

COUNTY OF ESSEX, VIRGINIA



ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

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COUNTY OF ESSEX, VIRGINIA

BOARD OF SUPERVISORS

John C. Magruder., Chairperson
Sidney N. Johnson, Vice Chairperson

Edwin E. (Bud) Smith Jr.
Robert L. Akers, Jr.

Ronnie G. Gill

SCHOOL BOARD

Denise Hammond, Chairperson
Leah Segar, Vice Chairperson

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Raymond Whitaker

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DEPARTMENT OF SOCIAL SERVICES BOARD

Wright Andrews, Chairperson
Ella Harris Jonson, Vice Chairperson

Sidney N. Johnson
Mary Alice Parrish Passagaluppi
Cherlanda Sidney-Ross

OTHER OFFICIALS

Judge of the Circuit Court	Charles S. Sharp
Clerk of the Circuit Court.....	G.J. Ashworth
Judge of the General District Court.....	John S. Martin
Judge of the Juvenile and Domestic Relations Court.....	William L. Lewis
Commonwealth's Attorney	Vincent S. Donoghue
Commissioner of the Revenue.....	T.M. Blackwell
Treasurer	B. A. Davis
Sheriff	Walter Holmes
Superintendent of Schools.....	Dr. Harry R. Thomas III
Director of Social Services.....	Rodney Gordon
County Administrator	Michael Lombardo
County Attorney	Daniel M. Siegel

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**COUNTY OF ESSEX, VIRGINIA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT		1
MANAGEMENT'S DISCUSSION AND ANALYSIS		4
BASIC FINANCIAL STATEMENTS		
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
	EXHIBIT	
STATEMENT OF NET POSITION	1	12
STATEMENT OF ACTIVITIES	2	13
FUND FINANCIAL STATEMENTS		
BALANCE SHEET – GOVERNMENTAL FUNDS	3	15
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	4	16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	5	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	6	18
STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS	7	19
NOTES TO FINANCIAL STATEMENTS		20
REQUIRED SUPPLEMENTARY INFORMATION		
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	8	93
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUND	9	94
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS-PRIMARY GOVERNMENT	10	95
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS – COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)	11	97

**COUNTY OF ESSEX, VIRGINIA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

	EXHIBIT	
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY VRS TEACHER RETIREMENT PLAN	12	99
SCHEDULE OF EMPLOYER CONTRIBUTIONS	13	101
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	14	102
SCHEDULE OF COUNTY'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE	15	104
SCHEDULE OF EMPLOYER CONTRIBUTIONS – GROUP LIFE INSURANCE PROGRAM	16	105
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – GROUP LIFE INSURANCE PROGRAM	17	106
SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS – HEALTH INSURANCE CREDIT (HIC) PROGRAM	18	108
SCHEDULE OF EMPLOYER CONTRIBUTIONS – HEALTH INSURANCE CREDIT (HIC) PROGRAM	19	109
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – HEALTH INSURANCE CREDIT (HIC) PROGRAM	20	110
SCHEDULE OF SCHOOL BOARD'S SHARE OF NET OPEB LIABILITY – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM	21	112
SCHEDULE OF EMPLOYER CONTRIBUTIONS – TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM	22	113
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM	23	114
OTHER SUPPLEMENTARY INFORMATION		
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES		
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND	24	116

**COUNTY OF ESSEX, VIRGINIA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

	EXHIBIT	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – DEBT SERVICE FUND	25	117
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUND	26	118
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD		
COMBINING BALANCE SHEET	27	119
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	28	120
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SCHOOL BOARD	29	121
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUND	30	122
DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY		
STATEMENT OF NET POSITION	31	123
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	32	124
STATEMENT OF CASH FLOWS	33	125
SUPPORTING SCHEDULES		
	SCHEDULE	
SCHEDULE OF REVENUES – BUDGET AND ACTUAL – GOVERNMENTAL FUNDS	1	127
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GOVERNMENTAL FUNDS	2	133
OTHER STATISTICAL INFORMATION		

**COUNTY OF ESSEX, VIRGINIA
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

	TABLE	
GOVERNMENT-WIDE EXPENSES BY FUNCTION – LAST TEN FISCAL YEARS	1	138
GOVERNMENT-WIDE REVENUES – LAST TEN FISCAL YEARS	2	139
GOVERNMENTAL EXPENDITURES BY FUNCTION – LAST TEN FISCAL YEARS	3	140
GOVERNMENTAL REVENUES BY SOURCE – LAST TEN FISCAL YEARS	4	141
PROPERTY TAX LEVIES AND COLLECTIONS – LAST TEN FISCAL YEARS	5	142
ASSESSED VALUE OF TAXABLE PROPERTY – LAST TEN FISCAL YEARS	6	143
PROPERTY TAX RATES – LAST TEN FISCAL YEARS	7	144
RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA	8	145



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Essex, Virginia as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Essex, Virginia's basic financial statements. The other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Honorable Members of the Board of Supervisors
County of Essex

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of County of Essex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Essex, Virginia's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
January 15, 2021

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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, 2020.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,017,645 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources in the amount of \$325,062 (Exhibit 5) after making contributions totaling \$6,687,306 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$8,176,957 a decrease of \$249,565 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,012,368 or 28.72% of total general fund expenditures and other financing uses.
- < The combined long-term obligations decreased by \$2,868,446, during the current fiscal year.

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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. The County has four major governmental funds – the General Fund, Capital Projects Fund, Debt Service Fund, and Special Revenue Fund.

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information including budgetary comparison.

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,017,645 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Essex, Virginia's Net Position

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 19,011,382	\$ 18,377,352
Capital Assets	27,346,426	28,057,430
Total Assets	<u>\$ 46,357,808</u>	<u>\$ 46,434,782</u>
 Deferred Outflow of Resources	 <u>\$ 927,356</u>	 <u>\$ 356,379</u>
 Current Liabilities	 \$ 1,586,531	 \$ 3,224,193
Long-Term Liabilities Outstanding	23,374,413	23,392,586
Total liabilities	<u>\$ 24,960,944</u>	<u>\$ 26,616,779</u>
 Deferred Inflows of Resources	 \$ 8,306,575	 \$ 8,195,942
 Net Position:		
Net Investment in Capital Assets	\$ 4,738,490	\$ 4,109,667
Restricted for:		
Glebe Fund	6,000	1,875
Forfeited Assets	83,812	86,089
Law Library	7,328	7,328
Asset Forfeiture - Comm. Atty	2,875	2,869
Reading Program Donations	13,344	1,300
Poor House Park	57,589	13,344
Animal Shelter	1,301	49,469
Capital Projects	27,580	612,957
Unrestricted	<u>9,079,326</u>	<u>7,093,542</u>
 Total Net Position	 <u>\$ 14,017,645</u>	 <u>\$ 11,978,440</u>

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Government-wide Financial Analysis (Continued)

Governmental activities increased the County's net position by \$2,039,205 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Essex, Virginia's Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Charges for Services	\$ 536,449	\$ 506,442
Operating Grants and Contributions	4,385,515	4,142,188
Capital Grants and Contributions	-	232,104
General Property Taxes	15,488,417	15,366,996
Other Local Taxes	2,626,777	2,453,877
Grants and Other Contributions not Restricted	1,489,684	1,520,036
Other General Revenues	<u>281,606</u>	<u>289,032</u>
 Total Revenues	 <u>\$ 24,808,448</u>	 <u>\$ 24,510,675</u>
 General Government Administration	 \$ 2,807,973	 \$ 1,700,740
Judicial Administration	743,556	759,707
Public Safety	4,535,912	4,667,740
Public Works	2,031,809	1,958,366
Health and Welfare	3,490,526	3,120,601
Education	7,359,643	10,157,043
Parks, Recreation, and Cultural	522,444	369,727
Community Development	129,892	159,016
Interest and Other Fiscal Charges	<u>1,147,488</u>	<u>1,197,968</u>
 Total Expenses	 <u>22,769,243</u>	 <u>24,090,908</u>
 Change in Net Position	 \$ 2,039,205	 \$ 419,767
 Net Position, Beginning of Year	 <u>11,978,440</u>	 <u>11,558,673</u>
Net Position, End of Year	<u>\$ 14,017,645</u>	<u>\$ 11,978,440</u>

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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 \$8,176,957, a decrease of \$249,565. Approximately 86% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other financing sources of the General Fund did not exceed budgetary estimates in the amount of \$7,835. Expenditures and other financing uses did not exceed budgetary estimates by \$1,964,829, resulting in a net positive variance of \$1,956,994.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2020 amounted to \$27,346,426 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment and intangible assets.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$21,742,971. Of this amount, \$12,917,972 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease/revenue bonds).

The County's bonded debt decreased by \$2,780,280 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.

**COUNTY OF ESSEX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Economic Factors and Next Year's Budgets and Rates

Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2021 fiscal year.

The fiscal year 2021 budget increased approximately 2% over the prior year. The County's tax rates remained the same.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2020**

EXHIBIT 1

	Primary Governmental	Component Unit		
	Activities	School Board	EDA	Airport
ASSETS				
Cash and Cash Equivalents	\$ 8,358,341	\$ 948,066	\$ 13,620	\$ 418,169
Investments			33,381	-
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	9,407,878	-	-	-
Accounts Receivable	81,872	-	-	28,535
Due from Other Governmental Units	1,055,866	761,927	-	-
Inventories	-	20,437	-	39,174
Prepaid Items	16,025	8,558	-	2,781
Net Pension Asset	91,400	-	-	-
Capital Assets, Net of Accumulated Depreciation:				
Land and Land Improvements	1,149,371	42,822	-	4,774,900
Buildings and Improvements	21,600,978	10,993,197	-	2,943,173
Intangibles	1,221,483	-	-	-
Equipment	3,168,841	1,695,459	-	4,304
Infrastructure	-	-	-	2,484,944
Construction in Progress	205,753	-	-	165,733
Total Assets	<u>46,357,808</u>	<u>14,470,466</u>	<u>47,001</u>	<u>10,861,713</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Items	844,927	2,627,116	-	-
OPEB Related Items	82,429	257,456	-	-
Total Deferred Outflows of Resources	<u>927,356</u>	<u>2,884,572</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Accounts Payable	697,140	340,591	-	3,175
Accrued Liabilities	-	1,287,210	-	3,806
Accrued Interest Payable	171,479	-	-	-
Due to Other Governmental Units	-	-	-	-
Unearned Revenue	717,912	-	-	-
Long-Term Liabilities:				
Due Within One Year	2,745,532	11,239	-	57,161
Due in More than One Year	20,628,881	14,575,115	-	745,174
Total Liabilities	<u>24,960,944</u>	<u>16,214,155</u>	<u>-</u>	<u>809,316</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue - Property Taxes	7,784,688	-	-	-
Pension Related Items	489,497	2,311,909	-	-
OPEB Related Items	32,390	246,428	-	-
Total Deferred Inflows of Resources	<u>8,306,575</u>	<u>2,558,337</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	4,738,490	12,731,478	-	9,570,719
Restricted:				
Glebe Fund	6,000	-	-	-
Forfeited Assets	83,812	-	-	-
Law Library	7,328	-	-	-
Asset Forfeiture - Comm. Atty	2,875	-	-	-
Poor House Park	13,344	-	-	-
Animal Shelter	57,589	-	-	-
Reading Program Donations	1,301	-	-	-
Capital Projects	27,580	-	-	-
Unrestricted (Deficit)	9,079,326	(14,148,932)	47,001	481,678
Total Net Position	<u>\$ 14,017,645</u>	<u>\$ (1,417,454)</u>	<u>\$ 47,001</u>	<u>\$ 10,052,397</u>

See accompanying Notes to Financial Statements.

**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

EXHIBIT 2

Functions/Programs	Expenses	Program Services			Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
General Government Administration	\$ 2,807,973	\$ -	\$ 554,574	\$ -	\$ (2,253,399)
Judicial Administration	743,556	80,294	1,042,608	-	379,346
Public Safety	4,535,912	428,372	311,584	-	(3,795,956)
Public Works	2,031,809	-	5,975	-	(2,025,834)
Health and Welfare	3,490,526	-	2,053,585	-	(1,436,941)
Education	7,359,643	-	-	-	(7,359,643)
Parks, Recreation, and Cultural	522,444	25,908	-	-	(496,536)
Community Development	129,892	1,875	-	-	(128,017)
Interest on Long-Term Debt	1,147,488	-	417,189	-	(730,299)
Total Governmental Activities	<u>\$ 22,769,243</u>	<u>536,449</u>	<u>4,385,515</u>	<u>-</u>	<u>(17,847,279)</u>
Total Primary Government	<u>\$ 22,769,243</u>	<u>\$ 536,449</u>	<u>\$ 4,385,515</u>	<u>\$ -</u>	<u>\$ (17,847,279)</u>
COMPONENT UNITS:					
School Board	\$ 16,257,609	\$ 80,026	\$ 10,274,452	\$ -	
Economic Development Authority	4,859	-	-	-	
Airport Authority	868,914	318,196	37,525	66,717	
Total Component Units	<u>\$ 17,131,382</u>	<u>\$ 398,222</u>	<u>\$ 10,311,977</u>	<u>\$ 66,717</u>	
GENERAL REVENUES					
General Property Taxes					15,488,417
Other Local Taxes:					-
Local Sales and Use Tax					1,962,334
Consumers' Utility Taxes					233,025
Motor Vehicle Licenses					403,691
Taxes on Recordation and Wills					27,727
Unrestricted Revenues from Use of Money and Property					122,163
Miscellaneous					159,443
Payments from Essex County					-
Grants and Contributions not Restricted to Specific Programs					1,489,684
Total General Revenues					<u>19,886,484</u>
CHANGE IN NET POSITION					
					2,039,205
Net Position - Beginning					<u>11,978,440</u>
NET POSITION - ENDING					
					<u>\$ 14,017,645</u>

See accompanying Notes to Financial Statements.

**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

EXHIBIT 2

Net (Expense) Revenue and Changes in Net Position		
Component Units		
School Board	EDA	Airport
\$ (5,903,131)	\$ -	\$ -
-	(4,859)	-
-	-	(446,476)
(5,903,131)	(4,859)	(446,476)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,401	121	723
168,546	2,409	-
6,830,476	-	50,333
-	-	-
7,002,423	2,530	51,056
1,099,292	(2,329)	(395,420)
(2,516,746)	49,330	10,447,817
\$ (1,417,454)	\$ 47,001	\$ 10,052,397

See accompanying Notes to Financial Statements.

