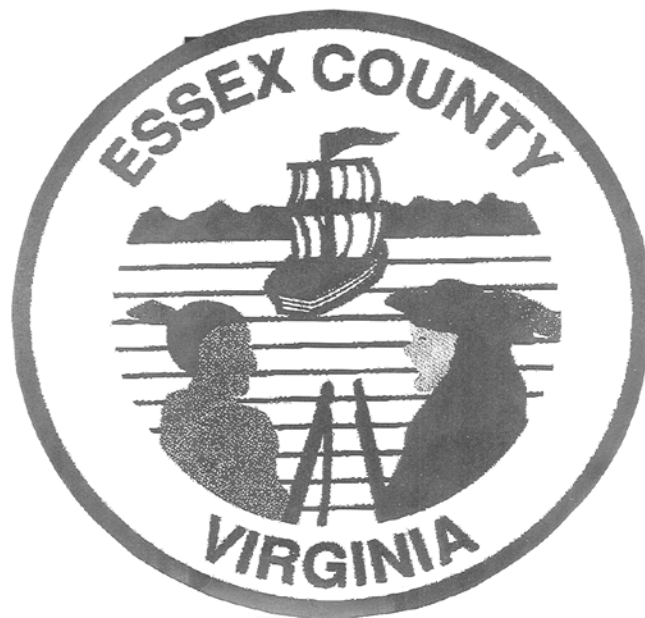


COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF ESSEX, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012

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COUNTY OF ESSEX, VIRGINIA

Board of Supervisors

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

Angelo S. Stevens

Margaret H. Davis

School Board

Larry R. Bullis, Chairperson
Raymond Whitaker, Vice Chairperson

Keren Slack-Ellis
Charles W. Slaughter

Elizabeth Martin

Department of Social Services Board

S. Roy Foster, Chairperson
Franklin Rixey, Vice Chairperson

Janie Mitchell

Other Officials

Judge of the Circuit Court Harry T. Taliaferro, III
Clerk of the Circuit Court G.J. Ashworth
Judge of the General District Court Gordon Wilkins
Judge of the Juvenile and Domestic Relations Court R. Michael McKenney
Commonwealth's Attorney Vincent S. Donoghue
Commissioner of the Revenue T.M. Blackwell
Treasurer A.L. Taylor
Sheriff Stanley S. Clarke
Superintendent of Schools Dr. Joseph Melvin
Director of Social Services Paul Oswell
County Administrator David Whitlow
County Attorney Daniel M. Siegel

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COUNTY OF ESSEX, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Essex, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress 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 management's discussion and analysis and schedules of funding progress 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 management's discussion and analysis and schedules of funding progress 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Essex, Virginia's financial statements as a whole. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.



Richmond, Virginia
December 21, 2012

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, 2012.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,489,725 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$18,898,389 (Exhibit 5) after making contributions totaling \$5,993,686 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$20,610,612, an increase of \$18,898,389 in comparison with the prior year. The increase was due in large part to the issuance of school construction bonds in FY12.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,507,734 or 10% of total general fund expenditures and other financing uses.
- < The combined long-term obligations increased by \$19,589,100 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$5,489,725 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Essex, Virginia's Net Assets

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 28,102,555	\$ 7,967,560
Capital assets	<u>22,453,903</u>	<u>21,583,001</u>
Total assets	<u>\$ 50,556,458</u>	<u>\$ 29,550,561</u>
Current liabilities	\$ 6,248,929	\$ 5,323,855
Long-term liabilities outstanding	<u>38,817,804</u>	<u>19,157,742</u>
Total liabilities	<u>\$ 45,066,733</u>	<u>\$ 24,481,597</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 2,437,068	\$ 3,058,791
Restricted to:		
Glebe fund	112,480	-
Forfeited assets	5,183	-
Law library	7,328	-
Unrestricted	<u>2,927,666</u>	<u>2,010,173</u>
Total net assets	<u>\$ 5,489,725</u>	<u>\$ 5,068,964</u>

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net assets by \$420,761 during the current fiscal year. The following table summarizes the County's Statement of Activities:

	Governmental Activities	
	2012	2011
Charges for services	\$ 434,701	\$ 191,355
Operating grants and contributions	2,692,852	2,852,656
General property taxes	12,293,636	11,453,029
Other local taxes	2,129,390	2,036,898
Grants and other contributions not restricted	1,438,719	1,438,018
Other general revenues	131,692	114,460
Total revenues	\$ 19,120,990	\$ 18,086,416
General government administration	\$ 1,706,609	\$ 1,867,378
Judicial administration	681,831	804,345
Public safety	4,064,725	4,066,458
Public works	1,331,201	1,261,620
Health and welfare	2,189,764	2,491,948
Education	6,723,619	6,480,939
Parks, recreation, and cultural	415,389	453,444
Community development	86,752	60,121
Interest and other fiscal charges	1,500,339	935,322
Total expenses	\$ 18,700,229	\$ 18,421,575
Change in net assets	\$ 420,761	\$ (335,159)
Net assets, beginning of year	5,068,964	5,404,123
Net assets, end of year	\$ 5,489,725	\$ 5,068,964

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 \$20,610,612, an increase of \$18,898,389, largely due to the issuance of school construction bonds, in comparison with the prior year. Approximately 12.2% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$7,764,657 and was due to an increase of \$7,435,348 in principal retirement and interest for refunding of bonds, an increase of \$329,979 in education expenditures and a decrease of \$670 in public safety expenditures.

During the year, revenues and other financing sources of the General Fund exceeded budgetary estimates by \$13,733. Expenditures and other financing uses did not exceed budgetary estimates by \$1,237,939, resulting in a positive variance of \$1,251,672.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2012 amounted to \$22,453,903 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$36,524,515. Of this amount, \$21,436,478 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds and capital leases).

The County's bonded debt increased by \$18,254,315 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

- < The unemployment rate for the County was 7.5 percent compared to state's average unemployment rate of 5.7 percent.
- < Inflationary trends in the region compare to national indices.

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

The fiscal year 2013 budget increased by approximately 8.9 percent. The County's real estate rate increased from \$.605 to \$.695 per \$100 and all other tax rates remained the same.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Essex, Virginia
Statement of Net Assets
June 30, 2012

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School Board</u>
ASSETS		
Cash and cash equivalents	\$ 1,458,356	\$ 1,528,627
Receivables (net of allowance for uncollectibles):		
Taxes receivable	6,798,530	-
Accounts receivable	35,560	-
Due from other governmental units	1,145,581	598,550
Inventories	-	11,351
Temporarily restricted:		
Cash and cash equivalents	18,242,135	-
Other assets:		
Unamortized bond issue costs	422,393	-
Capital assets (net of accumulated depreciation):		
Land and land improvements	1,143,271	42,822
Buildings and improvements	15,510,464	4,252,761
Intangibles	1,774,999	-
Equipment	1,991,371	817,120
Construction in progress	2,033,798	-
Total assets	<u>\$ 50,556,458</u>	<u>\$ 7,251,231</u>
LIABILITIES		
Accounts payable	\$ 404,470	\$ 54,978
Accrued liabilities	-	1,447,896
Accrued interest payable	646,869	-
Due to other funds	-	-
Due to other governmental units	-	519,039
Unearned revenue	5,197,590	-
Long-term liabilities:		
Due within one year	1,443,774	4,796
Due in more than one year	37,374,030	43,165
Total liabilities	<u>\$ 45,066,733</u>	<u>\$ 2,069,874</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 2,437,068	\$ 5,112,703
Restricted for:		
Glebe fund	112,480	-
Forfeited assets	5,183	-
Law library	7,328	-
Unrestricted (deficit)	2,927,666	68,654
Total net assets	<u>\$ 5,489,725</u>	<u>\$ 5,181,357</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,706,609	\$ -	\$ 384,473	\$ -	\$ (1,322,136)	
Judicial administration	681,831	69,755	348,004	-	(264,072)	
Public safety	4,064,725	55,316	709,695	-	(3,299,714)	
Public works	1,331,201	291,003	-	-	(1,040,198)	
Health and welfare	2,189,764	-	1,243,590	-	(946,174)	
Education	6,723,619	-	-	-	(6,723,619)	
Parks, recreation, and cultural	415,389	18,093	-	-	(397,296)	
Community development	86,752	534	7,090	-	(79,128)	
Interest on long-term debt	1,500,339	-	-	-	(1,500,339)	
Total governmental activities	\$ 18,700,229	\$ 434,701	\$ 2,692,852	\$ -	\$ (15,572,676)	
Total primary government	\$ 18,700,229	\$ 434,701	\$ 2,692,852	\$ -		
COMPONENT UNIT:						
School Board	\$ 16,646,238	\$ 197,588	\$ 10,257,234	\$ -	\$ (6,191,416)	
Total component unit	\$ 16,646,238	\$ 197,588	\$ 10,257,234	\$ -	\$ (6,191,416)	
General revenues:						
General property taxes					\$ 12,293,636	\$ -
Other local taxes:						
Local sales and use tax					1,651,249	-
Consumers' utility taxes					212,453	-
Motor vehicle licenses					247,258	-
Other local taxes					18,430	-
Unrestricted revenues from use of money and property					101,251	1,624
Miscellaneous					30,441	23,810
Payments from Essex County					-	6,233,640
Grants and contributions not restricted to specific programs					1,438,719	-
Total general revenues					\$ 15,993,437	\$ 6,259,074
Change in net assets					420,761	67,658
Net assets - beginning					5,068,964	5,113,699
Net assets - ending					\$ 5,489,725	\$ 5,181,357

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, 2012

	<u>General</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,445,845	\$ -	\$ 12,511	\$ 1,458,356
Receivables (net of allowance for uncollectibles):				
Taxes receivable	6,798,530	-	-	6,798,530
Accounts receivable	35,560	-	-	35,560
Due from other governmental units	1,145,581	-	-	1,145,581
Temporarily restricted:				
Cash and cash equivalents	-	18,242,135	-	18,242,135
Total assets	<u>\$ 9,425,516</u>	<u>\$ 18,242,135</u>	<u>\$ 12,511</u>	<u>\$ 27,680,162</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 140,222	\$ 264,248	\$ -	\$ 404,470
Deferred revenue	6,665,080	-	-	6,665,080
Total liabilities	<u>\$ 6,805,302</u>	<u>\$ 264,248</u>	<u>\$ -</u>	<u>\$ 7,069,550</u>
Fund balances:				
Restricted	\$ 112,480	\$ 17,977,887	\$ 12,511	\$ 18,102,878
Unassigned	2,507,734	-	-	2,507,734
Total fund balances	<u>\$ 2,620,214</u>	<u>\$ 17,977,887</u>	<u>\$ 12,511</u>	<u>\$ 20,610,612</u>
Total liabilities and fund balances	<u>\$ 9,425,516</u>	<u>\$ 18,242,135</u>	<u>\$ 12,511</u>	<u>\$ 27,680,162</u>

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

County of Essex, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 20,610,612

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	\$ 32,251,688	
Accumulated depreciation	<u>(9,797,785)</u>	22,453,903

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,467,490

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

Lease revenue bonds and notes	\$ (13,275,000)	
Literary fund loans	(630,000)	
General obligation bonds	(20,806,478)	
Bond premiums	(1,470,207)	
Capital lease	(1,813,037)	
Accrued interest payable	(646,869)	
OPEB liability	(223,213)	
Unamortized bond issue costs	422,393	
Compensated absences	<u>(599,869)</u>	(39,042,280)

Net assets of governmental activities \$ 5,489,725

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, 2012

	General	School Construction	Other Governmental Funds	Total
REVENUES				
General property taxes	\$ 12,035,208	\$ -	\$ -	\$ 12,035,208
Other local taxes	2,129,390	-	-	2,129,390
Permits, privilege fees, and regulatory licenses	55,316	-	-	55,316
Fines and forfeitures	11,198	-	-	11,198
Revenue from the use of money and property	78,733	22,518	-	101,251
Charges for services	368,187	-	-	368,187
Miscellaneous	29,911	-	530	30,441
Recovered costs	71,337	-	-	71,337
Intergovernmental revenues:		-		
Commonwealth	3,156,079	-	-	3,156,079
Federal	975,492	-	-	975,492
Total revenues	<u>\$ 18,910,851</u>	<u>\$ 22,518</u>	<u>\$ 530</u>	<u>\$ 18,933,899</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,676,226	\$ -	\$ -	\$ 1,676,226
Judicial administration	661,423	-	-	661,423
Public safety	3,660,306	-	-	3,660,306
Public works	1,280,425	-	-	1,280,425
Health and welfare	2,159,172	-	-	2,159,172
Education	6,000,122	-	-	6,000,122
Parks, recreation, and cultural	391,855	-	-	391,855
Community development	89,252	-	-	89,252
Capital projects	-	2,033,798	-	2,033,798
Debt service:		-		
Principal retirement	7,990,685	-	-	7,990,685
Bond issuance costs	167,903	-	-	167,903
Interest and other fiscal charges	1,152,885	264,569	-	1,417,454
Total expenditures	<u>\$ 25,230,254</u>	<u>\$ 2,298,367</u>	<u>\$ -</u>	<u>\$ 27,528,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,319,403)</u>	<u>\$ (2,275,849)</u>	<u>\$ 530</u>	<u>\$ (8,594,722)</u>
OTHER FINANCING SOURCES (USES)				
Premium on bond issuances	\$ 964,375	\$ -	\$ -	\$ 964,375
Bond issuances	6,275,000	20,253,736	-	26,528,736
Total other financing sources (uses)	<u>\$ 7,239,375</u>	<u>\$ 20,253,736</u>	<u>\$ -</u>	<u>\$ 27,493,111</u>
Net change in fund balances	\$ 919,972	\$ 17,977,887	\$ 530	\$ 18,898,389
Fund balances - beginning	1,700,242	-	11,981	1,712,223
Fund balances - ending	<u>\$ 2,620,214</u>	<u>\$ 17,977,887</u>	<u>\$ 12,511</u>	<u>\$ 20,610,612</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, 2012

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

Net change in fund balances - total governmental funds \$ 18,898,389

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

Capital asset additions	\$ 2,103,356	
Transfer of joint tenancy assets to Component Unit from primary Government	(239,954)	
Depreciation expense	<u>(992,500)</u>	870,902

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. 258,428

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

Issuance of long-term debt	\$ (27,493,111)	
Principal retired on bond anticipation note	50,000	
Principal retired on lease revenue bonds	7,064,000	
Principal retired on county capital lease	187,493	
Principal retired on school literary fund loans	90,000	
Principal retired on school general obligation bonds	599,192	
Deferred interest	(156,555)	
Amortization of bond premium	31,914	
Issuance costs	<u>422,393</u>	(19,204,674)

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

The following is a summary of items supporting this adjustment:

(Increase)decrease in accrued leave	\$ (118,588)	
(Increase)decrease in OPEB liability	(70,962)	
(Increase)decrease in interest payable	<u>(212,734)</u>	(402,284)

Change in net assets of governmental activities \$ 420,761

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

County of Essex, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ (377)
	<u> </u>
LIABILITIES	
Amounts held for social services clients	\$ (377)
	<u> </u>

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2012

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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, 2012.

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, 2012.

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

None

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

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

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

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

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

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

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

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

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

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

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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.

The County reports the following non-major governmental funds:

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

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 modified accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

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

F. Investments

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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 \$378,289 at June 30, 2012 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

H. Capital Assets (Continued)

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

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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);

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

L. Fund Equity (Continued)

- 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).

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

	<u>General Fund</u>	<u>School Construction</u>	<u>Other Funds</u>	<u>Total</u>
Fund Balances:				
Restricted for:				
Glebe fund	\$ 112,480	\$ -	\$ -	\$ 112,480
Forfeited assets	-	-	5,183	5,183
Law library	-	-	7,328	7,328
School Construction	-	17,977,887	-	17,977,887
Total Restricted Fund Balance	\$ 112,480	\$ 17,977,887	\$ 12,511	\$ 18,102,878
Unassigned Fund Balance	\$ 2,507,734	\$ -	\$ -	\$ 2,507,734
Total Fund Balances	\$ 2,620,214	\$ 17,977,887	\$ 12,511	\$ 20,610,612

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

M. Net Assets

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

N. Long-term Obligations

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

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

Expenditures and Appropriations

Expenditures exceeded appropriations in the following fund at June 30, 2012:

School Construction	\$2,298,367
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COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

	<u>Fair Quality Ratings</u>	
	<u>AAAm</u>	
Local Government Investment Pool	\$	74,174
State Non-Arbitrage Pool		13,021,129
Money Market Mutual Fund		3,708
Total	\$	<u>13,099,011</u>

External Investment Pools

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 4—Due from/to Other Governments:

At June 30, 2012, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Essex County School Board	\$ 519,039	\$ -
Commonwealth of Virginia:		
Local sales tax	291,282	-
Welfare	1,062	-
Rolling stock tax	349	-
Mobile home titling tax	131	-
State sales Tax	-	278,282
Victim witness	5,520	-
Constitutional officer reimbursements	93,171	-
Recordation tax	6,978	-
Comprehensive services act	35,574	-
Domestic violence grant	19,578	-
Welfare	43,037	-
Communications tax	61,378	-
Fire program funds	3,315	-
Wireless grant	3,333	-
Federal Government:		
School fund grants	-	320,268
Payment in lieu of taxes	3,332	-
Welfare	58,502	-
	<u>\$ 1,145,581</u>	<u>\$ 598,550</u>
Total due from other governments	<u>\$ 1,145,581</u>	<u>\$ 598,550</u>

At June 30, 2012, amounts due to other local governments are as follows:

Other Local Governments:		
County of Essex	<u>\$ -</u>	<u>\$ 519,039</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not subject to depreciation:				
Land and land improvements	\$ 1,143,271	\$ -	\$ -	\$ 1,143,271
Construction in progress	-	2,033,798	-	2,033,798
Total capital assets not subject to depreciation	\$ 1,143,271	\$ 2,033,798	\$ -	\$ 3,177,069
Capital assets subject to depreciation:				
Buildings and improvements	\$ 3,565,046	\$ -	\$ -	\$ 3,565,046
Equipment	3,656,744	69,558	-	3,726,302
Intangibles	2,807,348	-	-	2,807,348
Jointly owned assets	19,320,250	-	344,327	18,975,923
Total capital assets subject to depreciation	\$ 29,349,388	\$ 69,558	\$ 344,327	\$ 29,074,619
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,188,328	\$ 90,149	\$ -	\$ 1,278,477
Equipment	1,386,307	348,624	-	1,734,931
Intangibles	962,165	70,184	-	1,032,349
Jointly owned assets	5,372,858	483,543	104,373	5,752,028
Total accumulated depreciation	\$ 8,909,658	\$ 992,500	\$ 104,373	\$ 9,797,785
Total capital assets subject to depreciation, net	\$ 20,439,730	\$ (922,942)	\$ 239,954	\$ 19,276,834
Governmental activities capital assets, net	\$ 21,583,001	\$ 1,110,856	\$ 239,954	\$ 22,453,903