**COUNTY OF ESSEX, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

EXHIBIT 3

	General	Capital Projects	Special Revenue Fund	Debt Service	Total
ASSETS					
Cash and Cash Equivalents	\$ 7,047,927	\$ 73,370	\$ 272,284	\$ 964,760	\$ 8,358,341
Receivables, Net of Allowance for Uncollectibles:					
Taxes Receivable	9,407,878	-	-	-	9,407,878
Accounts Receivable	81,872	-	-	-	81,872
Prepaid Expenses	16,025	-	-	-	16,025
Due from Other Governmental Units	1,055,866	-	-	-	1,055,866
	<u>17,609,568</u>	<u>73,370</u>	<u>272,284</u>	<u>964,760</u>	<u>18,919,982</u>
Total Assets	<u>\$ 17,609,568</u>	<u>\$ 73,370</u>	<u>\$ 272,284</u>	<u>\$ 964,760</u>	<u>\$ 18,919,982</u>
LIABILITIES					
Accounts Payable	\$ 645,360	\$ 45,790	\$ 5,990	\$ -	\$ 697,140
Unearned Revenue	623,867	-	94,045	-	717,912
Total Liabilities	<u>1,269,227</u>	<u>45,790</u>	<u>100,035</u>	<u>-</u>	<u>1,415,052</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	9,327,973	-	-	-	9,327,973
Total Deferred Inflows of Resources	<u>9,327,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,327,973</u>
FUND BALANCES					
Restricted	-	27,580	172,249	-	199,829
Committed:					
Debt Service Funds	-	-	-	964,760	964,760
Unassigned	7,012,368	-	-	-	7,012,368
Total Fund Balances	<u>7,012,368</u>	<u>27,580</u>	<u>172,249</u>	<u>964,760</u>	<u>8,176,957</u>
	<u>17,609,568</u>	<u>73,370</u>	<u>272,284</u>	<u>964,760</u>	<u>18,919,982</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,609,568</u>	<u>\$ 73,370</u>	<u>\$ 272,284</u>	<u>\$ 964,760</u>	<u>\$ 18,919,982</u>

See accompanying Notes to Financial Statements.

**COUNTY OF ESSEX, VIRGINIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2020**

EXHIBIT 4

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

Total Fund Balances Per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 8,176,957
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital Assets, Cost	\$ 46,185,957	
Accumulated Depreciation	<u>(18,839,531)</u>	27,346,426

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

Unavailable Revenue - Property Taxes	1,543,285	
Net Pension Asset	<u>91,400</u>	1,634,685

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension Related Items	844,927	
OPEB Related Items	<u>82,429</u>	927,356

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Lease Revenue Bonds	(8,824,999)	
General Obligation Bonds	(12,917,972)	
Bond Premiums	(561,032)	
Capital Lease	(303,933)	
Accrued Interest Payable	(171,479)	
Compensated Absences	(392,696)	
Net OPEB Liabilities	<u>(373,781)</u>	(23,545,892)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension Related Items	(489,497)	
OPEB Related Items	<u>(32,390)</u>	<u>(521,887)</u>

Net Position of Governmental Activities		<u>\$ 14,017,645</u>
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COUNTY OF ESSEX, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT 5

	General	Capital Projects	Special Revenue Fund	Debt Service	Total
REVENUES					
General Property Taxes	\$ 15,536,805	\$ -	\$ -	\$ -	\$ 15,536,805
Other Local Taxes	2,626,777	-	-	-	2,626,777
Permits, Privilege Fees, and Regulatory Licenses	81,150	-	-	-	81,150
Fines and Forfeitures	23,620	-	-	-	23,620
Revenue from the Use of Money and Property	106,970	15,186	7	-	122,163
Charges for Services	398,274	-	-	-	398,274
Miscellaneous	117,659	-	41,784	-	159,443
Recovered Costs	33,405	-	-	-	33,405
Intergovernmental:					
Commonwealth	4,088,026	-	-	-	4,088,026
Federal	1,732,587	22,073	32,513	-	1,787,173
Total Revenues	<u>24,745,273</u>	<u>37,259</u>	<u>74,304</u>	<u>-</u>	<u>24,856,836</u>
EXPENDITURES					
Current:					
General Government Administration	2,318,867	-	-	-	2,318,867
Judicial Administration	719,912	-	-	-	719,912
Public Safety	4,215,040	-	11,036	-	4,226,076
Public Works	1,909,906	-	-	-	1,909,906
Health and Welfare	3,289,345	-	-	-	3,289,345
Education	6,838,799	-	-	-	6,838,799
Parks, Recreation, and Cultural	432,775	-	53,293	-	486,068
Community Development	120,640	-	-	-	120,640
Capital Projects	114,955	1,017,576	-	-	1,132,531
Debt Service:					
Principal Retirement	-	-	-	2,916,769	2,916,769
Interest and Other Fiscal Charges	-	-	-	1,147,488	1,147,488
Total Expenditures	<u>19,960,239</u>	<u>1,017,576</u>	<u>64,329</u>	<u>4,064,257</u>	<u>25,106,401</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,785,034	(980,317)	9,975	(4,064,257)	(249,565)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	394,940	-	4,065,032	4,459,972
Transfers out	(4,459,972)	-	-	-	(4,459,972)
Total Other Financing Sources (Uses)	<u>(4,459,972)</u>	<u>394,940</u>	<u>-</u>	<u>4,065,032</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	325,062	(585,377)	9,975	775	(249,565)
Fund Balances - Beginning	<u>6,687,306</u>	<u>612,957</u>	<u>162,274</u>	<u>963,985</u>	<u>8,426,522</u>
FUND BALANCES - ENDING	<u>\$ 7,012,368</u>	<u>\$ 27,580</u>	<u>\$ 172,249</u>	<u>\$ 964,760</u>	<u>\$ 8,176,957</u>

See accompanying Notes to Financial Statements.

COUNTY OF ESSEX, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

EXHIBIT 6

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

Net Change in Fund Balances - Total Governmental Funds \$ (249,565)

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

Capital Asset Additions	\$ 815,885	
Transfer of Joint Tenancy Assets to Component Unit School Board from Primary Government		
Depreciation Expense	<u>(1,526,888)</u>	(711,003)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details are as follows:

Property Taxes	(48,346)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The following is a summary of items supporting this adjustment:

Principal Retired on Lease Revenue Bonds	1,403,001	
Principal Retired on Capital Lease	32,900	
Principal Retired on Literary Fund Loans	-	
Principal Retired on School General Obligation Bonds	1,377,279	
Amortization of Bond Premium	<u>103,589</u>	2,916,769

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:

Change in Compensated Absences	(21,756)	
Change in Accrued Interest Payable	20,901	
Pension Expense	126,080	
OPEB Expense	<u>23,490</u>	<u>148,715</u>

Change in Net Position of Governmental Activities	<u>\$ 2,056,570</u>
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**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020**

EXHIBIT 7

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 47,202</u>
LIABILITIES	
Amounts Held for Employees	\$ 37,324
Amounts Held for Social Services Clients	<u>9,878</u>
Total Liabilities	<u>\$ 47,202</u>

See accompanying Notes to Financial Statements.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-Wide and Fund Financial Statements

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

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

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

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.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2020.

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 Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation within the County financial statements for the fiscal year ended June 30, 2020.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Individual Component Unit Disclosures (Continued)

The Essex County Economic Development Authority (EDA) is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, as the County is involved in the day-to-day operations of the EDA, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2019. The Authority does not issue a separate financial report.

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

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

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

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

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

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. 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 County reports the following major governmental funds:

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

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

Debt Service Fund – The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

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

2. Fiduciary Funds – (Trust and Agency Funds)

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

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. 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.

E. Investments

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

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

F. 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 uncollectables. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$196,786 at June 30, 2020 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.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

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

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

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

Buildings	20 to 40 Years
Building Improvements	10 to 40 Years
Furniture, Vehicles, Office and Computer Equipment	5 to 20 Years
Buses	10 Years
Infrastructure	10 to 20 Years
Intangibles	20 Years

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. 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.

I. 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.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance

The following classifications of fund balance describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance (Continued)

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

	General Fund	Capital Projects Fund	Special Revenue Fund	Debt Service Fund	Total
Fund Balances:					
Restricted:					
Glebe Fund	\$ -	\$ -	\$ 6,000	\$ -	\$ 6,000
Forfeited Assets - Sheriff	-	-	83,812	-	83,812
Forfeited Assets - Commonwealth's Attorney	-	-	2,875	-	2,875
Law Library	-	-	7,328	-	7,328
Poor House Park	-	-	13,344	-	13,344
Animal Shelter	-	-	57,589	-	57,589
Reading Program Donations	-	-	1,301	-	1,301
Capital Projects	-	27,580	-	-	27,580
Total Restricted Fund Balance	-	27,580	172,249	-	199,829
Committed:					
Debt Service	-	-	-	964,760	964,760
Unassigned	7,012,368	-	-	-	7,012,368
Total Fund Balances	<u>\$ 7,012,368</u>	<u>\$ 27,580</u>	<u>\$ 172,249</u>	<u>\$ 964,760</u>	<u>\$ 8,176,957</u>

K. Pensions

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

L. Net Position

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

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position Flow Assumption

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

N. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-Term Obligations

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

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability (asset) and net OPEB liabilities and contributions to the pension and the OPEB plans made during the current year and subsequent to the net pension liability (asset) and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows/Inflows of Resources (Continued)

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

Q. Prepaid Items

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

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTING

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2020.

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.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2020 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 5,866,491</u>

Interest Rate Risk

The County invests funds in low risk investments backed by U.S. government agencies.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>	
	<u>Fair Value</u>	<u>Less Than One Year</u>
Local Government Investment Pool	<u>\$ 5,866,491</u>	<u>\$ 5,866,491</u>

External Investment Pools

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

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 DUE FROM/TO OTHER GOVERNMENTS

At June 30, 2020, the County has receivables from and amounts due to other governments as follows:

	Primary Government	Component Unit School Board
Amounts due from other governments are as follows:		
Other Local Governments:		
Essex County School Board	\$ -	\$ -
Town of Tappahannock	15,000	-
Commonwealth of Virginia:		
Local Sales Tax	393,512	-
Rolling Stock Tax	1,025	-
Mobile Home Titling Tax	5,028	-
Car Rental Distribution	41	-
Sheriff	54,221	-
Domestic Violence	11,250	-
911 Equipment	8,007	-
Commonwealth Attorney	14,154	-
Rescue Squad	8,000	-
State Sales Tax	-	212,769
Communications Tax	47,889	-
Clerk	14,903	-
Children Service's Act	126,842	-
Com Rev	8,342	-
VPA	42,329	-
Treasurer	6,451	-
Federal Government:		
School Education Grants	-	526,586
School Nutrition Grants	-	22,572
Em Svcs Fed Mgt Prepared Grant	13,316	-
Victim/Witness	8,566	-
VPSA QSCAB 2011-2 Interest Subsidy	201,526	-
VPA	75,465	-
Total Due from Other Governments	\$ 1,055,866	\$ 761,927

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

Governmental Activities	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets not Subject to Depreciation:				
Land and Land Improvements	\$ 1,149,371	\$ -	\$ -	\$ 1,149,371
Construction in Progress	1,746,597	356,122	(1,896,966)	205,753
Total Capital Assets not Subject to Depreciation	2,895,968	356,122	(1,896,966)	1,355,124
Capital Assets Subject to Depreciation:				-
Buildings and Improvements	4,007,752	5,990	-	4,013,742
Equipment	4,293,781	2,012,190	-	6,305,971
Vehicles	1,464,616	338,549	-	1,803,165
Intangibles	2,816,258	-	-	2,816,258
Jointly Owned Assets	29,891,697	-	-	29,891,697
Total Capital Assets Subject to Depreciation	42,474,104	2,356,729	-	44,830,833
Accumulated Depreciation:				-
Buildings and Improvements	1,956,352	107,434	-	2,063,786
Equipment	3,528,468	164,528	-	3,692,996
Vehicles	1,097,428	149,871	-	1,247,299
Intangibles	1,532,547	62,228	-	1,594,775
Jointly Owned Assets	9,197,848	1,042,827	-	10,240,675
Total Accumulated Depreciation	17,312,643	1,526,888	-	18,839,531
Total Capital Assets Subject to Depreciation, Net	25,161,461	829,841	-	25,991,302
Governmental Activities Capital Assets, Net	<u>\$ 28,057,429</u>	<u>\$ 1,185,963</u>	<u>\$ (1,896,966)</u>	<u>\$ 27,346,426</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Component Unit School Board	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital Assets not Subject to Depreciation:				
Land and Land Improvements	\$ 42,822	\$ -	\$ -	\$ 42,822
Total Capital Assets not Subject to Depreciation	42,822	-	-	42,822
Capital Assets Subject to Depreciation:				-
Buildings	-	258,810	-	258,810
Equipment	1,158,626	597,362	-	1,755,988
Vehicle	3,435,561	183,930	-	3,619,491
Jointly Owned Assets	15,508,056	-	-	15,508,056
Total Capital Assets Subject to Depreciation	20,102,243	1,040,102	-	21,142,345
Accumulated Depreciation:				
Buildings	-	1,750	-	1,750
Equipment	688,138	96,130	-	784,268
Vehicle	2,752,328	143,424	-	2,895,752
Jointly Owned Assets	4,771,919	-	-	4,771,919
Total Accumulated Depreciation	8,212,385	241,304	-	8,453,689
Total Capital Assets Subject to Depreciation, Net	11,889,858	798,798	-	12,688,656
Component Unit School Board Capital Assets, Net	<u>\$ 11,932,680</u>	<u>\$ 798,798</u>	<u>\$ -</u>	<u>\$ 12,731,478</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Component Unit Airport				
Capital Assets not Subject to Depreciation:				
Land and Land Improvements	\$ 4,774,900	\$ -	\$ -	\$ 4,774,900
Construction in Progress	151,861	13,872	-	165,733
Total Capital Assets not Subject to Depreciation	4,926,761	13,872	-	4,940,633
Capital Assets Subject to Depreciation:				
Improvements Other than Buildings	576,503	-	-	576,503
Buildings	4,096,677	-	-	4,096,677
Infrastructure	6,651,863	-	-	6,651,863
Furniture	25,799	-	-	25,799
Equipment	25,803	-	-	25,803
Total Capital Assets Subject to Depreciation	11,376,645	-	-	11,376,645
Accumulated Depreciation:				
Improvements Other than Buildings	288,334	28,825	-	317,159
Buildings	1,276,292	136,556	-	1,412,848
Infrastructure	3,823,303	343,616	-	4,166,919
Furniture	25,799	-	-	25,799
Equipment	19669	1,830	-	21,499
Total Accumulated Depreciation	5,433,397	510,827	-	5,944,224
Total Capital Assets Subject to Depreciation, Net	5,943,248	(510,827)	-	5,432,421
Component Unit Airport Capital Assets, Net	<u>\$ 10,870,009</u>	<u>\$ (496,955)</u>	<u>\$ -</u>	<u>\$ 10,373,054</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental Activities:	
General Government Administration	\$ 177,836
Judicial Administration	55,211
Public Safety	324,102
Public Works	146,473
Education	776,737
Parks, Recreation, and Cultural	46,529
Total Governmental Activities	<u>\$ 1,526,888</u>
Component Unit School Board	<u>\$ 241,304</u>
Component Unit Airport	<u>\$ 510,827</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 LONG-TERM OBLIGATIONS