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 5—Capital Assets: (Continued)

Component Unit-School Board:	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not subject to depreciation:				
Land and land improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
	<u>\$ 42,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,822</u>
Capital assets subject to depreciation:				
Equipment	\$ 3,055,105	\$ 159,507	\$ -	\$ 3,214,612
Jointly owned assets	5,758,267	-	(344,327)	6,102,594
	<u>\$ 8,813,372</u>	<u>\$ 159,507</u>	<u>\$ (344,327)</u>	<u>\$ 9,317,206</u>
Total capital assets subject to depreciation				
Less accumulated depreciation for:				
Equipment	\$ 2,188,132	\$ 209,360	\$ -	\$ 2,397,492
Jointly owned assets	1,601,343	144,117	(104,373)	1,849,833
	<u>\$ 3,789,475</u>	<u>\$ 353,477</u>	<u>\$ (104,373)</u>	<u>\$ 4,247,325</u>
Total accumulated depreciation				
Total capital assets subject to depreciation, net	\$ 5,023,897	\$ (193,970)	\$ (239,954)	\$ 5,069,881
	<u>\$ 5,023,897</u>	<u>\$ (193,970)</u>	<u>\$ (239,954)</u>	<u>\$ 5,069,881</u>
Component unit school board capital assets, net	<u>\$ 5,066,719</u>	<u>\$ (193,970)</u>	<u>\$ (239,954)</u>	<u>\$ 5,112,703</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$ 17,001
Judicial administration	60,239
Public safety	335,427
Public works	75,434
Health and welfare	12,558
Education	483,543
Parks, recreation and cultural	8,298
	<u>992,500</u>

Total Governmental activities \$ 992,500

Component Unit School Board \$ 353,477

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 481,281	\$ 166,716	\$ 48,128	\$ 599,869	\$ 59,987
Lease revenue bonds	2,272,278	4,167,022	2,272,278	4,167,022	110,493
Add deferred amounts:					
For issuance premium	-	964,375	-	964,375	-
Bond anticipation note	50,000	-	50,000	-	-
OPEB liability	152,251	122,562	51,600	223,213	-
Capital lease (see Note 7)	2,000,530	-	187,493	1,813,037	195,367
Total incurred by County	<u>\$ 4,956,340</u>	<u>\$ 5,420,675</u>	<u>\$ 2,609,499</u>	<u>\$ 7,767,516</u>	<u>\$ 365,847</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 720,000	\$ -	\$ 90,000	\$ 630,000	\$ 90,000
General obligation bonds	8,435,670	12,970,000	599,192	20,806,478	746,420
Add deferred amounts:					
For issuance premium	254,010	283,736	31,914	505,832	-
Lease revenue bond	4,791,722	9,107,978	4,791,722	9,107,978	241,507
Total incurred by School Board	<u>\$ 14,201,402</u>	<u>\$ 22,361,714</u>	<u>\$ 5,512,828</u>	<u>\$ 31,050,288</u>	<u>\$ 1,077,927</u>
Total Governmental Obligations, Primary Government	<u>\$ 19,157,742</u>	<u>\$ 27,782,389</u>	<u>\$ 8,122,327</u>	<u>\$ 38,817,804</u>	<u>\$ 1,443,774</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations			
	Lease Revenue		Capital Leases	
	Principal	Interest	Principal	Interest
2013	\$ 110,493	\$ 171,912	\$ 195,367	\$ 76,147
2014	264,304	155,621	203,573	67,942
2015	274,349	145,606	212,123	59,392
2016	284,707	135,161	221,032	50,483
2017	296,949	123,765	230,315	41,200
2018	309,191	111,853	239,988	31,526
2019	319,864	99,866	250,068	21,447
2020	332,420	87,765	260,571	10,944
2021	296,322	75,608	-	-
2022	309,192	63,490	-	-
2023	322,061	50,294	-	-
2024	336,501	36,491	-	-
2025	349,999	22,079	-	-
2026	177,039	11,866	-	-
2027	183,631	5,270	-	-
Total	<u>\$ 4,167,022</u>	<u>\$ 1,296,647</u>	<u>\$ 1,813,037</u>	<u>\$ 359,081</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations					
	State Literary Fund Loans		General Obligation Bonds		Lease Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 90,000	\$ 25,200	\$ 746,420	\$ 464,459	\$ 241,507	\$ 375,753
2014	90,000	21,600	750,182	476,853	577,696	340,146
2015	90,000	18,000	754,143	448,692	599,651	318,255
2016	90,000	14,400	758,310	420,325	622,293	295,425
2017	90,000	10,800	762,696	391,739	649,051	270,516
2018	90,000	7,200	1,367,311	362,924	675,809	244,480
2019	90,000	3,600	1,372,167	333,868	699,136	218,280
2020	-	-	1,377,279	304,556	726,580	191,831
2021	-	-	1,380,311	277,324	647,678	165,260
2022	-	-	1,383,500	249,932	675,809	138,772
2023	-	-	912,093	227,298	703,939	109,929
2024	-	-	913,986	210,404	735,499	79,758
2025	-	-	917,352	192,038	765,001	48,259
2026	-	-	920,895	173,496	386,960	25,936
2027	-	-	924,621	154,769	401,369	11,518
2028	-	-	1,473,545	124,810	-	-
2029	-	-	1,125,555	89,870	-	-
2030	-	-	1,150,556	66,404	-	-
2031	-	-	1,170,556	43,339	-	-
2032	-	-	645,000	14,673	-	-
Total	<u>\$ 630,000</u>	<u>\$ 100,800</u>	<u>\$ 20,806,478</u>	<u>\$ 5,027,773</u>	<u>\$ 9,107,978</u>	<u>\$ 2,834,118</u>

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations:

General Obligations:

Incurred by County:

Lease Revenue Bonds Payable:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The County is responsible for 31.39% of this debt. \$ 1,969,722

\$1,000,000 lease revenue refunding bond issued December 13, 2011, due in annual installments through November 2024, interest payable semi-annually at 3.29%. The County is responsible for 31.39% of this debt. 313,900

\$6,000,000 lease revenue refunding bond issued December 13, 2011, due in varying annual installments through December 15, 2026, interest payable semi-annually at 3.29%. The County between 2.125% and 5.125%. The County is responsible for 31.39% of this debt. 1,883,400

Total Lease Revenue Bonds \$ 4,167,022

Capital Lease Payable:

\$2,518,870 Capital lease issued January 1, 2008, due in annual installments through 2020, interest payable annually at an interest rate of 4.20%. \$ 1,813,037

Compensated absences (payable by General Fund) \$ 599,869

OPEB liability (payable by the General Fund) \$ 223,213

Unamortized Premium \$ 964,375

Total Incurred by County \$ 7,767,516

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Obligations: (Continued)

Incurred by School Board:

State Literary Fund Loans:

\$1,800,000 State Literary Fund loan issued February 15, 1999, due in annual principal installments of \$900,000 through 2019, interest payable annually at 4%. \$ 630,000

Lease Revenue Bonds Payable:

\$6,275,000 lease revenue refunding bond issued November 11, 2011, due in annual installments through November 2024, interest payable semi-annually at various rates between 2.125% and 5.125%. The School Board is responsible for 68.61% of this debt. \$ 4,305,278

\$1,000,000 lease revenue refunding bond issued December 13, 2011, due in annual installments through November 2024, interest payable semi-annually at 3.29%. The School Board is responsible for 68.61% of this debt. 686,100

\$6,000,000 lease revenue refunding bond issued December 13, 2011, due in varying annual installments through December 15, 2026, interest payable semi-annually at 3.29%. The School Board is responsible for 68.61% of this debt. 4,116,600

Total Lease Revenue Bonds \$ 9,107,978

General Obligation Bonds:

\$6,919,103 bond, issued November 8, 2007, maturing annually in installments of varying amounts through July 15, 2027; interest at 4.00%. \$ 5,612,375

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

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

\$4,340,228 bond, issued November 15, 2001, maturing annually in installments of varying amounts through July 15, 2021, interest at varying rates ranging from 3.10% to 5.10%. 2,224,103

Total General Obligation Bonds \$ 20,806,478

Unamortized premium \$ 505,832

Total Incurred by School Board \$ 31,050,288

Total General Obligations, Primary Government \$ 38,817,804

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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, 2012.

	Amounts Payable at July 1, 2011	Increases	Decreases	Amounts Payable at June 30, 2012	Amounts Due Within One Year
Component Unit-School Board:					
Compensated absences	\$ 39,756	\$ 8,205	\$ -	\$ 47,961	\$ 4,796
Total Component Unit-School Board	<u>\$ 39,756</u>	<u>\$ 8,205</u>	<u>\$ -</u>	<u>\$ 47,961</u>	<u>\$ 4,796</u>

Note 7—Capital Lease:

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

The asset acquired through capital lease is as follows:

Asset:	<u>Primary Government</u>
Equipment	\$ 2,764,966
Less: accumulated depreciation	(967,738)
Total	<u>\$ 1,797,228</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 8—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$6,665,080 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$6,579,651 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$85,429 at June 30, 2012.

Note 9—Contingent Liabilities:

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

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

The following construction contracts were outstanding at June 30, 2012:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Balance</u>
High School Renovation	Loughridge & Company LLC	\$ 17,741,000	\$ 17,113,363

Note 10—Litigation:

At June 30, 2012, there were no matters of litigation involving the County or School Board which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 11—Risk Management:

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

Note 12—Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 12—Defined Benefit Pension Plan (Continued):

A. Plan Description (Continued)

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Website at <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional's contribution rates for the fiscal year ended 2012 were 6.97% and 7.23% of annual covered payroll, respectively.

The School Board's professional employees contributed \$541,971, \$336,366, and \$568,177 to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010, respectively, and these contributions represented 6.33%, 3.93% and 8.81% respectively, of current covered payroll.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 12—Defined Benefit Pension Plan (continued):

C. Annual Pension Cost

For fiscal year 2012, the County's annual pension cost of \$206,967 (which does not include the portion of the employee share assumed by the employer which was \$148,470) was equal to the County's required and actual contributions.

For fiscal year 2012, the County School Board's annual pension cost for the Board's non-professional employees was \$59,921 (which does not include the employees portion assumed by the School Board of \$41,439) which was equal to the Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 206,967	100%	\$ -
June 30, 2011	191,871	100%	-
June 30, 2010	152,460	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 59,921	100%	\$ -
June 30, 2011	61,526	100%	-
June 30, 2010	68,492	100%	-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 12—Defined Benefit Pension Plan (continued):

D. Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 89.70% funded. The actuarial accrued liability for benefits was \$11,702,990, and the actuarial value of assets was \$10,498,047, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,204,943. The covered payroll (annual payroll of active employees covered by the plan) was \$2,813,798, and ratio of the UAAL to the covered payroll was 42.82%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board's Non-Professional plan was 80.30% funded. The actuarial accrued liability for benefits was \$4,205,391 and the actuarial value of assets was \$3,377,127, resulting in an unfunded actuarial accrued liability (UAAL) of \$828,264. The covered payroll (annual payroll of active employees covered by the plan) was \$857,006 and ratio of the UAAL to the covered payroll was 96.65%.

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

Note 13—Surety Bonds:

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

Note 14-Other Post-Employment Benefits (OPEB):

A. Plan Description

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

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$51,372, \$51,354, and \$67,072, respectively and equaled the required contributions for each year.

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 15–Postemployment Benefits Other Than Pensions:

A. Plan Description

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

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

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

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

B. Funding Policy

The funding policies of both groups of retirees are described above. The Schools currently have 32 retirees and 8 spouses on its plan. The County has 25 retirees with 0 spouses.

C. Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF ESSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 15-Postemployment Benefits Other Than Pensions: (Continued)

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

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

	Primary Government	Component Unit School Board
Annual required contribution	\$ 122,900	\$ 255,600
Interest on net OPEB obligation	4,916	-
Adjustment to annual required contribution	(5,254)	-
Annual OPEB cost (expense)	<u>\$ 122,562</u>	<u>\$ 255,600</u>
Estimated Contributions made	<u>(51,600)</u>	<u>(255,600)</u>
Increase in net OPEB obligation	70,962	-
Net OPEB obligation-beginning of year	152,251	-
Net OPEB obligation-end of year	<u><u>\$ 223,213</u></u>	<u><u>\$ -</u></u>

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2010	\$ 181,751	39.23%	\$ 110,451
6/30/2011	96,200	56.55%	152,251
6/30/2012	122,562	42.10%	223,213
Schools:			
6/30/2010	\$ 578,600	100.00%	\$ -
6/30/2011	270,700	100.00%	-
6/30/2012	255,600	100.00%	-

D. Funded Status and Funding Progress

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

Note 15–Postemployment Benefits Other Than Pensions: (Continued)

D. Funded Status and Funding Progress (Continued)

As of June 30, 2011, most recent actuarial valuation date, the School Board’s actuarial accrued liability for benefits was \$1,859,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,713,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.15 percent.

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

E. Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2012 using Scale AA.

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

Healthcare cost trend rate-The actuarial includes a healthcare cost trend rate of 7.50% in 2012 graded down to 4.83% in 2083. The healthcare cost trend rate selected is consistent with prevalent practices. The actuary used medical trend with information from the Getzen Trend Model, Milliman’s Health Cost Guidelines and actuarial judgment. These trend rates do not include the effects of changes in demographics of the covered group.

Based on the historical and expected returns of the County’s short-term investment portfolio, a discount of 4.0% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The actuarial has a payroll growth of 3.75%. The remaining amortization period for the County at June 30, 2009 was thirty years. The remaining amortization period for the School Board at June 30, 2012 was 10.57 years.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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County of Essex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<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	\$ 11,607,200	\$ 11,607,200	\$ 12,035,208	\$ 428,008
Other local taxes	2,361,000	2,361,000	2,129,390	(231,610)
Permits, privilege fees, and regulatory licenses	62,900	62,900	55,316	(7,584)
Fines and forfeitures	20,000	20,000	11,198	(8,802)
Revenue from the use of money and property	38,000	38,000	78,733	40,733
Charges for services	317,000	317,000	368,187	51,187
Miscellaneous	24,700	24,700	29,911	5,211
Recovered costs	48,500	48,500	71,337	22,837
Intergovernmental revenues:				
Commonwealth	3,287,611	3,287,611	3,156,079	(131,532)
Federal	934,235	1,130,207	975,492	(154,715)
Total revenues	<u>\$ 18,701,146</u>	<u>\$ 18,897,118</u>	<u>\$ 18,910,851</u>	<u>\$ 13,733</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,653,211	\$ 2,653,211	\$ 1,676,226	\$ 976,985
Judicial administration	693,850	693,850	661,423	32,427
Public safety	3,583,328	3,583,328	3,660,306	(76,978)
Public works	1,265,445	1,264,775	1,280,425	(15,650)
Health and welfare	2,836,224	2,836,224	2,159,172	677,052
Education	6,005,832	6,335,811	6,000,122	335,689
Parks, recreation, and cultural	416,527	416,527	391,855	24,672
Community development	99,829	99,829	89,252	10,577
Debt service:				
Principal retirement	713,768	7,953,143	7,990,685	(37,542)
Bond issuance costs	-	-	167,903	(167,903)
Interest and other fiscal charges	435,522	631,495	1,152,885	(521,390)
Total expenditures	<u>\$ 18,703,536</u>	<u>\$ 26,468,193</u>	<u>\$ 25,230,254</u>	<u>\$ 1,237,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,390)</u>	<u>\$ (7,571,075)</u>	<u>\$ (6,319,403)</u>	<u>\$ 1,251,672</u>
OTHER FINANCING SOURCES (USES)				
Premium on bond issuances	\$ -	\$ 964,375	\$ 964,375	\$ -
Bond issuances	-	6,275,000	6,275,000	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 7,239,375</u>	<u>\$ 7,239,375</u>	<u>\$ -</u>
Net change in fund balances	\$ (2,390)	\$ (331,700)	\$ 919,972	\$ 1,251,672
Fund balances - beginning	2,390	331,700	1,700,242	1,368,542
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,620,214</u>	<u>\$ 2,620,214</u>

County of Essex, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2012

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011	\$ 10,498,047	\$ 11,702,990	1,204,943	89.70%	\$ 2,813,798	42.82%
6/30/2010	10,082,202	11,074,505	992,303	91.04%	2,685,512	36.95%
6/30/2009	9,922,881	10,215,591	292,710	97.13%	2,631,999	11.12%
6/30/2008	9,722,245	9,741,035	18,790	99.81%	2,499,246	0.75%
6/30/2007	8,771,925	8,928,843	156,918	98.24%	2,339,918	6.71%
6/30/2006	7,801,682	8,210,115	408,433	95.03%	2,272,077	17.98%
6/30/2005	7,394,828	8,046,993	652,165	91.90%	2,106,508	30.96%
6/30/2004	7,259,859	7,152,839	(107,020)	101.50%	2,098,828	-5.10%
6/30/2003	7,126,371	6,638,813	(487,558)	107.34%	1,935,080	-25.20%
6/30/2002	7,059,514	6,046,354	(1,013,160)	116.76%	1,971,863	-51.38%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

6/30/2011	\$ 3,377,127	\$ 4,205,391	\$ 828,264	80.30%	\$ 857,006	96.65%
6/30/2010	3,337,816	3,813,663	475,847	87.52%	909,049	52.35%
6/30/2009	3,305,008	3,607,332	302,324	91.62%	944,948	31.99%
6/30/2008	3,217,928	3,377,441	159,513	95.28%	927,558	17.20%
6/30/2007	2,893,711	3,073,160	179,449	94.16%	911,540	19.69%
6/30/2006	2,545,467	2,774,236	228,769	91.75%	834,880	27.40%
6/30/2005	2,368,113	2,713,219	345,106	87.28%	841,800	41.00%
6/30/2004	2,258,487	2,424,817	166,330	93.14%	748,216	22.23%
6/30/2003	2,196,943	2,291,359	94,416	95.88%	728,452	12.96%
6/30/2002	2,124,208	2,121,681	(2,527)	100.12%	687,959	-0.37%

County of Essex, Virginia
 Schedule of Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2012

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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County of Essex, Virginia

Fiduciary Funds
 Statement of Changes in Assets and Liabilities - Agency Funds
 Year Ended June 30, 2012