Primary Government

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	Balance July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated Absences	\$ 370,940	\$ 58,850	\$ 37,094	\$ 392,696	\$ 39,270
Net OPEB Liabilities	347,214	41,404	14,837	373,781	-
Capital Lease (see Note 7)	336,833	-	32,900	303,933	33,950
Direct Borrowings and Placements:					
Lease Revenue Bonds	3,829,402	-	509,971	3,319,431	476,764
Add Deferred Amounts:					
For Issuance Premium	428,611	-	71,436	357,175	-
Total incurred by County	<u>5,313,000</u>	<u>100,254</u>	<u>666,238</u>	<u>4,747,016</u>	<u>549,984</u>
Incurred by School Board:					
Direct Borrowings and Placements:					
General Obligation Bonds	14,295,251	-	1,377,279	12,917,972	1,380,311
Add Deferred Amounts:					
For Issuance Premium	236,010	-	32,153	203,857	-
Lease Revenue Bonds	6,398,598	-	893,030	5,505,568	815,237
Total incurred by School Board	<u>20,929,859</u>	<u>-</u>	<u>2,302,462</u>	<u>18,627,397</u>	<u>2,195,548</u>
Total Governmental Activities Obligations, Primary Government					
	<u>\$ 26,242,859</u>	<u>\$ 100,254</u>	<u>\$ 2,968,700</u>	<u>\$ 23,374,413</u>	<u>\$ 2,745,532</u>

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

Year Ending June 30	County Obligations			
	Direct Borrowings and Direct Placements		Capital Lease	
	Lease Revenue Bond		Principal	Interest
	Principal	Interest		
2021	\$ 476,764	\$ 93,736	\$ 33,950	\$ 9,695
2022	493,411	78,453	35,032	8,612
2023	509,258	62,053	36,150	7,495
2024	526,676	45,018	37,303	6,342
2025	543,723	27,333	38,493	5,152
2026	374,400	13,804	39,721	3,924
2027	395,199	4,637	40,988	2,657
2028	-	-	42,296	1,349
2029	-	-	-	-
Total	<u>\$ 3,319,431</u>	<u>\$ 325,034</u>	<u>\$ 303,933</u>	<u>\$ 45,226</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Primary Government (Continued)

Year Ending June 30	Direct Borrowings and Direct Placements			
	General Obligation			
	Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 1,380,311	\$ 277,324	\$ 815,237	\$ 166,206
2022	1,383,500	249,932	845,589	138,363
2023	912,093	227,298	874,741	108,221
2024	913,986	210,404	907,325	76,822
2025	917,352	192,038	938,277	44,143
2026	920,895	173,496	561,600	20,706
2027	924,621	154,769	562,799	6,955
2028	1,473,545	124,810	-	-
2029	1,125,555	89,870	-	-
2030	1,150,556	66,404	-	-
2031	1,170,558	43,339	-	-
2032	645,000	14,673	-	-
2033	-	-	-	-
Total	<u>\$ 12,917,972</u>	<u>\$ 1,824,357</u>	<u>\$ 5,505,568</u>	<u>\$ 561,416</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Details of Long-Term Obligations

<u>Incurred by the County:</u>	<u>Notes</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>Direct Borrowings and Placements:</u>							
<u>Revenue Bonds:</u>							
Public Facility Lease Revenue Refunding Bond	(a)	2.42%	3/24/2016	12/15/2026	\$ 3,736,000	\$ 2,508,000	\$ 330,800
Lease Revenue Refunding Bond \$811,431 Outstanding, Plus Unamortized Premium of \$357,175	(b)	2.125% - 5.12%	11/16/2011	11/1/2024	1,969,723	<u>1,168,606</u>	<u>145,964</u>
Total Lease Revenue Bonds						<u>3,676,606</u>	<u>476,764</u>
<u>Other Long-Term Debt:</u>							
<u>Capital Lease:</u>							
EMS Communications Equipment		3.19%	9/1/2017	9/1/2027	368,716	<u>303,933</u>	<u>33,950</u>
Total Long-Term Obligations Incurred by the County						<u>3,980,539</u>	<u>510,714</u>
<u>Incurred by the School Board:</u>							
<u>Direct Borrowings and Placements:</u>							
<u>General Obligation Bonds:</u>							
VPSA Bond Outstanding	(d)	3.10% - 5.10%	11/15/2001	7/15/2021	4,340,228	457,356	228,590
VPSA Bond Outstanding							
Plus Unamortized Premium of \$36,056	(c)	4.00%	11/1/2007	7/15/2027	6,919,103	2,942,197	351,721
VPSA Bond Outstanding	(d)	4.25%	12/15/2011	12/1/2030	10,000,000	6,600,000	800,000
Plus Unamortized Premium of \$167,801	(d)	4.26%	5/10/2012	7/15/2031	2,970,000	3,122,276	-
<u>Revenue Bonds:</u>							
Public Facility Lease Revenue Refunding Bond	(a)	2.42%	3/24/2016	12/15/2026	5,574,000	3,732,000	496,200
Lease Revenue Refunding Bond	(b)	2.125% - 5.125%	11/16/2011	11/1/2024	4,305,277	<u>1,773,568</u>	<u>319,037</u>
Total General Obligation and Lease Revenue Bonds						<u>18,627,397</u>	<u>2,195,548</u>
Total Direct Borrowings and Placements						<u>18,627,397</u>	<u>2,195,548</u>
Total Long-Term Obligations Incurred by School Board Payable from the General Fund						<u>18,627,397</u>	<u>2,195,548</u>
Total Outstanding Debt - Governmental Activities						<u>\$ 22,607,936</u>	<u>\$ 2,706,262</u>

- a) Title to leased real estate and improvements are held by the County. E-911 communications and park land acquisition purchased. The Bond is subject to prepayment penalty of 1% of outstanding principal and interest at redemption if it is redeemed before June 15, 2021.
- b) In the event of default, VRA may declare all unpaid rental payments due and payable, may take possession of real estate and improvements and sell, lease, or sublease property to satisfy the rental payments due to VRA. Bonds maturing on or after November 1, 2022, may be redeemed in whole or in part after November 1, 2021 without penalty.
- c) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments on this bond are not subject to redemption or prepayment.
- d) In the event of default for any General Obligation bond, Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of VA, 1950 as amended. Principal installments are not subject to prepayment prior to their stated maturities without the prior written consent of the VPSA.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Component Unit School Board

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2020.

	Balance July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Due Within One Year
Component Unit School Board:					
Compensated Absences	\$ 135,054	\$ 13,505	\$ 36,171	\$ 112,388	\$ 11,239
Net Pension Liabilities	11,370,142	2,739,179	1,565,679	12,543,642	-
Net OPEB Liabilities	1,893,000	37,324	-	1,930,324	-
Total Component Unit School Board	<u>\$ 13,398,196</u>	<u>\$ 2,790,008</u>	<u>\$ 1,601,850</u>	<u>\$ 14,586,354</u>	<u>\$ 11,239</u>

Component Unit Airport

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2020.

	Balance July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Due Within One Year
Component Unit Airport:					
Direct Borrowing and Placement Revenue Bond	<u>\$ 851,703</u>	<u>\$ -</u>	<u>\$ 49,368</u>	<u>\$ 802,335</u>	<u>\$ 57,161</u>

<u>Year Ending June 30,</u>	<u>Revenue Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 57,161	\$ 19,448
2022	63,838	8,590
2023	64,591	7,837
2024	65,533	7,075
2025	66,124	6,304
2026-2030	413,475	21,093
2031-2033	71,613	636
Total	<u>\$ 802,335</u>	<u>\$ 70,983</u>

Direct borrowing and placement revenue bond:

\$1,272,000 taxable revenue bond dated March 21, 2007, 4.54% interest, due in semi-annual combined principal and interest installments of \$87,557 beginning January 1, 2009 through July 1, 2032. In the event of default, the principal of this bond may be declared immediately due and payable by the registered owner of the bond by written notice to the Airport Authority.

\$ 802,335

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 CAPITAL LEASES

The government has entered into a lease agreement as lessee for financing the acquisition of communication equipment for emergency medical services (EMS). This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>
Assets:	
EMS Communications Equipment	\$ 368,716
Less: Amortization	<u>(104,352)</u>
Total	<u>\$ 264,364</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2020, are as follows:

	<u>Primary Government</u>
<u>Year Ended June 30,</u>	
2021	\$ 43,645
2022	43,645
2023	43,645
2024	43,645
2025	43,645
2026	43,645
2027	43,645
2028	43,644
2029	<u>-</u>
Total Minimum Lease Payments	349,159
Less: Amount Representing Interest	<u>(45,226)</u>
Present Value of Minimum Lease Payments	<u>\$ 303,933</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 UNEARNED AND DEFERRED/UNAVAILABLE REVENUE

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred. At June 30, 2020, deferred and unavailable revenue are reported as follows:

	Government-Wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable Property Tax Revenue Representing Uncollected Property Tax Billings that are not Available for the Funding of Current Expenditures Second Half Assessments Due in December 2020	\$ - 7,564,233	\$ 1,543,285 7,564,233
Prepaid Property Taxes Due in December 2020 but Paid in Advance by Taxpayers	220,455	220,455
Total	\$ 7,784,688	\$ 9,327,973

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES

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

The Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 10 LITIGATION

At June 30, 2020, management is not aware of any matters of litigation involving the County, School Board, or EDA which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 RISK MANAGEMENT

The County and Component Units 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, Component Unit School Board, and Component Unit EDA 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, Component Unit School Board, and Component Unit EDA pay an annual premium to the pools for general insurance through member premiums. The County, Component Unit School Board, and Component Unit EDA 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 PENSION PLANS

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a) Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Benefit Structures (Continued)

- b) Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.

- c) Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board (Nonprofessional)
Inactive Members or their Beneficiaries Currently Receiving Benefits	42	39
Inactive Members:		
Vested Inactive Members	9	6
Nonvested Inactive Members	12	13
Inactive Members Active Elsewhere in VRS	47	8
Total Inactive Members	68	27
Active Members	82	31
Total Covered Employees	192	97

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 8.26% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$335,788 and \$313,245 for the years ended June 30, 2020 and June 30, 2019, respectively.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Contributions (Continued)

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 7.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$43,659 and \$40,538 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality Rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

Mortality Rates:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Non- Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality Rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS	6.00	3.52	0.21
PIP	3.00	6.29	0.19
Total	<u>100.00 %</u>		<u>5.12 %</u>
Inflation			<u>2.50 %</u>
*Expected arithmetic nominal return			<u>7.62 %</u>

* The above allocation provides a one-year return of 7.62%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 15,834,780	\$ 16,412,959	\$ (578,179)
Changes for the Year:			
Service Cost	503,727	-	503,727
Interest	1,079,088	-	1,079,088
Differences between Expected and Actual Experience	18,877	-	18,877
Contributions - Employer	-	313,261	(313,261)
Contributions - Employee	-	188,624	(188,624)
Net Investment Income	-	1,084,332	(1,084,332)
Benefit Payments, Including Refunds	(820,422)	(820,422)	-
Change in Assumption	459,815	-	459,815
Refunds of Employee Contributions	(18,054)	(18,054)	-
Administrative Expenses	-	(10,804)	10,804
Other Changes	-	(685)	685
Net Changes	<u>1,223,031</u>	<u>736,252</u>	<u>486,779</u>
Balances at June 30, 2019	<u>\$ 17,057,811</u>	<u>\$ 17,149,211</u>	<u>\$ (91,400)</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Changes in Net Pension Liability

	<u>Component School Board (Nonprofessional)</u>		
	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 4,436,819	\$ 4,345,677	\$ 91,142
Changes for the Year:			-
Service Cost	61,356	-	61,356
Interest	300,904	-	300,904
Differences between Expected and Actual Experience	-	-	-
Changes in Assumption	54,016	-	54,016
Contributions - Employer	106,342	-	106,342
Contributions - Employee	-	40,539	(40,539)
Net Investment Income	-	27,282	(27,282)
Benefit Payments, Including Refunds	-	281,596	(281,596)
Refunds of Employee Contributions	(276,498)	(276,498)	-
Administrative Expenses	114	114	-
Other Changes	-	(2,945)	2,945
Net Changes	<u>246,234</u>	<u>69,912</u>	<u>176,322</u>
Balances at June 30, 2019	<u>\$ 4,683,053</u>	<u>\$ 4,415,589</u>	<u>\$ 267,464</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>Rate</u>		
	<u>1% Decrease (5.75%)</u>	<u>Current Discount (6.75%)</u>	<u>1% Increase (7.75%)</u>
County's Net Pension (Liability) Asset	\$ 1,977,523	\$ (91,400)	\$ (1,746,357)
Component Unit School Board's (Nonprofessional Net Pension Liability (Asset))	\$ 741,040	\$ 267,464	\$ (117,531)

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$239,724 and \$152,667, respectively. At June 30, 2020, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected Actual Experience	\$ 12,708	\$ 149,642	\$ 27,160	\$ -
Change in Assumptions	309,549	5,142	52,904	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	186,882	334,713	54,880	91,595
Employer Contributions Subsequent to the Measurement Date	335,788	-	43,659	-
Total	\$ 844,927	\$ 489,497	\$ 178,603	\$ 91,595

\$335,788 and \$43,659 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	Primary Government	Component Unit School Board (Nonprofessional)
2021	\$ 5,903	\$ 81,893
2022	(3,172)	(40,896)
2023	6,431	(688)
2024	10,480	3,040
2025	-	-

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually employer required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,226,429 and \$1,233,398 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$12,276,178 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was .09328% as compared to .09591% at June 30, 2018.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Component Unit School Board (Professional) (Continued)

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

For the year ended June 30, 2020, the school division recognized pension expense of \$892,263. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected Actual Experience	\$ -	\$ 786,095
Change in Assumptions	1,215,629	-
Net Difference between Projected and Actual	-	269,556
Changes in Proportionate Share	6,455	1,164,663
Earnings on Pension Plan Investments	-	-
Employer Contributions Subsequent to the Measurement Date	1,226,429	-
Total	\$ 2,448,513	\$ 2,220,314

\$1,222,084 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	Amount
2021	\$ (356,278)
2022	(574,488)
2023	(187,996)
2024	50,001
2025	70,531

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality Rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Postretirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Component Unit School Board (Professional) (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP- 2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	36,552,769
Employers' Net Pension Liability (Asset)	<u>\$ 13,130,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51 %

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Component Unit School Board (Professional) (Continued)

Net Pension Liability (Continued)

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School Board's Proportionate Share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 18,480,981	\$ 12,276,178	\$ 7,145,955

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 PENSION PLANS (CONTINUED)

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 844,927	\$ 489,497	\$ (91,400)	\$ (239,724)	\$ -	\$ -	\$ -	\$ -
School Board	-	-	-	-	-	-	-	-
Nonprofessional	-	-	-	-	178,603	91,595	267,464	152,667
School Board	-	-	-	-	-	-	-	-
Professional	-	-	-	-	2,448,513	2,220,314	12,276,178	892,263
Total	<u>\$ 844,927</u>	<u>\$ 489,497</u>	<u>\$ (91,400)</u>	<u>\$ (239,724)</u>	<u>\$ 2,627,116</u>	<u>\$ 2,311,909</u>	<u>\$ 12,543,642</u>	<u>\$ 1,044,930</u>

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN)

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,463 effective June 30, 2020.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by § 51.1-506 and § 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020, was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$21,193 and \$20,503 for the years ended June 30, 2020, and June 30, 2019, respectively.

Contributions to the GLI Program from the Component Unit School Board professional group were \$40,833 and \$40,904 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the GLI Program from the Component Unit School Board nonprofessional group were \$3,020 and \$3,105 for the years ended June 30, 2020 and June 30, 2019, respectively.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2020, the County reported a liability of \$327,243 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$653,022 and \$49,631, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the County's proportion was .02011% as compared to .02051% at June 30, 2018. At June 30, 2019, the Component Unit School Board professional and nonprofessional groups' proportion was .04013% and .00305%, respectively as compared to .04092% and .00339% respectively at June 30, 2018.

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$4,220. For the year ended June 30, 2020, the Component Unit School Board professional group recognized GLI OPEB expense of \$1,145. For the year ended June 30, 2020, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of \$298. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (Professional)		Component School Board (Nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected Actual Experience	\$ 21,764	\$ 4,244	\$ 43,430	\$ 8,471	\$ 3,301	\$ 644
Net Difference between Projected and Actual Earnings on GLI OPEB Program	-	6,722	-	13,414	-	1,019
Change in Assumptions	20,660	9,868	41,228	19,691	3,133	1,497
Change in Proportion	-	13,981	-	59,541	-	4,537
Employer Contributions Subsequent to the Measurement Date	21,193	-	40,833	-	3,020	-
Total	<u>\$ 63,617</u>	<u>\$ 34,815</u>	<u>\$ 125,491</u>	<u>\$ 101,117</u>	<u>\$ 9,454</u>	<u>\$ 7,697</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB (Continued)

\$21,193, \$40,833, and \$3,020, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30.</u>	<u>Primary Government</u>	<u>Component Unit School Board (Professional)</u>	<u>Component Unit School Board (Nonprofessional)</u>
2021	\$ (2,185)	\$ (11,636)	\$ (673)
2022	(2,184)	(11,635)	(673)
2023	663	(5,954)	(241)
2024	4,251	1,331	153
2025	5,522	8,349	170
Thereafter	1,542	3,086	1

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

 RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Postretirement:

 RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

 RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Teachers (Continued)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

**Mortality Rates – Non-Largest Ten Locality Employers – General Employees
(Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
Employers' Net GLI OPEB Liability (Asset)	<u><u>\$ 1,627,266</u></u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00 %
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS	6.00	3.52	0.21
PIP	3.00	6.29	0.19
Total	<u>100.00 %</u>		<u>5.12 %</u>
Inflation			<u>2.50 %</u>
*Expected arithmetic nominal return			<u>7.62 %</u>

*The above allocation provides a one-year return of 7.62%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher(7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75)
County's Proportionate Share of the Group Life Insurance Program Net OPEB Liability	\$ 429,907	\$ 327,243	\$ 243,985
Component School Board (Professional)'s Proportionate Share of the Group Life Insurance Program Net OPEB Liability	857,890	653,022	486,879
Component School Board (Nonprofessional)'s Proportionate Share of the Group Life Insurance Program Net OPEB Liability	65,202	49,631	37,004

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN) (CONTINUED)

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

As of the June 30, 2018, actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Primary Government
Inactive Members or their Beneficiaries	
Currently Receiving Benefits	5
Inactive Members:	
Vested Inactive Members	2
Total Inactive Members	7
Active Members	31
Total Covered Employees	38

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2020 was .48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the HIC Program were \$8,093 and \$7,609 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net HIC OPEB Liability

The County's net Health Insurance Credit OPEB liability was measured as of June 30, 2019. The total Health Insurance Credit OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation:	
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Actuarial Assumptions (Continued)

**Mortality Rates – Non-Largest Ten Locality Employers – General Employees
(Continued)**

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Actuarial Assumptions (Continued)

**Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees
(Continued)**

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Postretirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decrease rate from 7.00% to 6.75%

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS	6.00	3.52	0.21
PIP	3.00	6.29	0.19
Total	<u>100.00 %</u>		<u>5.12 %</u>
Inflation			<u>2.50 %</u>
*Expected arithmetic nominal return			<u>7.62 %</u>

*The above allocation provides a one-year return of 7.62%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 49,390	\$ 14,176	\$ 35,214
Changes for the Year:			-
Service Cost	3,943	-	3,943
Interest	3,329	-	3,329
Differences between Expected and Actual Experience	-	-	-
	11,331	-	11,331
Contributions - Employer	-	7,610	(7,610)
Change of Assumptions	1,370	-	1,370
Net Investment Income	-	1,066	(1,066)
Benefit Payments	(3,666)	(3,666)	-
Administrative Expenses	-	(26)	26
Other Changes	-	(1)	1
Net Changes	<u>16,307</u>	<u>4,983</u>	<u>11,324</u>
Balances at June 30, 2019	<u>\$ 65,697</u>	<u>\$ 19,159</u>	<u>\$ 46,538</u>

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

Sensitivity of the County's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Political Subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate.

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75)
County's Net HIC OPEB Liability (Asset)	\$ 52,565	\$ 46,538	\$ 41,338

HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB

For the year ended June 30, 2020, the County recognized HIC Program OPEB expense of \$7,510. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to the County's HIC Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected Actual Experience	\$ 9,503	\$ (1,626)
Net Difference between Projected and Actual		
Earnings on HIC OPEB Investments	67	(117)
Change in Assumptions	1,149	(682)
Change in Proportionate Share		
Employer Contributions Subsequent to the		
Measurement Date	8,093	-
Total	\$ 18,812	\$ (2,425)

\$8,093 reported as deferred outflows of resources related to the HIC OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30,	Amount
2021	\$ 1,340
2022	1,341
2023	1,451
2024	1,706
2025	2,049
Thereafter	407

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN) (CONTINUED)

HIC Program Plan Data

Information about the VRS Political Subdivision Health Insurance Credit Program is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)
(CONTINUED)**

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long- term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020, was 1.20% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$93,859 and \$94,393 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB

At June 30, 2020, the school division reported a liability of \$1,227,671 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Program was .09378% as compared to .09608% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$78,520. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)
(CONTINUED)**

**Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program
OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of
Resources Related to the Teacher Employee HIC Program OPEB (Continued)**

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected Actual Experience	\$ -	\$ 6,954
Net Difference between Projected and Actual Earnings on HIC OPEB Investments	78	-
Change in Assumptions	28,574	8,531
Change in Proportion	-	122,129
Employer Contributions Subsequent to the Measurement Date	<u>93,859</u>	<u>-</u>
Total	<u>\$ 122,511</u>	<u>\$ 137,614</u>

\$93,859 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (21,355)
2022	(21,357)
2023	(20,819)
2024	(20,999)
2025	(17,748)
Thereafter	(6,684)

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)
(CONTINUED)**

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Postretirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)
(CONTINUED)**

Actuarial Assumptions (Continued)

Mortality Rates – Teachers (Continued)

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,032,094
Plan Fiduciary Net Position	109,023
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 923,071</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	10.56 %
--------------------------------------------------------------------------------	---------

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)
(CONTINUED)**

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS	6.00	3.52	0.21
PIP	3.00	6.29	0.19
Total	<u>100.00 %</u>		<u>5.12 %</u>
Inflation			<u>2.50 %</u>
*Expected arithmetic nominal return			<u>7.62 %</u>

*The above allocation provides a one-year return of 7.62%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 15 TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN)
(CONTINUED)**

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75)
School Division's Proportionate Share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 1,373,973	\$ 1,227,671	\$ 1,103,388

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT PLANS

Primary Government and Component Unit School Board

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability (Asset)	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program:								
County	\$ 63,617	\$ 34,815	\$ 327,243	\$ 4,220	\$ -	\$ -	\$ -	\$ -
School Board	-	-	-	-	-	-	-	-
Nonprofessional School Board	-	-	-	-	9,454	7,697	49,631	208
Professional School Board	-	-	-	-	-	-	-	-
Professional	-	-	-	-	125,491	101,117	653,022	1,145
County Health Insurance Credit Program	18,812	(2,425)	46,538	7,510	-	-	-	-
Teacher Health Insurance Credit Program	-	-	-	-	122,511	137,614	1,227,671	78,520
Total	<u>\$ 82,429</u>	<u>\$ 32,390</u>	<u>\$ 373,781</u>	<u>\$ 11,730</u>	<u>\$ 257,456</u>	<u>\$ 246,428</u>	<u>\$ 1,930,324</u>	<u>\$ 79,873</u>

NOTE 17 SURETY BONDS

Commonwealth of Virginia - Department of General Services, Division of Risk Management-Faithful Performance Bond:

G. J. Ashworth, Clerk of the Circuit Court	\$ 103,000
B. A. "Penny" Davis, Treasurer	300,000
T. M. Blackwell, Commissioner of the Revenue	3,000
Walter Holmes, Sheriff	30,000
U. S. Fidelity and Guaranty Company - Surety:	
Social Services Employees - Blanket Bonds	100,000
Commonwealth of Virginia, Division of Risk Management:	
County and Component Unit - School Board Employees	1,000,000

NOTE 18 LINE OF DUTY ACT (LODA) (OPEB BENEFITS)

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to Virginia Association of Counties. Virginia Association of Counties assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 LINE OF DUTY ACT (LODA) (OPEB BENEFITS) (CONTINUED)

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The County's LODA coverage is fully covered or "insured" through Virginia Association of Counties. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2020 was \$14,004.

NOTE 19 UPCOMING PRONOUNCEMENTS

The GASB has issued several pronouncements that will impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements will have on the County.

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported by establishing criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period to enhance relevance and comparability of information while simplifying the accounting. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 90, *Majority Equity Interests* – an amendment of GASB Statements No. 14 and No. 61. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

COUNTY OF ESSEX, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 UPCOMING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020*. This objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues have been identified during the implementation of certain GASB Statements. Most of the requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses the accounting and financial reporting implications that result from the replacement of IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units; (2) mitigate costs associated with the reporting of certain benefit plans; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for certain Section 457 plans. The requirements of this Statement for items (1) and (2) were immediately effective upon issuance in June of 2020. The requirements for item (3) are effective for fiscal years beginning after June 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF ESSEX, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

EXHIBIT 8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
General Property Taxes	\$ 15,499,005	\$ 15,499,005	\$ 15,536,805	\$ 37,800
Other Local Taxes	2,863,000	2,863,000	2,626,777	(236,223)
Permits, Privilege Fees, and Regulatory Licenses	192,694	192,694	81,150	(111,544)
Fines and Forfeitures	52,569	52,569	23,620	(28,949)
Revenue from the Use of Money and Property	55,000	55,000	106,970	51,970
Charges for Services	420,600	420,600	398,274	(22,326)
Miscellaneous	215,041	215,041	117,659	(97,382)
Recovered Costs	64,600	64,600	33,405	(31,195)
Intergovernmental:				
Commonwealth	4,412,883	4,412,883	4,088,026	(324,857)
Federal	2,436,330	2,436,330	1,732,587	703,743
Total Revenues	<u>26,211,722</u>	<u>26,211,722</u>	<u>24,745,273</u>	<u>1,466,449</u>
EXPENDITURES				
Current:				
General Government				
Administration	2,737,902	2,737,902	2,318,867	419,035
Judicial Administration	782,512	782,512	719,912	62,600
Public Safety	4,741,414	4,741,414	4,215,040	526,374
Public Works	1,974,637	1,974,637	1,909,906	64,731
Health and Welfare	2,945,391	2,945,391	3,289,345	(343,954)
Education	8,045,413	8,045,413	6,838,799	1,206,614
Parks, Recreation, and Cultural	468,070	468,070	432,775	35,295
Community Development	102,329	102,329	120,640	(18,311)
Capital Projects	127,400	127,400	114,955	12,445
Total Expenditures	<u>21,925,068</u>	<u>21,925,068</u>	<u>19,960,239</u>	<u>1,964,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,248,913	4,286,654	4,785,034	498,380
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(2,985,688)	(2,985,688)	(4,459,972)	(1,474,284)
Total Other Financing Sources (Uses)	<u>(4,868,024)</u>	<u>(2,985,688)</u>	<u>(4,459,972)</u>	<u>(1,474,284)</u>
NET CHANGE IN FUND BALANCES	3,263,225	1,300,966	325,062	(1,972,664)
Fund Balances - Beginning	<u>(1,604,799)</u>	<u>(1,684,722)</u>	<u>6,687,306</u>	<u>8,985,033</u>
FUND BALANCES - ENDING	<u>\$ 1,380,889</u>	<u>\$ (383,756)</u>	<u>\$ 7,012,368</u>	<u>\$ 7,012,368</u>

See accompanying Notes to Required Supplementary Information.

**COUNTY OF ESSEX, VIRGINIA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

EXHIBIT 9

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the Use of				
Money and Property	\$ -	\$ -	\$ 7	\$ 7
Miscellaneous	5,990	5,990	41,784	35,794
Charges for Services	-	-	-	-
Intergovernmental:				
Federal	56,750	56,750	32,513	(24,237)
Total Revenues	<u>62,740</u>	<u>62,740</u>	<u>74,304</u>	<u>11,564</u>
EXPENDITURES				
Current:				
Public Safety	12,020	12,020	11,036	984
Parks, Recreation, and Cultural	70,094	70,094	53,293	16,801
Total Expenditures	<u>82,114</u>	<u>82,114</u>	<u>64,329</u>	<u>17,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,374)	(19,374)	9,975	(6,221)
OTHER FINANCING SOURCES (USES)				
Transfers In	19,374	19,374	-	(19,374)
Total Other Financing Sources (Uses)	<u>19,374</u>	<u>19,374</u>	<u>-</u>	<u>(19,374)</u>
NET CHANGE IN FUND BALANCES	-	-	9,975	(25,594)
Fund Balances - Beginning	-	-	162,274	162,274
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,249</u>	<u>\$ 136,680</u>

See accompanying Notes to Required Supplementary Information.

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PRIMARY GOVERNMENT
MEASUREMENT DATES OF JUNE 30, 2014 TO JUNE 30, 2019

EXHIBIT 10

	2019	2018
Total Pension Liability		
Service Cost	\$ 503,727	\$ 508,171
Interest	1,079,088	1,056,949
Differences between Expected and Actual Experience	18,877	(363,682)
Changes in Assumptions	459,815	-
Benefit Payments, including Refunds of Employee Contributions	(838,476)	(931,853)
Net Change in Total Pension Liability	1,223,031	269,585
Total Pension Liability - Beginning	15,834,780	15,565,195
Total Pension Liability - Ending (a)	\$ 17,057,811	\$ 15,834,780
Plan Fiduciary Net Position		
Contributions - Employer	\$ 313,261	\$ 350,265
Contributions - Employee	188,624	187,734
Net Investment Income	1,084,332	1,149,759
Benefit Payments, Including Refunds of Employee Contributions	(838,476)	(931,853)
Administrative Expense	(10,804)	(10,054)
Other	(685)	(1,019)
Net Change in Plan Fiduciary Net Position	736,252	744,832
Plan Fiduciary Net Position - Beginning	16,412,959	15,668,127
Plan Fiduciary Net Position - Ending (b)	\$ 17,149,211	\$ 16,412,959
County's Net Pension Liability (Asset) - Ending (a) - (b)	\$ (91,400)	\$ (578,179)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.54 %	103.65 %
Covered Payroll	\$ 4,065,224	\$ 3,869,587
County's Net Pension Liability (Asset) as a Percentage of Covered Payroll	(2.26)%	(14.94)%

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

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PRIMARY GOVERNMENT (CONTINUED)
MEASUREMENT DATES OF JUNE 30, 2014 TO JUNE 30, 2019

EXHIBIT 10

2017	2016	2015	2014
\$ 526,189	\$ 491,937	\$ 453,060	\$ 420,544
1,029,933	974,990	909,667	867,420
(310,607)	(67,129)	203,064	-
(72,213)	-	-	-
(642,858)	(586,951)	(678,261)	(690,595)
530,444	812,847	887,530	597,369
15,034,751	14,221,904	13,334,374	12,737,005
\$ 15,565,195	\$ 15,034,751	\$ 14,221,904	\$ 13,334,374
\$ 349,601	\$ 363,638	\$ 339,491	\$ 335,255
187,550	188,815	176,928	168,893
1,716,731	244,353	612,807	1,852,569
(642,858)	(586,951)	(678,261)	(690,595)
(9,823)	(8,532)	(8,433)	(10,053)
(1,531)	(103)	(129)	97
1,599,670	201,220	442,403	1,656,166
14,068,457	13,867,237	13,424,834	11,768,668
\$ 15,668,127	\$ 14,068,457	\$ 13,867,237	\$ 13,424,834
\$ (102,932)	\$ 966,294	\$ 354,667	\$ (90,460)
100.66 %	93.57 %	97.51 %	100.68 %
\$ 3,832,357	\$ 3,832,457	\$ 3,571,499	\$ 3,382,143
(2.69)%	25.21 %	9.93 %	(2.67)%

See accompanying Notes to Required Supplementary Information.