	<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	\$ 2,836	\$ 7,986	\$ 11,199	\$ (377)
Liabilities:				
Amounts held for social services clients	\$ 2,836	\$ 7,986	\$ 11,199	\$ (377)

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*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, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,405,016	\$ 123,611	\$ 1,528,627
Due from other governmental units	572,940	25,610	598,550
Inventories	-	11,351	11,351
Total assets	\$ 1,977,956	\$ 160,572	\$ 2,138,528
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 53,901	\$ 1,077	\$ 54,978
Accrued liabilities	1,405,016	42,880	1,447,896
Due to other governmental units	519,039	-	519,039
Total liabilities	\$ 1,977,956	\$ 43,957	\$ 2,021,913
Fund balances:			
Nonspendable	\$ -	\$ 11,351	\$ 11,351
Committed	-	105,264	105,264
Total fund balances	\$ -	\$ 116,615	\$ 116,615
Total liabilities and fund balances	\$ 1,977,956	\$ 160,572	\$ 2,138,528

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

Total fund balances per above	\$ 116,615
-------------------------------	------------

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	\$ 9,360,028	
Accumulated depreciation	(4,247,325)	5,112,703

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

Compensated absences	\$ (47,961)	(47,961)
----------------------	-------------	----------

Net assets of governmental activities	\$ 5,181,357
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County of Essex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 1,535	\$ 89	\$ 1,624
Charges for services	7,802	189,786	197,588
Miscellaneous	23,580	230	23,810
Recovered costs	64,239	-	64,239
Intergovernmental revenues:			
Local government	5,993,686	-	5,993,686
Commonwealth	7,667,566	17,318	7,684,884
Federal	1,979,444	592,906	2,572,350
Total revenues	<u>\$ 15,737,852</u>	<u>\$ 800,329</u>	<u>\$ 16,538,181</u>
EXPENDITURES			
Current:			
Education	\$ 15,737,852	\$ 770,450	\$ 16,508,302
Total expenditures	<u>\$ 15,737,852</u>	<u>\$ 770,450</u>	<u>\$ 16,508,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 29,879</u>	<u>\$ 29,879</u>
Net change in fund balances	\$ -	\$ 29,879	\$ 29,879
Fund balances - beginning	-	86,736	86,736
Fund balances - ending	<u>\$ -</u>	<u>\$ 116,615</u>	<u>\$ 116,615</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			\$ 29,879
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:			
Capital asset, additions		\$ 159,507	
Transfer of joint tenancy assets to Component Unit from Primary Government		239,954	
Depreciation expense		<u>(353,477)</u>	45,984
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		<u>\$ (8,205)</u>	(8,205)
Change in net assets of governmental activities			<u>\$ 67,658</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, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 1,535	\$ (3,465)
Charges for services	16,000	16,000	7,802	(8,198)
Miscellaneous	18,000	37,897	23,580	(14,317)
Recovered costs	50,000	56,166	64,239	8,073
Intergovernmental revenues:				
Local government	5,999,396	6,329,375	5,993,686	(335,689)
Commonwealth	7,795,011	7,798,133	7,667,566	(130,567)
Federal	1,549,659	1,875,166	1,979,444	104,278
Total revenues	<u>\$ 15,433,066</u>	<u>\$ 16,117,737</u>	<u>\$ 15,737,852</u>	<u>\$ (379,885)</u>
EXPENDITURES				
Current:				
Education	\$ 15,433,066	\$ 16,117,737	\$ 15,737,852	\$ 379,885
Total expenditures	<u>\$ 15,433,066</u>	<u>\$ 16,117,737</u>	<u>\$ 15,737,852</u>	<u>\$ 379,885</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

County of Essex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 89	\$ (911)
Charges for services	229,000	229,000	189,786	(39,214)
Miscellaneous	1,936	1,936	230	(1,706)
Intergovernmental revenues:				
Local government	-	18,500	-	(18,500)
Commonwealth	17,442	17,442	17,318	(124)
Federal	341,571	541,571	592,906	51,335
Total revenues	<u>\$ 590,949</u>	<u>\$ 809,449</u>	<u>\$ 800,329</u>	<u>\$ (9,120)</u>
EXPENDITURES				
Current:				
Education	\$ 590,949	\$ 809,449	\$ 770,450	\$ 38,999
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 29,879	\$ 29,879
Net change in fund balances	\$ -	\$ -	\$ 29,879	\$ 29,879
Fund balances - beginning	-	-	86,736	86,736
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,615</u>	<u>\$ 116,615</u>

County of Essex, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Fund - Discretely Presented Component Unit School Board
 June 30, 2012

	Chesapeake Bay Governor's <u>School</u>
ASSETS	
Cash and cash equivalents	\$ 82,680
Total assets	\$ 82,680
 NET ASSETS	
Held in trust for governor's school	\$ 82,680

County of Essex, Virginia
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2012

	<u>Chesapeake Bay Governor's School</u>
ADDITIONS	
Contributions:	
Revenue from the Commonwealth	\$ 488,515
Tuition	952,487
Total contributions	<u>\$ 1,441,002</u>
Total additions	<u>\$ 1,441,002</u>
DEDUCTIONS	
Operating	<u>\$ 1,366,251</u>
Change in net assets	\$ 74,751
Net assets - beginning	<u>\$ 7,929</u>
Net assets - ending	<u>\$ 82,680</u>

SUPPORTING SCHEDULES

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County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<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	\$ 9,360,000	\$ 9,360,000	\$ 9,608,446	\$ 248,446
Real and personal public service corporation taxes	240,000	240,000	229,456	(10,544)
Personal property taxes	1,620,300	1,620,300	1,744,770	124,470
Mobile home taxes	41,100	41,100	27,445	(13,655)
Machinery and tools taxes	56,000	56,000	58,811	2,811
Merchant's capital taxes	67,100	67,100	66,902	(198)
Penalties	152,700	152,700	185,272	32,572
Interest	70,000	70,000	114,106	44,106
Total general property taxes	<u>\$ 11,607,200</u>	<u>\$ 11,607,200</u>	<u>\$ 12,035,208</u>	<u>\$ 428,008</u>
Other local taxes:				
Local sales and use taxes	\$ 1,676,000	\$ 1,676,000	\$ 1,651,249	\$ (24,751)
Consumers' utility taxes	400,000	400,000	212,453	(187,547)
Motor vehicle licenses	240,000	240,000	247,258	7,258
Taxes on recordation and wills	45,000	45,000	18,430	(26,570)
Total other local taxes	<u>\$ 2,361,000</u>	<u>\$ 2,361,000</u>	<u>\$ 2,129,390</u>	<u>\$ (231,610)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 8,269	\$ 269
Transfer fees	500	500	362	(138)
Permits and other licenses	54,400	54,400	46,685	(7,715)
Total permits, privilege fees, and regulatory licenses	<u>\$ 62,900</u>	<u>\$ 62,900</u>	<u>\$ 55,316</u>	<u>\$ (7,584)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 11,198	\$ (8,802)
Revenue from use of money and property:				
Revenue from use of money	\$ 8,000	\$ 8,000	\$ 5,987	\$ (2,013)
Revenue from use of property	30,000	30,000	72,746	42,746
Total revenue from use of money and property	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 78,733</u>	<u>\$ 40,733</u>
Charges for services:				
Charges for courthouse maintenance	14,500	14,500	8,862	(5,638)
Criminal/traffic cases fees-security	55,000	55,000	48,616	(6,384)
Charges for correction and detention	1,000	1,000	1,790	790
Charges for Commonwealth's Attorney	500	500	1,079	579
Charges for community development	3,000	3,000	534	(2,466)
Charges for EMS	200,000	200,000	272,147	72,147
Charges for selective enforcement	26,000	26,000	17,066	(8,934)
Charges for parks and recreation	17,000	17,000	18,093	1,093
Total charges for services	<u>\$ 317,000</u>	<u>\$ 317,000</u>	<u>\$ 368,187</u>	<u>\$ 51,187</u>
Miscellaneous revenue:				
Miscellaneous	\$ 24,700	\$ 24,700	\$ 29,911	\$ 5,211
Recovered costs:				
Town's share of refuse disposal	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Town's erosion and sediment control	2,500	2,500	2,500	-