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL)
MEASUREMENT DATES OF JUNE 30, 2014 TO JUNE 30, 2019

EXHIBIT 11

	2019	2018
Total Pension Liability		
Service Cost	\$ 61,356	\$ 58,143
Interest	300,904	291,893
Differences between Expected and Actual Experience	54,016	57,694
Changes in Assumptions	106,342	-
Benefit Payments, including Refunds of Employee Contributions	(276,384)	(281,623)
Net Change in Total Pension Liability	246,234	126,107
Total Pension Liability - Beginning	4,436,819	4,310,712
Total Pension Liability - Ending (a)	\$ 4,683,053	\$ 4,436,819
Plan Fiduciary Net Position		
Contributions - Employer	\$ 40,539	\$ 49,459
Contributions - Employee	27,282	29,579
Net Investment Income	281,596	308,427
Benefit Payments, Including Refunds of Employee Contributions	(276,384)	(281,623)
Administrative Expense	(2,945)	(2,779)
Other	(176)	(270)
Net Change in Plan Fiduciary Net Position	69,912	102,793
Plan Fiduciary Net Position - Beginning	4,345,677	4,242,884
Plan Fiduciary Net Position - Ending (b)	\$ 4,415,589	\$ 4,345,677
School Board's Net Pension Liability (Asset) - Ending (a) - (b)	\$ 267,464	\$ 91,142
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.29 %	97.95 %
Covered Payroll	\$ 579,033	\$ 640,606
School Board's Net Pension Liability (Asset) as a Percentage of Covered Payroll	46.19 %	14.23 %

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

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
COMPONENT UNIT SCHOOL BOARD (NONPROFESSIONAL) (CONTINUED)
MEASUREMENT DATES OF JUNE 30, 2014 TO JUNE 30, 2019

EXHIBIT 11

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 58,467	\$ 61,703	\$ 93,039	\$ 106,774
301,663	302,496	302,607	292,655
(201,154)	(82,927)	(85,304)	-
(16,304)	-	-	-
(282,863)	(303,484)	(320,380)	(194,111)
(140,191)	(22,212)	(10,038)	205,318
4,450,903	4,473,115	4,483,153	4,277,835
\$ 4,310,712	\$ 4,450,903	\$ 4,473,115	\$ 4,483,153
\$ 49,936	\$ 69,993	\$ 67,266	\$ 101,076
29,524	30,098	29,178	42,330
472,233	67,292	183,178	571,427
(282,863)	(303,484)	(320,380)	(194,111)
(2,866)	(2,626)	(2,695)	(3,092)
(415)	(29)	(39)	30
265,549	(138,756)	(43,492)	517,660
3,977,335	4,116,091	4,159,583	3,641,923
\$ 4,242,884	\$ 3,977,335	\$ 4,116,091	\$ 4,159,583
\$ 67,828	\$ 473,568	\$ 357,024	\$ 323,570
98.43 %	89.36 %	92.02 %	92.78 %
\$ 634,849	\$ 643,497	\$ 618,647	\$ 846,582
10.68 %	73.59 %	57.71 %	38.22 %

See accompanying Notes to Required Supplementary Information.

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
MEASUREMENT DATES OF JUNE 30, 2014 TO JUNE 30, 2019

EXHIBIT 12

	2019	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.09328 %	0.09591 %
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,276,178	\$ 11,279,000
Employer's Covered Payroll	\$ 7,821,613	\$ 7,821,155
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.95 %	144.21 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51 %	74.81 %

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

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN (CONTINUED)
MEASUREMENT DATES OF JUNE 30, 2014 TO JUNE 30, 2019**

EXHIBIT 12

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.10282 %	0.10711 %	0.10692 %	0.10891 %
\$ 12,644,000	\$ 15,011,000	\$ 13,457,000	\$ 13,162,000
\$ 7,968,458	\$ 8,378,364	\$ 7,706,572	\$ 7,931,329
158.68 %	179.16 %	174.62 %	165.95 %
72.92 %	68.28 %	70.68 %	70.88 %

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEARS ENDED JUNE 30, 2010 TO JUNE 30, 2020**

EXHIBIT 13

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percent of Covered Payroll (5)
Primary Government					
2020	\$ 335,788	\$ 335,788	\$ -	\$ 4,065,224	8.26 %
2019	313,245	313,245	-	3,942,893	7.94 %
2018	350,264	350,264	-	3,869,587	9.05 %
2017	356,409	356,409	-	3,832,357	9.30 %
2016	367,533	367,533	-	3,832,457	9.59 %
2015	342,507	342,507	-	3,571,499	9.59 %
2014	336,185	336,185	-	3,382,143	9.94 %
2013	319,935	319,935	-	3,218,662	9.94 %
2012	206,975	206,975	-	2,969,511	6.97 %
2011	191,871	191,871	-	2,752,815	6.97 %
2010	152,538	152,538	-	2,666,757	5.72 %
Component Unit School Board (Nonprofessional)					
2020	\$ 43,659	\$ 43,659	\$ -	\$ 579,033	7.54 %
2019	40,538	40,538	-	597,045	6.79 %
2018	49,454	49,454	-	640,606	7.72 %
2017	53,137	53,137	-	634,849	8.37 %
2016	72,072	72,072	-	643,497	11.20 %
2015	69,288	69,288	-	618,647	11.20 %
2014	102,436	102,436	-	846,582	12.10 %
2013	107,076	107,076	-	884,923	12.10 %
2012	59,778	59,778	-	826,804	7.23 %
2011	61,526	61,526	-	850,976	7.23 %
2010	68,492	68,492	-	930,592	7.36 %
Component Unit School Board (Professional)					
2020	\$ 1,226,429	\$ 1,226,429	\$ -	\$ 7,821,613	15.68 %
2019	1,211,635	1,211,635	-	7,959,196	15.22 %
2018	1,247,323	1,247,323	-	7,821,155	15.95 %
2017	1,168,176	1,168,176	-	7,968,458	14.66 %
2016	1,177,998	1,177,998	-	8,378,364	14.06 %
2015	1,117,453	1,117,453	-	7,706,572	14.50 %
2014	924,793	924,793	-	7,931,329	11.66 %
2013	918,386	918,386	-	7,876,381	11.66 %
2012	970,068	970,068	-	8,561,942	11.33 %
2011	764,312	764,312	-	8,558,925	8.93 %
2010	1,250,583	1,250,583	-	9,055,634	13.81 %

See accompanying Notes to Required Supplementary Information.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

EXHIBIT 14

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 – Hazardous Duty:

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2020**

EXHIBIT 14

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF COUNTY'S SHARE OF NET OPEB LIABILITY
GROUP LIFE INSURANCE PROGRAM
MEASUREMENT DATES OF JUNE 30, 2017 TO 2019**

EXHIBIT 15

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2019	0.01980 %	\$ 327,243	\$ 4,075,628	8.03 %	52.00 %
2018	0.02051 %	312,000	3,900,226	8.00 %	51.22 %
2017	0.02078 %	312,000	3,832,357	8.14 %	48.86 %
Component Unit School Board (Nonprofessional)					
2019	0.03815 %	\$ 653,022	\$ 7,852,517	8.32 %	52.00 %
2018	0.04092 %	621,000	7,779,905	7.98 %	51.22 %
2017	0.04403 %	663,000	8,122,504	8.16 %	48.86 %
Component Unit School Board (Professional)					
2019	0.00282 %	\$ 49,631	\$ 580,679	8.55 %	52.00 %
2018	0.00339 %	52,000	643,780	8.08 %	51.22 %
2017	0.00346 %	52,000	637,921	8.15 %	48.86 %

Schedule is intended to show information for ten years. Information prior to 2017 valuation is not available. However, additional years will be included as they become available.

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GROUP LIFE INSURANCE PROGRAM
YEARS ENDED JUNE 30, 2011 TO 2020**

EXHIBIT 16

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percent of Covered Payroll (5)
Primary Government					
2020	\$ 21,193	\$ 21,193	\$ -	\$ 4,075,628	0.52 %
2019	20,503	20,503	-	3,942,893	0.52 %
2018	20,281	20,281	-	3,900,226	0.52 %
2017	19,928	19,928	-	3,832,357	0.52 %
2016	18,489	18,489	-	3,851,850	0.48 %
2015	17,218	17,218	-	3,586,978	0.48 %
2014	16,293	16,293	-	3,394,329	0.48 %
2013	15,450	15,450	-	3,218,662	0.48 %
2012	8,315	8,315	-	2,969,511	0.28 %
2011	7,708	7,708	-	2,751,815	0.28 %
Component Unit School Board (Nonprofessional)					
2020	\$ 40,833	\$ 40,833	\$ -	\$ 7,852,517	0.52 %
2019	40,904	40,904	-	7,866,058	0.52 %
2018	40,456	40,456	-	7,779,905	0.52 %
2017	42,237	42,237	-	8,122,504	0.52 %
2016	39,200	39,200	-	8,166,626	0.48 %
2015	38,282	38,282	-	7,975,366	0.48 %
2014	38,235	38,235	-	7,965,582	0.48 %
2013	38,293	38,293	-	7,977,681	0.48 %
2012	23,968	23,968	-	8,560,093	0.28 %
2011	23,958	23,958	-	8,556,280	0.28 %
Component Unit School Board (Professional)					
2020	\$ 3,020	\$ 3,020	\$ -	\$ 580,679	0.52 %
2019	3,105	3,105	-	597,045	0.52 %
2018	3,348	3,348	-	643,780	0.52 %
2017	3,317	3,317	-	637,921	0.52 %
2016	3,096	3,096	-	645,003	0.48 %
2015	2,977	2,977	-	630,109	0.47 %
2014	4,064	4,064	-	846,582	0.48 %
2013	4,271	4,271	-	889,858	0.48 %
2012	2,315	2,315	-	826,804	0.28 %
2011	2,383	2,383	-	850,976	0.28 %

See accompanying Notes to Required Supplementary Information.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
GROUP LIFE INSURANCE PROGRAM
YEAR ENDED JUNE 30, 2020**

EXHIBIT 17

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post- retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 GROUP LIFE INSURANCE PROGRAM
 YEAR ENDED JUNE 30, 2020**

EXHIBIT 17

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, postretirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIOS
HEALTH INSURANCE CREDIT (HIC) PROGRAM
MEASUREMENT DATES JUNE 30, 2019 TO 2017

EXHIBIT 18

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 3,943	\$ 4,588	\$ 4,427
Interest	3,329	3,184	2,941
Differences between Expected and Actual Experience	11,331	(2,474)	-
Changes in Assumptions	1,370	-	(1,414)
Benefit Payments	<u>(3,666)</u>	<u>(2,786)</u>	<u>(2,195)</u>
Net Change in Total HIC OPEB Liability	16,307	2,512	3,759
Total HIC OPEB Liability - Beginning	<u>49,390</u>	<u>46,878</u>	<u>43,119</u>
Total HIC OPEB Liability - Ending (a)	<u><u>\$ 65,697</u></u>	<u><u>\$ 49,390</u></u>	<u><u>\$ 46,878</u></u>
Plan Fiduciary Net Position			
Contributions - Employee	\$ 7,610	\$ 7,299	\$ 6,959
Net Investment Income	1,066	756	704
Benefit Payments	(3,666)	(2,786)	(2,195)
Administrative Expense	(26)	(22)	(17)
Other	<u>(1)</u>	<u>(18)</u>	<u>18</u>
Net Change in Plan Fiduciary Net Position	4,983	5,229	5,469
Plan Fiduciary Net Position - Beginning	<u>14,176</u>	<u>8,947</u>	<u>3,478</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 19,159</u></u>	<u><u>\$ 14,176</u></u>	<u><u>\$ 8,947</u></u>
County's Net HIC OPEB Liability (Asset) - Ending (a) - (b)	\$ 46,538	\$ 35,214	\$ 37,931
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	29.16 %	28.70 %	19.09 %
Covered Payroll	\$ 1,685,973	\$ 1,553,040	\$ 1,480,662
County's Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll	2.76 %	2.27 %	2.56 %

Schedule is intended to show information for ten years. Information prior to 2017 valuation is not available. However, additional years will be included as they become available.

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
HEALTH INSURANCE CREDIT (HIC) PROGRAM
YEARS ENDED JUNE 30, 2015 TO 2020**

EXHIBIT 19

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percent of Covered Payroll (5)
Primary Government					
2020	\$ 8,093	\$ 8,093	\$ -	\$ 1,685,973	0.48 %
2019	7,609	7,609	-	1,585,300	0.48 %
2018	7,299	7,299	-	1,553,040	0.47 %
2017	6,959	6,959	-	1,480,662	0.47 %
2016	3,680	3,680	-	1,533,415	0.24 %
2015	3,319	3,319	-	1,383,092	0.24 %

Schedule is intended to show information for ten years. Additional years will be included as they become available.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
HEALTH INSURANCE CREDIT (HIC) PROGRAM
YEAR ENDED JUNE 30, 2020**

EXHIBIT 20

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**COUNTY OF ESSEX, VIRGINIA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 HEALTH INSURANCE CREDIT (HIC) PROGRAM
 YEAR ENDED JUNE 30, 2020**

EXHIBIT 20

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF SCHOOL BOARD'S SHARE OF NET OPEB LIABILITY
TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM
MEASUREMENT DATES OF JUNE 30, 2017 TO 2019**

EXHIBIT 21

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.09378 %	\$ 1,227,671	\$ 7,866,058	15.61 %	10.56 %
2018	0.09608 %	1,220,000	7,770,745	15.70 %	8.08 %
2017	0.10284 %	1,304,000	8,115,970	16.07 %	7.04 %

Schedule is intended to show information for ten years. Information prior to 2017 valuation is not available. However, additional years will be included as they become available.

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM
YEARS ENDED JUNE 30, 2011 TO 2020**

EXHIBIT 22

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contributions (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percent of Covered Payroll (5)
2020	\$ 93,859	\$ 93,859	\$ -	\$ 7,821,613	1.20 %
2019	94,393	94,393	-	7,866,058	1.20 %
2018	95,580	95,580	-	7,770,745	1.23 %
2017	90,087	90,087	-	8,115,970	1.11 %
2016	86,566	86,566	-	8,166,626	1.06 %
2015	84,264	84,264	-	7,949,408	1.06 %
2014	88,418	88,418	-	7,965,582	1.11 %
2013	87,394	87,394	-	7,873,363	1.11 %
2012	51,372	51,372	-	8,561,945	0.60 %
2011	51,354	51,354	-	8,558,929	0.60 %

See accompanying Notes to Required Supplementary Information.

**COUNTY OF ESSEX, VIRGINIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM
YEAR ENDED JUNE 30, 2020**

EXHIBIT 23

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT 24

	Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the Use of Money and Property	\$ -	\$ -	\$ 15,186	\$ 15,186
Intergovernmental:				
Commonwealth	810	2,165	-	(2,165)
Federal	-	-	22,073	22,073
Total Revenues	<u>810</u>	<u>2,165</u>	<u>37,259</u>	<u>35,094</u>
EXPENDITURES				
Capital Projects	<u>834,494</u>	<u>1,071,275</u>	<u>1,017,576</u>	<u>53,699</u>
Total Expenditures	<u>834,494</u>	<u>1,071,275</u>	<u>1,017,576</u>	<u>53,699</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(833,684)	(1,069,110)	(980,317)	88,793
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	394,940	394,940
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>394,940</u>	<u>394,940</u>
NET CHANGE IN FUND BALANCES	833,684	1,069,110	(585,377)	483,733
Fund Balances - Beginning	<u>(833,684)</u>	<u>(1,069,110)</u>	<u>612,957</u>	<u>(456,153)</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,580</u>	<u>\$ 27,580</u>

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT 25

	Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Debt Service:				
Principal Retirement	\$ 4,079,712	\$ 4,079,712	\$ 2,916,769	\$ 1,162,943
Interest and Other fiscal Charges	-	-	1,147,488	(1,147,488)
Total Expenditures	<u>4,079,712</u>	<u>4,079,712</u>	<u>4,064,257</u>	<u>15,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,079,712	4,079,712	4,064,257	15,455
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>4,450,482</u>	<u>4,450,482</u>	<u>4,065,032</u>	<u>385,450</u>
Total Other Financing Sources (Uses)	<u>4,450,482</u>	<u>4,450,482</u>	<u>4,065,032</u>	<u>385,450</u>
NET CHANGE IN FUND BALANCES	370,770	370,770	775	369,995
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>963,985</u>	<u>538,985</u>
FUND BALANCES - ENDING	<u>\$ 370,770</u>	<u>\$ 370,770</u>	<u>\$ 964,760</u>	<u>\$ 908,980</u>

**COUNTY OF ESSEX, VIRGINIA
FIDUCIARY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2020**

EXHIBIT 26

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and Cash Equivalents	\$ 2,652	\$ 22,996	\$ 15,770	\$ 9,878
Liabilities:				
Amounts Held for Social Services Clients	\$ 2,652	\$ 22,996	\$ 15,770	\$ 9,878
County Flexible Spending and Health Reimbursement Account Fund:				
Assets:				
Cash	\$ 21,231	\$ 34,808	\$ 36,653	\$ 19,386
Liabilities:				
Amounts Held for Employees	\$ 21,231	\$ 34,808	\$ 36,653	\$ 19,386
School Health Reimbursement Account Fund:				
Assets:				
Cash	\$ 31,144	\$ 23,834	\$ 37,040	\$ 17,938
Liabilities:				
Amounts Held for Employees	\$ 31,144	\$ 23,834	\$ 37,040	\$ 17,938
Total - All Agency Funds				
Assets:				
Cash	\$ 55,027	\$ 81,638	\$ 89,463	\$ 47,202
Total Assets	\$ 55,027	\$ 81,638	\$ 89,463	\$ 47,202
Liabilities:				
Amounts Held for Employees	\$ 52,375	\$ 58,642	\$ 73,693	\$ 37,324
Amounts Held for Social Services Clients	2,652	22,996	15,770	9,878
Total Liabilities	\$ 55,027	\$ 81,638	\$ 89,463	\$ 47,202

**COUNTY OF ESSEX, VIRGINIA
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
JUNE 30, 2020**

EXHIBIT 27

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 842,581	\$ 105,485	\$ 948,066
Receivables, Net of Allowance for Uncollectibles:			
Accounts Receivable	-	-	-
Due from Other Governmental Units	739,355	22,572	761,927
Prepaid Expenses	8,558	-	8,558
Inventories	-	20,437	20,437
	<u>\$ 1,590,494</u>	<u>\$ 148,494</u>	<u>\$ 1,738,988</u>
LIABILITIES			
Accounts Payable	\$ 337,897	\$ 2,694	\$ 340,591
Accrued Liabilities	1,252,597	34,613	1,287,210
Due to Other Governmental Units	-	-	-
Total Liabilities	<u>1,590,494</u>	<u>37,307</u>	<u>1,627,801</u>
FUND BALANCES			
Nonspendable	-	20,437	20,437
Committed:	-	90,750	90,750
Total Fund Balances	<u>-</u>	<u>111,187</u>	<u>111,187</u>
	<u>\$ 1,590,494</u>	<u>\$ 148,494</u>	<u>\$ 1,738,988</u>

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

Total Fund Balances Per Above	\$ 111,187
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Cost	\$ 21,142,345	
Accumulated Depreciation	(8,410,867)	12,731,478

Deferred outflows of resources are not available to pay for current-period expenditures, and, therefore, are not reported in the funds.

Pension Related Items	2,627,116	
OPEB Related Items	257,456	2,884,572

Long-term liabilities, including capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.

The following is a summary of items supporting this adjustment:

Net Pension Liabilities	(12,543,642)	
Net OPEB Liabilities	(1,930,324)	
Compensated Absences	(112,388)	(14,586,354)

Deferred inflows of resources are not due and payable in the current period, and, therefore, are not reported in the funds.

Pension Related Items	(2,311,909)	
OPEB Related Items	(246,428)	(2,558,337)

Net Position of Governmental Activities	<u>\$ (1,417,454)</u>
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**COUNTY OF ESSEX, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
YEAR ENDED JUNE 30, 2020**

EXHIBIT 28

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the Use of			
Money and Property	\$ 3,360	\$ 41	\$ 3,401
Charges for Services	-	80,026	80,026
Miscellaneous	168,546	-	168,546
Intergovernmental:			
Local Government	6,830,476	-	6,830,476
Commonwealth	8,469,013	23,812	8,492,825
Federal	1,116,734	664,893	1,781,627
Total Revenues	16,588,129	768,772	17,356,901
EXPENDITURES			
Current:			
Education	16,588,930	755,827	17,344,757
Total Expenditures	16,588,930	755,827	17,344,757
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(801)	12,945	12,144
NET CHANGE IN FUND BALANCES	(801)	12,945	12,144
Fund Balances - Beginning	801	98,242	99,043
FUND BALANCES - ENDING	\$ -	\$ 111,187	\$ 111,187

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	\$ 12,144
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital Assets Additions	\$ 1,040,102	
Transfer of Joint Tenancy Assets to Component Unit from Primary Government	-	
Depreciation Expense	(241,304)	798,798

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.

Pension Expense	208,379	
OPEB Expense	57,305	
Change in Compensated Absences	22,666	288,350

Change Net Position of Governmental Activities	\$ 1,099,292
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COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
YEAR ENDED JUNE 30, 2020

EXHIBIT 29

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the Use of				
Money and Property	\$ -	\$ -	\$ 3,360	3,360
Miscellaneous	97,500	97,500	168,546	71,046
Intergovernmental:				
Local Government	8,037,253	8,037,253	6,830,476	(1,206,777)
Commonwealth	8,349,171	8,349,171	8,469,013	119,842
Federal	1,392,887	1,392,887	1,116,734	(276,153)
Total Revenues	<u>17,876,811</u>	<u>17,876,811</u>	<u>16,588,129</u>	<u>(1,288,682)</u>
EXPENDITURES				
Current:				
Education	<u>17,876,811</u>	<u>17,876,811</u>	<u>16,588,930</u>	<u>(1,287,881)</u>
Total Expenditures	<u>17,876,811</u>	<u>17,876,811</u>	<u>16,588,930</u>	<u>(1,287,881)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(801)</u>	<u>(801)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>801</u>	<u>801</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801</u>	<u>\$ 801</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
YEAR ENDED JUNE 30, 2020

EXHIBIT 30

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the Use of Money and Property	\$ -	\$ -	\$ 41	41
Charges for Services	163,560	163,560	80,026	(83,534)
Intergovernmental:				
Commonwealth	35,000	35,000	23,812	(11,188)
Federal	710,000	710,000	664,893	(45,107)
Total Revenues	<u>908,560</u>	<u>908,560</u>	<u>768,772</u>	<u>(139,788)</u>
EXPENDITURES				
Current:				
Education	<u>908,560</u>	<u>908,560</u>	<u>755,827</u>	<u>(152,733)</u>
Total Expenditures	<u>908,560</u>	<u>908,560</u>	<u>755,827</u>	<u>(152,733)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>12,945</u>	<u>12,945</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>12,945</u>	<u>12,945</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>98,242</u>	<u>98,242</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,187</u>	<u>\$ 111,187</u>

**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
JUNE 30, 2020**

EXHIBIT 31

ASSETS

Cash and Cash Equivalents
Investments

\$ 13,620
33,381

Total Assets

\$ 47,001

NET POSITION

Unrestricted

\$ 47,001

**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
YEAR ENDED JUNE 30, 2020**

EXHIBIT 32

OPERATING REVENUES	
Miscellaneous Income	\$ 2,409
OPERATING EXPENSES	
Other Charges	<u>4,859</u>
OPERATING INCOME (LOSS)	(2,450)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	<u>121</u>
CHANGE IN NET POSITION	(2,329)
Net Position - Beginning of Year	<u>49,330</u>
NET POSITION - END OF YEAR	<u><u>\$ 47,001</u></u>

**COUNTY OF ESSEX, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT – ECONOMIC DEVELOPMENT AUTHORITY
YEAR ENDED JUNE 30, 2020**

EXHIBIT 33

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from Customers and Users	\$ 2,409
Payments for Operating Activities	<u>(4,859)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,450)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (2,450)

Cash and Cash Equivalents - Beginning of Year 16,069

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 13,619

SUPPORTING SCHEDULES

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

SCHEDULE 1

<u>Fund, Motor, and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund:				
Revenue from Local Sources:				
General Property Taxes:				
Real Property Taxes	\$ 11,733,217	\$ 11,733,217	\$ 11,372,449	\$ (360,768)
Real and Personal Public Service				
Corporation Taxes	400,000	400,000	366,217	(33,783)
Personal Property Taxes	3,317,528	3,317,528	3,255,401	(62,127)
Mobile Home Taxes	48,260	48,260	48,239	(21)
Machinery and Tools Taxes	57,180	57,180	95,010	37,830
Merchant's Capital Taxes	86,000	86,000	91,071	5,071
Penalties	199,000	199,000	160,625	(38,375)
Interest	168,000	168,000	147,793	(20,207)
Total General Property Taxes	<u>16,009,185</u>	<u>16,009,185</u>	<u>15,536,805</u>	<u>(472,380)</u>
Other Local Taxes:				
Local Sales and Use Taxes	1,800,000	1,800,000	1,962,334	162,334
Consumers' Utility Taxes	240,000	240,000	233,025	(6,975)
Motor Vehicle Licenses	370,000	370,000	403,691	33,691
Taxes on Recordation and Wills	25,000	25,000	27,727	2,727
Total Other Local Taxes	<u>2,435,000</u>	<u>2,435,000</u>	<u>2,626,777</u>	<u>191,777</u>
Permits, Privilege Fees, and Regulatory Licenses:				
Animal Licenses	6,100	6,100	8,417	2,317
Transfer Fees	600	600	459	(141)
Permits and Other Licenses	129,414	129,414	72,274	(57,140)
Total Permits, Privilege Fees, and Regulatory Licenses	<u>136,114</u>	<u>136,114</u>	<u>81,150</u>	<u>54,964</u>
Fines and Forfeitures:				
Court Fines and Forfeitures	52,569	52,569	23,620	(28,949)
Revenue from Use of Money and Property:				
Revenue from Use of Money	55,000	55,000	70,040	15,040
Revenue from Use of Property	34,000	34,000	36,930	2,930
Total Revenue from Use of Money and Property	<u>89,000</u>	<u>89,000</u>	<u>106,970</u>	<u>(17,970)</u>
Charges for Services:				
Charges for Courthouse Maintenance	10,350	10,350	5,794	(4,556)
Criminal/Traffic Cases Fees-Security	56,740	56,740	29,525	(27,215)
Charges for Correction and Detention	-	-	-	-
Charges for Commonwealth's Attorney	960	960	631	(329)
Charges for Community Development	3,100	3,100	1,875	(1,225)
Charges for EMS	310,000	310,000	289,566	(20,434)
Charges for Emergency Radio System Fees	-	-	-	-
Charges for Selective Enforcement	43,200	43,200	44,974	1,774
Charges for Parks and Recreation	36,600	36,600	25,908	(10,692)
Total Charges for Services	<u>460,950</u>	<u>460,950</u>	<u>398,274</u>	<u>(62,676)</u>
Miscellaneous:				
Miscellaneous	174,361	174,361	117,659	56,702
Recovered Costs:				
Town's Share of Refuse Disposal	30,000	30,000	30,000	-
Town's Share of Animal Control	3,000	3,000	1,530	(1,470)
Town's Erosion and Sediment Control	3,000	3,000	1,875	(1,125)
Total Recovered Costs	<u>36,000</u>	<u>36,000</u>	<u>33,405</u>	<u>2,595</u>
Total Revenue from Local Sources	19,166,249	19,166,249	18,924,660	(241,589)