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:(Continued)				
Jurors payments	\$ 1,000	\$ 1,000	\$ 3,450	\$ 2,450
SNAP VPSA 2003D	-	-	19,742	19,742
Sheriff-EHS security	15,000	15,000	15,645	645
Total recovered costs	<u>\$ 48,500</u>	<u>\$ 48,500</u>	<u>\$ 71,337</u>	<u>\$ 22,837</u>
Total revenue from local sources	<u>\$ 14,479,300</u>	<u>\$ 14,479,300</u>	<u>\$ 14,779,280</u>	<u>\$ 299,980</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications taxes	\$ -	\$ -	\$ 359,390	\$ 359,390
Mobile home titling tax	20,000	20,000	7,605	(12,395)
Rolling stock tax	800	800	349	(451)
Auto rental tax	1,200	1,200	979	(221)
State recordation tax	131,000	131,000	90,910	(40,090)
Personal property tax relief funds	1,050,000	1,050,000	1,054,171	4,171
Reduction in aid to local governments	(86,400)	(86,400)	(81,127)	5,273
Total noncategorical aid	<u>\$ 1,116,600</u>	<u>\$ 1,116,600</u>	<u>\$ 1,432,277</u>	<u>\$ 315,677</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 153,000	\$ 153,000	\$ 152,625	\$ (375)
Sheriff	582,364	582,364	589,602	7,238
Commissioner of revenue	80,888	80,888	80,988	100
Treasurer	66,921	66,921	67,136	215
Medical examiner	250	250	-	(250)
Registrar/electoral board	46,500	46,500	40,377	(6,123)
Clerk of the Circuit Court	160,494	160,494	168,024	7,530
Total shared expenses	<u>\$ 1,090,417</u>	<u>\$ 1,090,417</u>	<u>\$ 1,098,752</u>	<u>\$ 8,335</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 419,729	\$ 419,729	\$ 345,313	\$ (74,416)
Emergency medical services - four for life	9,500	9,500	12,695	3,195
Emergency services	10,000	10,000	-	(10,000)
Law enforcement block grant	-	-	1,628	1,628
Comprehensive services act	550,000	550,000	139,995	(410,005)
Litter control	5,000	5,000	6,028	1,028
Wireless funds	-	-	40,000	40,000
State forestry	-	-	1,062	1,062
Circuit court	-	-	4,999	4,999
Victim-witness grant	25,000	25,000	9,729	(15,271)
Domestic violence grant	40,000	40,000	40,141	141
Fire programs fund	21,365	21,365	23,460	2,095
Total other categorical aid	<u>\$ 1,080,594</u>	<u>\$ 1,080,594</u>	<u>\$ 625,050</u>	<u>\$ (455,544)</u>
Total categorical aid	<u>\$ 2,171,011</u>	<u>\$ 2,171,011</u>	<u>\$ 1,723,802</u>	<u>\$ (447,209)</u>
Total revenue from the Commonwealth	<u>\$ 3,287,611</u>	<u>\$ 3,287,611</u>	<u>\$ 3,156,079</u>	<u>\$ (131,532)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental Revenues: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 6,442	\$ 6,442
Categorical aid:				
Public assistance and welfare administration	\$ 934,235	\$ 934,235	\$ 758,282	\$ (175,953)
Transportation safety	-	-	2,169	2,169
Victim-witness	-	-	12,627	12,627
QSCB Interest subsidy	-	195,972	195,972	-
Total categorical aid	<u>\$ 934,235</u>	<u>\$ 1,130,207</u>	<u>\$ 969,050</u>	<u>\$ (161,157)</u>
Total revenue from the federal government	<u>\$ 934,235</u>	<u>\$ 1,130,207</u>	<u>\$ 975,492</u>	<u>\$ (154,715)</u>
Total General Fund	<u>\$ 18,701,146</u>	<u>\$ 18,897,118</u>	<u>\$ 18,910,851</u>	<u>\$ 13,733</u>
Special Revenue Fund:				
County Special Revenue Fund				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 530	\$ 530
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 530</u>	<u>\$ 530</u>
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 22,518	\$ 22,518
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,518</u>	<u>\$ 22,518</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,518</u>	<u>\$ 22,518</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,518</u>	<u>\$ 22,518</u>
Total Primary Government	<u>\$ 18,701,146</u>	<u>\$ 18,897,118</u>	<u>\$ 18,933,899</u>	<u>\$ 36,781</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 5,000	\$ 5,000	\$ 1,535	\$ (3,465)
Charges for services:				
Charges for education	\$ 6,000	\$ 6,000	\$ 3,802	\$ (2,198)
Tuition and payments from other divisions	10,000	10,000	4,000	(6,000)
Total charges for services	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 7,802</u>	<u>\$ (8,198)</u>

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 18,000	\$ 37,897	\$ 23,580	\$ (14,317)
Recovered costs:				
E-rates	\$ 50,000	\$ 56,166	\$ 64,239	\$ 8,073
Total revenue from local sources	\$ 89,000	\$ 115,063	\$ 97,156	\$ (17,907)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ 5,999,396	\$ 6,329,375	\$ 5,993,686	\$ (335,689)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,384,705	\$ 1,384,705	\$ 1,435,896	\$ 51,191
Basic school aid	3,743,032	3,743,032	3,704,315	(38,717)
Remedial summer education	40,663	40,663	39,018	(1,645)
Gifted and talented	36,719	36,719	36,427	(292)
Remedial education	165,646	165,646	164,327	(1,319)
Special education	555,688	555,688	551,263	(4,425)
Textbook payment	33,097	33,097	32,833	(264)
GED funding	7,859	7,859	7,859	-
Vocational education	94,648	97,770	82,896	(14,874)
School fringes	439,002	439,002	435,506	(3,496)
Educational Technology	128,000	128,000	72,422	(55,578)
State lottery payments	356,561	356,561	356,561	-
Early reading intervention	20,271	20,271	18,712	(1,559)
Homebound	7,290	7,290	5,022	(2,268)
School construction	105,662	105,662	104,926	(736)
At risk payments	428,431	428,431	374,023	(54,408)
Primary class size	217,958	217,958	216,726	(1,232)
SOL Algebra readiness	20,737	20,737	19,255	(1,482)
English as a second language	9,042	9,042	8,194	(848)
Other state aid	-	-	1,385	1,385
Total categorical aid	\$ 7,795,011	\$ 7,798,133	\$ 7,667,566	\$ (130,567)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 411,196	\$ 480,913	\$ 623,985	\$ 143,072
Title VI-B	380,000	380,000	360,514	(19,486)
Title VI-B - special education - ARRA	-	64,572	57,623	(6,949)
Title VI-B - rural and low income	-	6,500	5,604	(896)
Preschool grant	19,000	19,000	16,445	(2,555)
Preschool grant - ARRA	-	13,334	13,334	-
State fiscal stabilization fund - ARRA	-	88,533	88,533	-
Vocational education	33,000	33,000	27,822	(5,178)
Drug free schools	-	2,301	2,301	-

County of Essex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title III	\$ 2,100	\$ 2,100	\$ -	\$ (2,100)
School improvement	250,000	330,000	333,240	3,240
Title II-A	75,000	75,000	65,718	(9,282)
Title II-D - ARRA	-	550	781	231
Title II-D	2,500	2,500	1,482	(1,018)
Education jobs	376,863	376,863	382,062	5,199
Total categorical aid	<u>\$ 1,549,659</u>	<u>\$ 1,875,166</u>	<u>\$ 1,979,444</u>	<u>\$ 104,278</u>
Total School Operating Fund	<u>\$ 15,433,066</u>	<u>\$ 16,117,737</u>	<u>\$ 15,737,852</u>	<u>\$ (379,885)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 89	\$ (911)
Charges for services:				
Cafeteria sales	\$ 229,000	\$ 229,000	\$ 189,786	\$ (39,214)
Miscellaneous revenue:				
Miscellaneous	\$ 1,936	\$ 1,936	\$ 230	\$ (1,706)
Total revenue from local sources	<u>\$ 231,936</u>	<u>\$ 231,936</u>	<u>\$ 190,105</u>	<u>\$ (41,831)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Essex, Virginia	\$ -	\$ 18,500	\$ -	\$ (18,500)
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 17,442	\$ 17,442	\$ 17,318	\$ (124)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 341,571	\$ 541,571	\$ 558,857	\$ 17,286
Commodities	-	-	34,049	34,049
Total categorical aid	<u>\$ 341,571</u>	<u>\$ 541,571</u>	<u>\$ 592,906</u>	<u>\$ 51,335</u>
Total revenue from the federal government	<u>\$ 341,571</u>	<u>\$ 541,571</u>	<u>\$ 592,906</u>	<u>\$ 51,335</u>
Total School Cafeteria Fund	<u>\$ 590,949</u>	<u>\$ 809,449</u>	<u>\$ 800,329</u>	<u>\$ (9,120)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,024,015</u>	<u>\$ 16,927,186</u>	<u>\$ 16,538,181</u>	<u>\$ (389,005)</u>

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County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 1,635,726	\$ 1,635,726	\$ 478,108	\$ 1,157,618
General and financial administration:				
County administrator	\$ 413,604	\$ 413,604	\$ 450,873	\$ (37,269)
Commissioner of revenue	244,169	244,169	253,207	(9,038)
Independent Auditor	38,000	38,000	42,001	(4,001)
Treasurer	210,075	210,075	229,195	(19,120)
Assessor	-	-	110,155	(110,155)
Total general and financial administration	<u>\$ 905,848</u>	<u>\$ 905,848</u>	<u>\$ 1,085,431</u>	<u>\$ (179,583)</u>
Board of elections:				
Electoral board and officials	\$ 27,587	\$ 27,587	\$ 27,437	\$ 150
Registrar	84,050	84,050	85,250	(1,200)
Total board of elections	<u>\$ 111,637</u>	<u>\$ 111,637</u>	<u>\$ 112,687</u>	<u>\$ (1,050)</u>
Total general government administration	<u>\$ 2,653,211</u>	<u>\$ 2,653,211</u>	<u>\$ 1,676,226</u>	<u>\$ 976,985</u>
Judicial administration:				
Courts:				
Circuit court	\$ 19,157	\$ 19,157	\$ 20,367	\$ (1,210)
General district court	6,219	6,219	7,177	(958)
Sheriff	31,150	31,150	46,849	(15,699)
Juvenile and domestic relations court	83,285	83,285	54,418	28,867
Northern Neck Essex County Group Home Commission	31,232	31,232	23,424	7,808
Clerk of the circuit court	261,269	261,269	245,817	15,452
Total courts	<u>\$ 432,312</u>	<u>\$ 432,312</u>	<u>\$ 398,052</u>	<u>\$ 34,260</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 261,538	\$ 261,538	\$ 263,371	\$ (1,833)
Total judicial administration	<u>\$ 693,850</u>	<u>\$ 693,850</u>	<u>\$ 661,423</u>	<u>\$ 32,427</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,127,206	\$ 1,127,206	\$ 1,045,474	\$ 81,732
Fire and rescue services:				
Fire department	\$ 149,190	\$ 149,190	\$ 116,379	\$ 32,811
Ambulance and rescue services	697,148	697,148	982,028	(284,880)
Forestry service	7,100	7,100	7,114	(14)
Total fire and rescue services	<u>\$ 853,438</u>	<u>\$ 853,438</u>	<u>\$ 1,105,521</u>	<u>\$ (252,083)</u>
Correction and detention:				
Sheriff	\$ 1,194,727	\$ 1,194,727	\$ 1,096,851	\$ 97,876
Inspections:				
Building	\$ 200,251	\$ 200,251	\$ 210,613	\$ (10,362)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 126,124	\$ 126,124	\$ 138,025	\$ (11,901)
Emergency services	81,332	81,332	63,722	17,610
Medical examiner	250	250	100	150
Total other protection	<u>\$ 207,706</u>	<u>\$ 207,706</u>	<u>\$ 201,847</u>	<u>\$ 5,859</u>
Total public safety	<u>\$ 3,583,328</u>	<u>\$ 3,583,328</u>	<u>\$ 3,660,306</u>	<u>\$ (76,978)</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 676,907	\$ 676,237	\$ 738,767	\$ (62,530)
Refuse collection	188,670	188,670	5,016	183,654
Total sanitation and waste removal	<u>\$ 865,577</u>	<u>\$ 864,907</u>	<u>\$ 743,783</u>	<u>\$ 121,124</u>
Maintenance of general buildings and grounds:				
General properties	\$ 399,868	\$ 399,868	\$ 536,642	\$ (136,774)
Total public works	<u>\$ 1,265,445</u>	<u>\$ 1,264,775</u>	<u>\$ 1,280,425</u>	<u>\$ (15,650)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 108,155	\$ 108,155	\$ 106,654	\$ 1,501
Mental health and mental retardation:				
Community services board	\$ 32,553	\$ 32,553	\$ 32,553	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,860,664	\$ 1,860,664	\$ 1,569,657	\$ 291,007
Bay transit	84,852	84,852	84,852	-
Comprehensive services act	750,000	750,000	365,456	384,544
Total welfare	<u>\$ 2,695,516</u>	<u>\$ 2,695,516</u>	<u>\$ 2,019,965</u>	<u>\$ 675,551</u>
Total health and welfare	<u>\$ 2,836,224</u>	<u>\$ 2,836,224</u>	<u>\$ 2,159,172</u>	<u>\$ 677,052</u>
Education:				
Other instructional costs:				
Contributions to Rappahannock Community College	\$ 6,436	\$ 6,436	\$ 6,436	\$ -
Contribution to County School Board	5,999,396	6,329,375	5,993,686	335,689
Total education	<u>\$ 6,005,832</u>	<u>\$ 6,335,811</u>	<u>\$ 6,000,122</u>	<u>\$ 335,689</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 146,070	\$ 146,070	\$ 136,882	\$ 9,188
Swimming pool and park	90,628	90,628	70,033	20,595
Total parks and recreation	<u>\$ 236,698</u>	<u>\$ 236,698</u>	<u>\$ 206,915</u>	<u>\$ 29,783</u>

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural: (Continued)				
Cultural enrichment:				
Museum	\$ 17,000	\$ 17,000	\$ 7,775	\$ 9,225
Library:				
Contribution to county library	\$ 162,829	\$ 162,829	\$ 177,165	\$ (14,336)
Total parks, recreation, and cultural	\$ 416,527	\$ 416,527	\$ 391,855	\$ 24,672
Community development:				
Planning and community development:				
Middle Peninsula planning district commission	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Environmental management:				
Contribution to soil and water conservation district	\$ 45,128	\$ 45,128	\$ 42,278	\$ 2,850
Litter control program	2,000	2,000	1,833	167
Total environmental management	\$ 47,128	\$ 47,128	\$ 44,111	\$ 3,017
Cooperative extension program:				
Extension office	\$ 42,701	\$ 42,701	\$ 35,141	\$ 7,560
Total community development	\$ 99,829	\$ 99,829	\$ 89,252	\$ 10,577
Debt service:				
Principal retirement	\$ 713,768	\$ 7,953,143	\$ 7,990,685	\$ (37,542)
Interest and other fiscal charges	435,522	631,495	1,152,885	(521,390)
Bond issuance cost	-	-	167,903	(167,903)
Total debt service	\$ 1,149,290	\$ 8,584,638	\$ 9,311,473	\$ (726,835)
Total General Fund	\$ 18,703,536	\$ 26,468,193	\$ 25,230,254	\$ 1,237,939
School Construction Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ -	\$ 2,033,798	\$ (2,033,798)
Bond issuance	-	-	264,569	(264,569)
Total capital projects	\$ -	\$ -	\$ 2,298,367	\$ (2,298,367)
Total Primary Government	\$ 18,703,536	\$ 26,468,193	\$ 27,528,621	\$ (1,060,428)

County of Essex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,110,686	\$ 1,122,671	\$ 1,055,360	\$ 67,311
Instruction costs	11,867,790	12,342,669	12,082,911	259,758
Pupil transportation	1,101,803	1,287,810	1,280,195	7,615
Operation and maintenance of school plant	1,352,787	1,364,587	1,319,386	45,201
Total education	<u>\$ 15,433,066</u>	<u>\$ 16,117,737</u>	<u>\$ 15,737,852</u>	<u>\$ 379,885</u>
Total School Operating Fund	<u>\$ 15,433,066</u>	<u>\$ 16,117,737</u>	<u>\$ 15,737,852</u>	<u>\$ 379,885</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 590,949	\$ 809,449	\$ 736,401	\$ 73,048
Commodities	-	-	34,049	(34,049)
Total school food services	<u>\$ 590,949</u>	<u>\$ 809,449</u>	<u>\$ 770,450</u>	<u>\$ 38,999</u>
Total education	<u>\$ 590,949</u>	<u>\$ 809,449</u>	<u>\$ 770,450</u>	<u>\$ 38,999</u>
Total School Cafeteria Fund	<u>\$ 590,949</u>	<u>\$ 809,449</u>	<u>\$ 770,450</u>	<u>\$ 38,999</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 16,024,015</u>	<u>\$ 16,927,186</u>	<u>\$ 16,508,302</u>	<u>\$ 418,884</u>

OTHER STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	County of Essex, Virginia Government-Wide Expenses by Function Last Ten Fiscal Years										Total
	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt		
2002-03	\$ 1,331,963	\$ 469,632	\$ 1,979,437	\$ 1,158,272	\$ 1,625,402	\$ 4,817,352	\$ 266,103	\$ 459,878	\$ 428,246	\$ 12,536,285	
2003-04	1,202,809	574,385	2,102,504	1,294,730	1,653,966	4,990,305	294,255	61,135	402,084	12,576,173	
2004-05	1,272,056	578,040	2,276,421	1,233,508	1,767,963	5,220,049	316,237	49,916	421,341	13,135,531	
2005-06	1,806,010	702,243	2,588,662	1,173,164	2,249,567	5,139,957	421,983	57,745	429,931	14,569,262	
2006-07	1,680,451	737,022	2,762,429	1,327,043	2,256,548	5,757,576	469,444	64,931	955,334	16,010,778	
2007-08	1,882,055	770,077	2,830,590	1,157,611	3,056,909	5,052,164	411,997	1,063,524	883,657	17,108,584	
2008-09	1,568,632	700,133	3,451,014	1,354,988	2,645,966	8,194,820	427,867	91,643	1,046,589	19,481,652	
2009-10	1,566,816	774,468	3,740,261	1,272,981	2,567,021	6,138,655	452,127	84,723	916,097	17,513,149	
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575	
2011-12	1,706,609	681,831	4,064,725	1,331,201	2,189,764	6,723,619	415,389	86,752	1,500,339	18,700,229	

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2002-03	\$ 145,476	\$ 2,378,172	\$ 430,140	\$ 6,087,052	\$ 1,850,522	\$ 76,641	\$ 23,377	\$ 1,102,843	\$ 12,094,223		
2003-04	243,366	2,341,867	-	6,861,360	2,021,596	46,619	24,740	1,199,160	12,738,708		
2004-05	434,701	2,692,852	-	7,345,504	2,351,868	61,747	23,737	1,115,202	14,025,611		
2005-06	315,666	2,536,302	-	7,954,220	2,790,987	110,792	35,161	1,243,410	14,986,538		
2006-07	254,479	2,781,182	-	8,961,879	2,959,126	480,937	71,592	1,179,123	16,688,318		
2007-08	305,834	3,649,195	214,103	10,104,272	2,723,813	138,994	132,002	1,190,595	18,458,808		
2008-09	216,826	3,245,589	208,140	10,638,177	2,581,539	54,714	67,214	1,066,074	18,078,273		
2009-10	207,305	2,854,011	-	10,726,095	2,136,779	39,235	85,746	1,453,937	17,503,108		
2010-11	191,355	2,852,656	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416		
2011-12	434,701	2,692,852	-	12,293,636	2,129,390	101,251	30,441	1,438,719	19,120,990		

Table 3

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

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

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects funds of the Primary Government and its Discretely Presented Component Unit.