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 1

<u>Fund, Motor, 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:				
Revenue from the Commonwealth:				
Noncategorical Aid:				
Communications Taxes	\$ 332,655	\$ 332,655	\$ 291,871	\$ (40,784)
Mobile Home Titling Tax	26,000	26,000	22,757	(3,243)
Rolling Stock Tax	1,000	1,000	1,025	25
Auto Rental Tax	-	-	41	41
State Recordation Tax	115,000	115,000	119,819	4,819
Personal Property Tax Relief Funds	1,054,171	1,054,171	1,054,171	-
Total Noncategorical Aid	<u>1,528,826</u>	<u>1,528,826</u>	<u>1,489,684</u>	<u>(39,142)</u>
Categorical Aid:				
Shared Expenses:				
Commonwealth's Attorney	230,979	230,979	196,856	(34,123)
Sheriff	659,315	659,315	652,687	(6,628)
Commissioner of Revenue	100,095	100,095	100,063	(32)
Treasurer	76,150	76,150	76,122	(28)
Registrar/Electoral Board	38,760	38,760	46,649	7,889
Clerk of the Circuit Court	178,039	178,039	193,065	15,026
Total Shared Expenses	<u>1,283,338</u>	<u>1,283,338</u>	<u>1,265,442</u>	<u>(17,896)</u>
Other Categorical Aid:				
Public Assistance and Welfare Administration	667,181	667,181	467,272	(199,909)
Emergency Medical Services - Four for Life	11,500	-	-	-
Emergency Services	19,000	19,700	700	(19,000)
Law Enforcement Block Grant	4,285	4,285	-	(4,285)
Children's Services Act	600,000	600,000	649,891	49,891
Litter Control	7,458	7,458	5,975	(1,483)
Wireless Funds	40,000	46,080	47,211	1,131
Sheriff Grant - Triad	-	-	-	-
DMV Grant	-	-	2,950	2,950
Victim-Witness Grant	8,454	8,454	6,245	(2,209)
Rescue Squad Assistance	114,955	114,955	8,000	(106,955)
Domestic Violence Grant	36,104	36,104	78,750	42,646
School Resource Officer	41,872	41,872	23,874	(17,998)
Sheriff Asset Forfeiture	-	-	-	-
Fire Programs Fund	30,000	30,000	31,964	1,964
Circuit Court Grant	4,513	14,581	10,068	(4,513)
Total Other Categorical Aid	<u>1,585,322</u>	<u>1,590,670</u>	<u>1,332,900</u>	<u>(257,770)</u>
Total Categorical Aid	<u>2,868,660</u>	<u>2,874,008</u>	<u>2,598,342</u>	<u>(275,666)</u>
Total Revenue from the Commonwealth	4,397,486	4,402,834	4,088,026	(314,808)

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 1

<u>Fund, Motor, and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue from the Federal Government:				
Noncategorical Aid:				
Payments in Lieu of Taxes	-	-	-	-
Categorical Aid:				
Public Assistance and Welfare Administration	931,121	931,121	905,198	(25,923)
Comprehensive Services	-	-	31,224	31,224
Transportation Safety	9,000	9,000	6,080	(2,920)
Crime Victim Assistance	17,000	17,000	27,840	10,840
Emergency Preparedness	-	-	13,316	13,316
Edward Byrne Justice Assistance Grant	34,700	34,700	-	(34,700)
Community Development Block Grant	-	-	-	-
QSCB Interest Subsidy	414,350	414,350	417,189	2,839
COVID-19 Pandemic Response	-	988,120	331,740	(656,380)
Total Categorical Aid	<u>1,406,171</u>	<u>2,394,291</u>	<u>1,732,587</u>	<u>(661,704)</u>
Total Revenue from the Federal Government	<u>1,406,171</u>	<u>2,394,291</u>	<u>1,732,587</u>	<u>(661,704)</u>
Total General Fund	<u>\$ 24,969,906</u>	<u>\$ 25,963,374</u>	<u>\$ 24,745,273</u>	<u>\$ (1,218,101)</u>
Special Revenue Fund:				
Special Revenue Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from the Use of Money	\$ -	\$ -	\$ -	\$ -
Revenue from the Use of Property	-	-	7	7
Total Revenue from Use of Money and Property	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
Miscellaneous:				
Miscellaneous:	<u>5,990</u>	<u>5,990</u>	<u>41,784</u>	<u>35,794</u>
Total Revenue from Local Service	5,990	5,990	41,791	35,801
Intergovernmental				
Revenue from Federal Government:				
Noncategorical aid:				
FEMA Emergency Management Federal Grant	-	-	32,513	32,513
Total Noncategorical Aid	<u>-</u>	<u>-</u>	<u>32,513</u>	<u>32,513</u>
Total Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>32,513</u>	<u>32,513</u>
Total County Special Revenue Fund	5,990	5,990	74,304	68,314
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from Local Sources:	-	-	-	-
Revenue from Use of Money and Property:				
Revenue from the Use of Money	-	-	15,186	15,186
Total Revenue from Use of Money and Property	<u>-</u>	<u>-</u>	<u>15,186</u>	<u>15,186</u>
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>15,186</u>	<u>15,186</u>

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 1

<u>Fund, Motor, and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue from the Commonwealth:				
Noncategorical Aid:				
Urgent Needs Grants - Tornado Victims	810	2,165	-	(2,165)
Total Noncategorical Aid	<u>810</u>	<u>2,165</u>	<u>-</u>	<u>(2,165)</u>
Total Revenue from the Federal Government	<u>810</u>	<u>2,165</u>	<u>-</u>	<u>(2,165)</u>
Revenue from the Federal Government:				
Noncategorical Aid:				
Urgent Needs Grants - Tornado Victims	-	-	22,073	22,073
Total Noncategorical Aid	<u>-</u>	<u>-</u>	<u>22,073</u>	<u>22,073</u>
Total Revenue from the Federal Government	<u>5,990</u>	<u>5,990</u>	<u>22,073</u>	<u>16,083</u>
Total Capital Projects Fund	6,800	8,155	37,259	29,104
Total Primary Government	24,982,696	25,977,519	24,856,836	(1,120,683)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from Use of Money	-	-	-	-
Revenue from the Use of Property	<u>-</u>	<u>-</u>	<u>3,360</u>	<u>3,360</u>
Total Revenue from Use of Money and Property	<u>-</u>	<u>-</u>	<u>3,360</u>	<u>3,360</u>
Miscellaneous:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>168,546</u>	<u>168,546</u>
Total Revenue from Local Sources	<u>-</u>	<u>-</u>	<u>171,906</u>	<u>171,906</u>
Intergovernmental:				
Revenues from Local Governments:	<u>8,037,253</u>	<u>8,037,253</u>	<u>6,830,476</u>	<u>(1,206,777)</u>
Total Contribution from County of Essex, Virginia	<u>8,037,253</u>	<u>8,037,253</u>	<u>6,830,476</u>	<u>(1,206,777)</u>

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 1

<u>Fund, Motor, and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue from the Commonwealth:				
Categorical Aid:				
Share of State Sales Tax	\$ 1,669,319	\$ 1,669,319	\$ 1,708,652	\$ 39,333
Basic School Aid	3,452,689	3,452,689	3,608,788	156,099
Remedial Summer Education	88,046	88,046	63,183	(24,863)
Gifted and Talented	34,101	34,101	35,451	1,350
Remedial Education	212,954	212,954	221,387	8,433
At Risk 4 Year Olds	-	-	122,641	122,641
Special Education	528,210	528,210	549,204	20,994
Textbook Payment	70,073	70,073	72,848	2,775
Mentor Teacher Program	2,064	2,064	2,317	253
GED Funding	8,355	8,355	8,387	32
Vocational Education	102,998	102,998	114,211	11,213
School Fringes	951,265	951,265	980,009	28,744
State Lottery Payments	255,712	255,712	264,803	9,091
Early Reading Intervention	40,025	40,025	32,401	(7,624)
Homebound	3,155	3,155	5,857	2,702
At Risk Payments	320,525	320,525	332,726	12,201
Reduced K-3 Class Size	255,560	255,560	253,911	(1,649)
Benefits Other State Agencies	-	-	4,108	4,108
Medicaid	50,000	50,000	-	(50,000)
SOL Algebra Readiness	23,196	23,196	23,549	353
Career Switcher Mentor Grant	-	-	-	-
Industry Certification	1,400	1,400	2,546	1,146
Project Graduation	5,082	5,082	5,082	-
Career and Technical Education	3,470	3,470	-	(3,470)
English as a Second Language	20,331	20,331	24,935	4,604
VA Preschool Initiative	122,641	122,641	-	-
VPSA Technology	128,000	128,000	-	-
Positive Behavioral Interventions and Supports	-	-	32,017	32,017
Total Categorical Aid	<u>8,349,171</u>	<u>8,349,171</u>	<u>8,469,013</u>	<u>370,483</u>
Total Revenue from the Commonwealth	8,349,171	8,349,171	8,469,013	119,842
Revenue from the Federal Government:				
Categorical Aid:				
Title I	700,366	700,366	414,809	(285,557)
Title IV-A	11,815	11,815	5,045	(6,770)
Title VI-B	586,137	586,137	529,672	(56,465)
School Improvement Grant	-	-	16,050	16,050
Rural Education	37,357	37,357	27,624	(9,733)
Preschool Grant	18,933	18,933	21,307	2,374
Vocational Education	34,500	34,500	28,348	(6,152)
Title III	3,779	3,779	1,650	(2,129)
Title II-A	-	-	72,229	72,229
Total Categorical Aid	<u>1,392,887</u>	<u>1,392,887</u>	<u>1,116,734</u>	<u>(276,153)</u>
Total School Operating Fund	<u>\$ 17,779,311</u>	<u>\$ 17,779,311</u>	<u>\$ 16,588,129</u>	<u>\$ (1,191,182)</u>

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 1

Fund, Motor, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from the Use of Money	\$ -	\$ -	\$ 41	\$ 41
Charges for Services:				
Cafeteria Sales	-	-	80,026	80,026
Miscellaneous:				
Miscellaneous	-	-	-	-
Total Revenue from Local Sources	-	-	80,067	80,067
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical Aid:				
School Food Program Grant	-	-	23,812	23,812
Revenue from the Federal Government:				
Categorical Aid:				
School Food Program Grant	-	-	-	-
Commodities	-	-	664,893	664,893
Total Categorical Aid	-	-	664,893	664,893
Total Revenue from the Federal Government	-	-	664,893	664,893
Total School Cafeteria Fund	-	-	768,772	768,772
Total Discretely Presented Component Unit - School Board	<u>\$ 17,779,311</u>	<u>\$ 17,779,311</u>	<u>\$ 17,356,901</u>	<u>\$ (422,410)</u>

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

SCHEDULE 2

<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	\$ 532,792	\$ 532,792	\$ 389,461	\$ 143,331
General and Financial Administration:				
County Administrator	1,756,494	1,756,494	972,708	783,786
Legal Services	138,987	138,987	143,735	(4,748)
Commissioner of Revenue	271,948	271,948	269,254	2,694
Independent Auditor	46,030	46,030	46,000	30
Treasurer	225,393	225,393	217,225	8,168
Assessor	125,625	125,625	117,364	8,261
Total General and Financial Administration	<u>2,564,477</u>	<u>2,564,477</u>	<u>1,766,286</u>	<u>798,191</u>
Board of Elections:				
Electoral Board and Officials	42,773	42,773	36,489	6,284
Registrar	130,652	130,652	126,631	4,021
Total Board of Elections	<u>173,425</u>	<u>173,425</u>	<u>163,120</u>	<u>10,305</u>
Total General Government Administration	2,737,902	2,737,902	2,318,867	419,035
Judicial Administration:				
Courts:				
Circuit Court	14,823	14,823	14,384	439
General District Court	1,879	1,879	561	1,318
Sheriff	101,880	101,880	97,020	4,860
Juvenile and Domestic Relations Court	25,676	25,676	18,174	7,502
Office of the Youth	5,397	5,397	5,397	-
Clerk of the Circuit Court	299,650	299,650	277,496	22,154
Total Courts	<u>449,305</u>	<u>449,305</u>	<u>413,032</u>	<u>36,273</u>
Commonwealth's Attorney:				
Commonwealth's Attorney	333,207	333,207	306,880	26,327
Total Judicial Administration	<u>782,512</u>	<u>782,512</u>	<u>719,912</u>	<u>62,600</u>
Public Safety:				
Law Enforcement and Traffic Control:				
Sheriff	1,169,670	1,169,670	1,028,086	141,584
Fire and Rescue Services:				
Fire Department	211,964	211,964	211,964	-
Ambulance and Rescue Services	1,419,966	1,419,966	1,298,520	121,446
Forestry Service	8,204	8,204	7,913	291
Total Fire and Rescue Services	<u>1,640,134</u>	<u>1,640,134</u>	<u>1,518,397</u>	<u>121,737</u>
Correction and Detention:				
Sheriff	1,465,076	1,465,076	1,217,565	247,511

COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

SCHEDULE 2

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Inspections:				
Building	\$ 280,499	\$ 280,499	\$ 275,077	\$ 5,422
Other Protection:				
Animal Control	185,785	185,785	175,795	9,990
Medical Examiner	250	250	120	130
Total Other Protection	<u>186,035</u>	<u>186,035</u>	<u>175,915</u>	<u>10,120</u>
Total Public Safety	\$ 4,741,414	\$ 4,741,414	\$ 4,215,040	\$ 526,374
Public Works:				
Sanitation and Waste Removal:				
Refuse Disposal	797,359	797,359	791,643	5,716
Maintenance of General Buildings and Grounds:				
General Properties	640,049	640,049	610,566	29,483
Communication	179,465	179,465	173,950	5,515
Technology	357,764	357,764	333,747	24,017
Total Maintenance of General Buildings and Grounds	<u>1,177,278</u>	<u>1,177,278</u>	<u>1,118,263</u>	<u>59,015</u>
Total Public Works	1,974,637	1,974,637	1,909,906	64,731
Health and Welfare:				
Health:				
Supplement of Local Health Department	133,000	133,000	133,000	-
Mental Health and Mental Retardation:				
Community Services Board	41,357	41,357	41,357	-
Welfare:				
Public Assistance and Welfare Administration	1,453,626	1,453,626	1,813,020	(359,394)
Bay Transit	-	-	-	-
Children's Services Act	1,200,000	1,200,000	1,093,078	106,922
Housing Choice Voucher Program	-	-	-	-
Bay Aging	117,408	117,408	208,890	(91,482)
Rivah Rides	-	-	-	-
Tax Relief for the Elderly	-	-	-	-
Total Welfare	<u>2,771,034</u>	<u>2,771,034</u>	<u>3,114,988</u>	<u>(343,954)</u>
Total Health and Welfare	2,945,391	2,945,391	3,289,345	(343,954)
Education:				
Other Instructional Costs:				
Contributions to Rappahannock Community College	8,160	8,160	8,326	(166)
Contribution to County School Board	8,037,253	8,037,253	6,830,473	1,206,780
Total Education	<u>8,045,413</u>	<u>8,045,413</u>	<u>6,838,799</u>	<u>1,206,614</u>

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 2

<u>Fund, Function, Activity, and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
General Fund: (Continued)				
Parks, Recreation, and Cultural:				
Parks and Recreation:				
Parks, Recreation and Summer Programs	\$ 184,442	\$ 184,442	\$ 172,597	\$ 11,845
Swimming Pool	55,878	55,878	37,119	18,759
Total Parks and Recreation	<u>240,320</u>	<u>240,320</u>	<u>209,716</u>	<u>30,604</u>
Cultural Enrichment:				
Museum	23,000	23,000	23,000	-
Library:				
Contribution to County Library	204,750	204,750	200,059	4,691
Total Parks, Recreation, and Cultural	<u>468,070</u>	<u>468,070</u>	<u>432,775</u>	<u>35,295</u>
Community Development:				
Planning and Community Development:				
Middle Peninsula Planning District Commission	23,201	23,201	23,201	-
Economic Development	26,000	26,000	55,163	(29,163)
Total Planning and Community Development	<u>49,201</u>	<u>49,201</u>	<u>78,364</u>	<u>(29,163)</u>
Environmental Management:				
Contribution to Soil and Water Conservation District	11,025	11,025	11,025	-
Litter Control Program	-	-	-	-
Other Environmental Management	-	-	-	-
Total Environmental Management	<u>11,025</u>	<u>11,025</u>	<u>11,025</u>	<u>-</u>
Cooperative Extension Program:				
VPI Cooperative Extension	42,103	42,103	31,251	10,852
Total Community Development	<u>102,329</u>	<u>102,329</u>	<u>120,640</u>	<u>(18,311)</u>
Capital Projects:				
Motor Vehicles and Equipment	127,400	127,400	114,955	12,445
Total Capital Projects	<u>127,400</u>	<u>127,400</u>	<u>114,955</u>	<u>12,445</u>
Total General Fund	<u>21,925,068</u>	<u>21,925,068</u>	<u>19,960,239</u>	<u>1,964,829</u>
Special Revenue Fund:				
Public Safety:				
Animal Control	5,990	5,990	5,990	-
FEMA Grant Home Elevation Project	56,750	56,750	53,293	3,457
Other Protection:				
Sheriff	6,030	6,030	5,046	984
Total Public Safety	<u>62,780</u>	<u>62,780</u>	<u>64,329</u>	<u>(1,549)</u>
Total County Special Revenue Fund	<u>62,780</u>	<u>62,780</u>	<u>64,329</u>	<u>(1,549)</u>

**COUNTY OF ESSEX, VIRGINIA
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SCHEDULE 2

<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>
Debt Service Fund:				
Debt Service:				
Principal Retirement and Interest Charges	\$ 4,079,712	\$ 4,079,712	\$ 4,064,257	\$ 15,455
Total Debt Service Fund	<u>4,079,712</u>	<u>4,079,712</u>	<u>4,064,257</u>	<u>15,455</u>
Capital Projects Fund:				
Capital Projects:				
Capital Projects	1,071,274	1,071,274	1,017,576	53,698
Total Capital Projects	<u>1,071,274</u>	<u>1,071,274</u>	<u>1,017,576</u>	<u>53,698</u>
Total Capital Projects Fund	<u>1,071,274</u>	<u>1,071,274</u>	<u>1,017,576</u>	<u>53,698</u>
Total Primary Government	27,138,834	27,138,834	25,106,401	2,032,433
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, Health, and Attendance	992,103	992,103	1,100,361	(108,258)
Instruction Costs	11,650,721	11,650,721	11,825,326	(174,605)
Technology	931,869	931,869	897,130	34,739
Pupil Transportation	1,565,360	1,565,360	1,414,102	151,258
Operation and Maintenance of School Plant	1,343,871	1,343,871	1,352,011	(8,140)
Total Education	<u>16,483,924</u>	<u>16,483,924</u>	<u>16,588,930</u>	<u>(105,006)</u>
Total School Operating Fund	16,483,924	16,483,924	16,588,930	(105,006)
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School Food Services:				
Administration of School Food Program	908,560	908,560	704,977	203,583
Commodities	-	-	50,850	(50,850)
Total School Food Services	<u>908,560</u>	<u>908,560</u>	<u>755,827</u>	<u>152,733</u>
Total Education	<u>908,560</u>	<u>908,560</u>	<u>755,827</u>	<u>152,733</u>
Total School Cafeteria Fund	<u>908,560</u>	<u>908,560</u>	<u>755,827</u>	<u>152,733</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,392,484</u>	<u>\$ 17,392,484</u>	<u>\$ 17,344,757</u>	<u>\$ 47,727</u>

OTHER STATISTICAL INFORMATION

**COUNTY OF ESSEX, VIRGINIA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**

TABLE 1

Fiscal Year	General Government Administration				Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
	General Government Administration	Judicial Administration	Public Safety	Public Works								
2009-10	\$ 1,566,816	\$ 774,468	\$ 3,740,261	\$ 1,272,981	\$ 2,567,021	\$ 6,138,655	\$ 452,127	\$ 84,723	\$ 916,097	\$ 17,513,149		
2010-11	1,867,378	804,345	4,066,458	1,261,620	2,491,948	6,480,939	453,444	60,121	935,322	18,421,575		
2011-12	1,706,609	681,831	4,064,725	1,331,201	2,189,764	6,723,619	415,389	86,752	1,500,339	18,700,229		
2012-13	1,601,134	706,845	4,263,572	1,456,944	2,157,151	6,694,654	402,704	76,721	1,274,412	18,634,137		
2013-14	1,277,471	656,005	3,966,673	1,617,463	2,149,596	7,095,834	398,171	161,570	1,501,151	18,823,934		
2014-15	1,381,868	538,448	3,890,756	1,626,640	1,884,957	9,636,662	454,226	215,500	1,476,080	21,105,137		
2015-16	1,623,756	726,774	4,443,293	1,672,349	2,451,160	8,616,832	713,163	208,534	1,515,344	21,971,205		
2016-17	1,805,722	797,726	4,290,214	1,964,911	3,192,335	9,163,741	443,243	148,955	1,341,160	23,148,007		
2017-18	1,374,670	729,510	4,790,280	2,047,155	3,684,513	10,563,428	421,659	171,572	1,265,502	25,048,289		
2018-19	1,700,740	759,707	4,667,740	1,958,366	3,120,601	10,157,043	369,727	159,016	1,197,968	24,090,908		
2019-20	2,807,973	743,556	4,535,912	2,031,809	3,490,526	7,359,643	522,444	129,892	1,147,488	22,769,243		

**COUNTY OF ESSEX, VIRGINIA
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS**

TABLE 2

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	
2009-10	\$ 207,305	\$ 2,854,011	\$ -	\$ -	\$ 10,726,095	\$ 2,136,779	\$ 39,235	\$ 85,746	\$ 1,453,937	\$ 17,503,108
2010-11	191,355	2,852,656	-	-	11,453,029	2,036,898	79,070	35,390	1,438,018	18,086,416
2011-12	434,701	2,692,852	-	-	12,293,636	2,129,390	101,251	30,441	1,438,719	19,120,990
2012-13	387,129	3,173,575	-	-	12,865,179	2,064,024	62,865	76,908	1,492,519	20,122,199
2013-14	486,365	2,994,419	-	-	13,459,968	1,892,560	53,199	88,612	1,505,664	20,480,787
2014-15	549,536	3,118,922	-	-	14,462,007	2,242,497	48,115	328,068	1,532,152	22,281,297
2015-16	563,077	3,439,628	-	-	15,939,496	2,494,704	182,385	212,975	1,512,974	24,345,239
2016-17	601,400	4,190,196	-	-	14,994,625	2,398,930	216,596	139,423	1,533,034	24,074,204
2017-18	618,146	4,191,259	-	-	15,725,803	2,386,084	107,124	147,899	1,762,773	24,939,088
2018-19	506,442	4,142,188	232,104	-	15,366,996	2,453,877	162,419	126,613	1,520,036	24,510,675
2019-20	536,449	4,385,515	-	-	15,488,417	2,626,777	122,163	159,443	1,489,684	24,808,448

**COUNTY OF ESSEX, VIRGINIA
GOVERNMENT EXPENDITURES BY FUNCTION (1, 3)
LAST TEN FISCAL YEARS**

TABLE 3

Fiscal Year	General Government Administration										Total
	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Debt Service	
2010-11	\$ 1,836,494	\$ 696,193	\$ 3,721,774	\$ 1,211,682	\$ 2,542,294	\$ 16,171,436	\$ 443,490	\$ 63,246	\$ 1,894,696	\$ 28,581,305	
2011-12	1,676,226	661,423	3,660,306	1,280,425	2,159,172	16,514,738	391,855	89,252	9,311,473	35,744,870	
2012-13	1,661,413	640,070	4,237,084	1,372,443	2,126,837	16,094,245	433,515	78,596	2,986,389	29,630,592	
2013-14	1,386,537	624,493	3,955,020	1,695,600	2,158,657	16,149,300	409,144	164,070	3,580,296	30,123,117	
2014-15	1,400,155	635,031	4,122,850	1,586,688	1,916,587	17,196,877	464,733	286,126	3,553,194	31,162,241	
2015-16	1,675,663	681,613	4,342,391	1,678,337	2,460,777	17,590,465	786,195	252,030	10,107,390	39,574,861	
2016-17	1,626,900	736,236	4,005,719	1,925,317	3,156,629	17,690,252	450,070	185,454	3,680,884	33,457,461	
2017-18	1,479,502	685,145	4,273,909	1,997,505	3,728,865	18,462,025	420,288	176,833	4,289,748	35,513,820	
2018-19	1,657,963	740,596	4,278,635	1,946,801	3,165,399	17,932,501	395,655	173,437	4,175,437	34,466,424	
2019-20	2,318,867	719,912	4,226,076	1,909,906	3,289,345	6,838,799	486,068	120,640	4,064,257	28,988,362	

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

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

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

**COUNTY OF ESSEX, VIRGINIA
GOVERNMENT REVENUES BY SOURCE (1, 3)
LAST TEN FISCAL YEARS**

TABLE 4

Fiscal Year	Revenue from the										Inter-governmental (2)	Total
	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs				
2010-11	\$ 11,396,506	\$ 2,036,898	\$ 53,796	\$ 19,104	\$ 89,158	\$ 316,073	\$ 76,163	\$ 164,932	\$ 14,321,871	\$ 28,474,501		
2011-12	12,035,208	2,129,390	55,316	11,198	80,357	565,775	54,251	135,576	14,388,805	29,455,876		
2012-13	13,091,774	2,064,024	53,129	723	42,053	516,577	76,088	203,528	14,763,185	30,811,081		
2013-14	13,492,136	1,892,560	47,868	49,737	48,985	527,304	119,050	126,842	14,279,539	30,584,021		
2014-15	14,375,886	2,242,497	55,722	121,180	58,143	492,624	351,564	179,327	14,950,044	32,826,987		
2015-16	15,795,828	2,494,704	48,111	56,372	62,881	580,497	216,252	156,843	14,901,063	34,312,551		
2016-17	15,046,123	2,398,930	118,351	55,931	230,213	564,340	327,194	71,741	15,522,042	34,334,865		
2017-18	15,517,236	2,386,084	104,197	43,980	119,298	607,999	346,250	33,366	15,805,943	34,964,353		
2018-19	15,383,586	2,453,877	66,695	30,096	155,409	508,063	290,676	34,935	15,745,031	34,668,368		
2019-20	15,488,417	2,626,777	81,150	23,620	122,163	796,496	330,398	33,405	16,187,176	35,689,602		

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

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

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

**COUNTY OF ESSEX, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

TABLE 5

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
2010-11	\$ 12,214,013	\$ 11,771,430	96.38%	\$ 370,258	\$ 12,141,688	99.41%	\$ 1,350,599	11.06%
2011-12	13,667,004	12,518,036	91.59%	271,965	12,790,001	93.58%	1,542,285	11.28%
2012-13	13,825,984	13,144,229	95.07%	699,836	13,844,065	100.13%	1,480,509	10.71%
2013-14	14,450,761	13,795,011	95.46%	426,979	14,221,990	98.42%	1,394,233	9.65%
2014-15	15,266,583	14,439,033	94.58%	645,104	15,084,137	98.80%	1,470,710	9.63%
2015-16	15,337,344	14,669,612	95.65%	738,882	15,408,494	100.46%	1,780,183	11.61%
2016-17	15,596,041	15,036,269	96.41%	730,160	15,766,429	101.09%	1,751,140	11.23%
2017-18	15,643,806	15,369,346	98.25%	836,998	16,206,344	103.60%	1,839,453	11.76%
2018-19	16,195,420	15,572,704	96.15%	567,313	16,140,017	99.66%	1,963,085	12.12%
2019-20	15,704,996	15,083,438	96.04%	548,641	15,632,079	99.54%	1,665,267	10.60%

(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.

**COUNTY OF ESSEX, VIRGINIA
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

TABLE 6

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	
2010-11	\$ 1,492,473,385	\$ 85,051,484	\$ 1,633,681	\$ 1,759,440	\$ 39,121,599	\$ 81,257	\$ 1,620,120,846
2011-12	1,505,791,681	88,167,722	1,689,475	1,815,583	37,440,722	83,997	1,634,989,180
2012-13	1,250,196,928	88,542,338	1,664,900	2,057,170	40,960,386	91,137	1,383,512,859
2013-14	1,253,447,626	96,842,771	1,071,575	2,091,590	42,005,340	113,855	1,395,572,757
2014-15	1,258,320,412	97,286,467	1,087,150	2,221,244	43,138,410	101,500	1,402,155,183
2015-16	1,256,583,672	101,433,884	1,013,750	2,270,908	44,267,085	80,990	1,405,650,289
2016-17	1,274,938,875	101,152,496	3,883,438	2,183,823	45,895,897	70,375	1,428,124,904
2017-18	1,291,963,471	99,148,455	6,844,838	2,193,033	44,837,288	56,941	1,445,044,026
2018-19	1,296,806,253	136,456,770	6,946,938	2,373,535	45,538,476	30,348	1,488,152,320
2019-20	1,302,914,819	142,008,510	7,742,088	2,701,373	44,766,212	5,951	1,500,138,952

(1) Real estate and personal property are assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

**COUNTY OF ESSEX, VIRGINIA
PROPERTY TAX RATES (1)
LAST TEN FISCAL YEARS**

TABLE 7

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Merchant's Capital	Machinery and Tools
2010-11	\$ 0.605	\$ 0.61	\$ 3.50	\$ 3.75	\$ 3.50
2011-12	0.695	0.605	3.50	3.75	3.50
2012-13	0.695/.84	0.695	3.50	3.75	3.50
2013-14	0.84/.86	0.84	3.50	3.75	3.50
2014-15	0.86/.88	0.86	3.75	3.75	3.75
2015-16	0.88	0.88	3.75	3.75	3.75
2016-17	0.88	0.88	4.00	3.75	3.75/1.20
2017-18	0.88	0.88	4.00	3.75	1.20
2018-19	0.88	0.88	4.00	3.75	1.20
2019-20	0.86	0.86	4.00	3.75	1.20

(1) Per \$100 of assessed value.

**COUNTY OF ESSEX, VIRGINIA
RATIO OF NET BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

TABLE 8

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
2010-11	11,151	\$ 1,620,120,846	\$ 16,269,670	\$ 16,269,670	1.00%	\$ 1,459
2011-12	11,151	1,634,989,180	34,711,478	34,711,478	2.12%	3,113
2012-13	11,151	1,383,512,859	33,523,059	33,523,059	2.42%	3,006
2013-14	11,151	1,395,572,757	31,840,877	31,840,877	2.28%	2,855
2014-15	11,151	1,402,155,183	30,122,734	30,122,734	2.15%	2,701
2015-16	11,151	1,405,650,289	32,202,425	32,202,425	2.29%	2,888
2016-17	11,151	1,428,124,904	30,122,729	30,122,729	2.11%	2,701
2017-18	11,151	1,445,044,026	27,344,418	27,344,418	1.89%	2,452
2018-19	11,151	1,488,152,320	24,523,251	24,523,251	1.65%	2,199
2019-20	11,151	1,500,138,952	21,742,971	21,742,971	1.45%	1,950

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

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

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