Table 4

County of Essex, Virginia
Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2002-03	\$ 6,120,576	\$ 1,850,522	\$ 57,508	\$ 27,493	\$ 78,987	\$ 275,927	\$ 241,361	\$ 47,249	\$ 11,566,548	\$ 20,266,171
2003-04	6,767,686	2,021,596	77,979	36,320	62,003	353,044	368,369	62,893	11,462,450	21,212,340
2004-05	7,311,584	2,351,868	107,142	45,812	66,119	380,864	129,467	80,724	11,868,105	22,341,685
2005-06	7,936,224	2,790,987	133,626	31,953	113,892	406,127	119,477	45,749	12,351,867	23,929,902
2006-07	8,955,083	2,959,126	127,766	22,451	158,986	362,006	150,669	37,001	14,183,804	26,956,892
2007-08	9,944,811	2,723,813	149,560	26,643	135,976	392,803	248,544	57,273	15,296,604	28,976,027
2008-09	10,124,022	2,581,539	68,100	11,056	62,754	382,227	233,054	50,424	15,465,980	28,979,156
2009-10	10,771,461	2,136,779	63,642	15,020	44,039	346,237	154,753	180,490	15,502,028	29,214,449
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

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Excludes Capital Projects funds of the Primary Government and its Discretely Presented Component Unit.

Table 5

County of Essex, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2002-03	\$ 7,247,743	\$ 6,818,534	94.08%	\$ 98,241	\$ 6,916,775	95.43%	\$ 505,145	6.97%
2003-04	7,900,376	7,571,684	95.84%	104,501	7,676,185	97.16%	624,008	7.90%
2004-05	8,253,021	7,925,141	96.03%	209,930	8,135,071	98.57%	595,900	7.22%
2005-06	8,332,662	8,632,952	103.60%	50,903	8,683,855	104.21%	743,774	8.93%
2006-07	10,103,491	9,482,844	93.86%	274,547	9,757,391	96.57%	766,958	7.59%
2007-08	10,823,935	10,158,042	93.85%	600,051	10,758,093	99.39%	964,295	8.91%
2008-09	11,541,819	10,826,971	93.81%	158,024	10,984,995	95.18%	1,369,445	11.87%
2009-10	12,131,013	11,335,162	93.44%	257,527	11,592,689	95.56%	1,272,370	10.49%
2010-11	12,214,013	11,771,430	96.38%	370,258	12,141,688	99.41%	1,350,599	11.06%
2011-12	13,437,548	12,518,036	93.16%	271,965	12,790,001	95.18%	1,542,285	11.48%

(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	
2002-03	\$ 763,477,472	\$ 75,162,736	\$ 6,586,780	\$ 1,006,220	\$ 32,353,642	\$ 54,167	\$ 878,641,017
2003-04	787,924,966	74,416,595	3,048,121	1,131,318	32,931,405	99,116	899,551,521
2004-05	809,803,080	73,567,793	3,042,496	1,232,474	28,711,283	90,467	916,447,593
2005-06	843,771,375	80,431,913	2,864,967	1,310,886	25,350,924	68,638	953,798,703
2006-07	866,975,291	88,602,590	1,145,886	1,534,735	22,814,835	87,574	981,160,911
2007-08	1,486,159,327	93,557,787	1,144,661	1,588,530	20,961,493	45,642	1,603,457,440
2008-09	1,484,558,834	91,605,947	1,214,384	1,903,644	34,565,064	89,107	1,613,936,980
2009-10	1,498,524,714	86,572,015	1,596,952	1,841,503	38,568,601	98,211	1,627,201,997
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

(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
2002-03	\$ 0.58	\$ 0.58	\$ 3.50	\$ 3.75	\$ 3.50
2003-04	0.58/0.70	0.58	3.50	3.75	3.50
2004-05	0.68	0.70	3.50	3.75	3.50
2005-06	0.68/0.78	0.68	3.50	3.75	3.50
2006-07	0.78	0.78	3.50	3.75	3.50
2007-08	0.78/0.53	0.78	3.50	3.75	3.50
2008-09	0.53	0.53	3.50	3.75	3.50
2009-10	0.605	0.53	3.50	3.75	3.50
2010-11	0.605	0.605	3.50	3.75	3.50
2011-12	0.695	0.605	3.50	3.75	3.50

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2002-03	9,989	\$ 878,641,017	\$ 6,734,571	\$ 6,734,571	0.77%	\$ 674
2003-04	9,989	899,551,521	6,288,212	6,288,212	0.70%	630
2004-05	9,989	916,447,593	5,825,811	5,825,811	0.64%	583
2005-06	9,989	953,798,703	5,366,726	5,366,726	0.56%	537
2006-07	9,989	981,160,911	4,874,092	4,874,092	0.50%	488
2007-08	9,989	1,603,457,440	11,715,737	11,715,737	0.73%	1,173
2008-09	9,989	1,613,936,980	10,658,109	10,658,109	0.66%	1,067
2009-10	11,151	1,627,201,997	9,911,985	9,911,985	0.61%	889
2010-11	11,151	1,620,120,846	9,205,670	9,205,670	0.57%	826
2011-12	11,151	1,634,989,180	21,436,478	21,436,478	1.31%	1,922

(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, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, capital leases, OPEB liability, and compensated absences.

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Essex, Virginia's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the County of Essex, Virginia, in a separate letter dated December 21, 2012.

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

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

Richmond, Virginia
December 21, 2012

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

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

Compliance

We have audited County of Essex, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Essex, Virginia's major federal programs for the year ended June 30, 2012. The County of Essex, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Essex, Virginia's management. Our responsibility is to express an opinion on the County of Essex, Virginia's compliance based on our audit.

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

In our opinion, the County of Essex, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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

Richmond, Virginia
December 21, 2012

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting safe and stable families	93.556	0950109/0950110	\$ 12,703
Temporary assistance for needy families	93.558	0400109/0400110	116,382
Refugee and entrant assistance - state administered programs	93.566	0500109/0500110	253
Low income home energy assistance	93.568	0600409/00600410	7,591
Child Care and Development Cluster:			
Child care and development block grant	93.575	0770109/0770110	83,226
Child care mandatory and matching funds of the child care development fund	93.596	0760109/0760110	72,150
Stephanie Tubbs Jones child welfare services program	93.645	0900109/090110	288
Foster care - Title IV-E	93.658	1100109/1100110	67,641
Adoption assistance	93.659	1120109/1120110	48,821
Social services block grant	93.667	1000109/1000110	72,942
Chafee foster care independence program	93.674	9150109/9150110	852
Children's health insurance program	93.767	0540109/0540110	4,763
Medical assistance program	93.778	1200109/1200110	<u>102,076</u>
Total Department of Health and Human Services			<u>\$ 589,688</u>
Department of Agriculture:			
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Child Nutrition Cluster:			
Food Distribution	10.555	17901-45707	\$ 34,049
<i>Department of Education:</i>			
Child Nutrition Cluster:			
National school lunch program	10.555	17901-45707	558,857
Total CFDA# 10.555			<u>\$ 592,906</u>
<i>Department of Social Services:</i>			
State administrative matching grants for the supplemental nutrition assistance program	10.561	0010109/0010100	<u>\$ 168,594</u>
Total Department of Agriculture			<u>\$ 761,500</u>

County of Essex, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and community highway safety program	20.600	60507-50287	\$ 2,169
Department of Justice:			
Pass Through Payments:			
<i>Department of Criminal Justice Service:</i>			
Crime victims assistance	16.575	39001-76000	\$ 12,627
Department of Education:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I grants to local educational agencies	84.010	17901-42901-42999	\$ 623,985
Special Education Cluster:			
Special education - grants to states	84.027	17901-43071-61234	360,514
ARRA - Special education - grants to states	84.391	17901-61245	57,623
Special education - preschool grants	84.173	17901-62521	16,445
ARRA - Special education - preschool grants	84.392	17901-61247	13,334
Career and technical education - basic grants to states	84.048	17901-61095	27,822
Safe and drug free schools and communities - state grants	84.186	17901-60511	2,301
Rural education	84.358	17901- 43481	5,604
Improving teacher quality state grants	84.367	17901-61480	65,718
ARRA - School improvement grant	84.388	17901-42990	333,240
Educational Technology State Grants Cluster:			
Educational technology state grants	84.318	17901-61600	1,482
ARRA - Educational technology state grants	84.386	17901-60897	781
ARRA - State fiscal stabilization funds - education state grants	84.394	17901-62532	88,533
ARRA - Education jobs funds	84.410	17901-62700	382,062
Total Department of Education			\$ 1,979,444
Total Expenditures of Federal Awards			\$ 3,345,428

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, 2012

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, 2012. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Essex, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Essex, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:		
General Fund	\$	975,492
Component Unit Public Schools:		
School Operating Fund	\$	1,979,444
School Special Revenue Fund		592,906
Total component unit public schools	\$	2,572,350
Total federal expenditures per basic financial statements	\$	3,547,842
Federal interest subsidy	\$	(195,972)
Payments in Lieu of Taxes		(6,442)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	3,345,428

County of Essex, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *unqualified*
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes ✓ no
 Significant 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 auditor's report issued on compliance
 for major programs: *unqualified*

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

Identification of major programs:

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

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

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

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

County of Essex, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012

There were no prior year findings and questioned costs.

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