

# COUNTY OF SUSSEX, VIRGINIA



## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017



COUNTY OF SUSSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR  
ENDED JUNE 30, 2017

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# COUNTY OF SUSSEX, VIRGINIA

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## Board of Supervisors

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Susan B. Seward, Chairperson  
Keith C. Blowe, Vice Chairperson  
John A. Stringfield

Alfred G. Futrell  
C. Eric Fly, Sr.  
Rufus E. Tyler

## Department of Social Services

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Norfleet Givens, Chairperson  
Cynthia Pegram-Wyche, Vice Chairperson  
Mae K. Mason  
Lou Savedge

Gayle Bain  
Alfred G. Futrell  
Evelyn P. Giles

## County School Board

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Marvin Morris, Jr., Chairperson  
Gloria S. Holloman, Vice Chairperson  
Doris C. Hamlin

Laurie S. Latham  
Linda J. Skipper  
Terry A. Massenburg

## Other Officials

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County Administrator ..... Vandy V. Jones, III  
Director of Social Services ..... Patrick S. Plourdé  
Superintendent of Schools ..... Dr. Arthur Jarrett, Jr.  
Treasurer ..... Onnie L. Woodruff  
Commissioner of the Revenue ..... Ellen G. Boone  
Commonwealth's Attorney ..... Lyndia Person-Ramsey  
Sheriff ..... Earnest L. Giles, Sr.  
Clerk of the Circuit Court ..... Gary M. Williams  
Judge of the Circuit Court ..... W. Allan Sharrett  
Judge of the General District Court ..... Stephen D. Bloom  
Judge of the Juvenile and Domestic Relations Court ..... Carson E. Saunders

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COUNTY OF SUSSEX, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

---

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10
<b><u>Basic Financial Statements:</u></b>	
<b>Government-wide Financial Statements:</b>	
Exhibit 1    Statement of Net Position	11
Exhibit 2    Statement of Activities	12
<b>Fund Financial Statements:</b>	
Exhibit 3    Balance Sheet–Governmental Funds	13
Exhibit 4    Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Exhibit 5    Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	15
Exhibit 6    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Exhibit 7    Statement of Fiduciary Net Position – Fiduciary Funds	17
Exhibit 8    Statement of Changes in Fiduciary Net Position - Fiduciary Funds	18
Notes to Financial Statements	19-73

COUNTY OF SUSSEX, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

---

	<u>Page</u>
<b><u>Required Supplementary Information:</u></b>	
Exhibit 9 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–General Fund	74
Exhibit 10 Schedule of OPEB Funding Progress - Retiree Healthcare Plan	75
Exhibit 11 Schedule of Changes in Net Pension Liability and Related Ratios–Primary Government	76
Exhibit 12 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios–Component Unit School Board (nonprofessional)	77
Exhibit 13 Schedule of Employer’s Share of Net Pension Liability VRS Teacher Retirement Plan	78
Exhibit 14 Schedule of Employer Contributions	79
Exhibit 15 Notes to Required Supplementary Information	80
<b><u>Other Supplementary Information:</u></b>	
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
Exhibit 16 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–County Capital Projects Fund	81
Exhibit 17 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–Nonmajor Special Revenue Fund	82
Exhibit 18 Combining Statement of Fiduciary Net Position - Fiduciary Funds	83
Exhibit 19 Combining Statement of Changes in Assets and Liabilities-Agency Funds	84
<b>Discretely Presented Component Unit School Board:</b>	
Exhibit 20 Combining Balance Sheet–Governmental Funds	85
Exhibit 21 Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	86
Exhibit 22 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–School Operating Fund	87
Exhibit 23 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–Nonmajor Special Revenue Fund	88

COUNTY OF SUSSEX, VIRGINIA  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

---

	<u>Page</u>
<b>Supporting Schedules:</b>	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds	89-94
Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds	95-99
<b><u>Statistical Information:</u></b>	
Table 1 Government-Wide Expenses by Function–Last Ten Fiscal Years	100
Table 2 Government-Wide Revenues–Last Ten Fiscal Years	101
Table 3 General Governmental Expenditures by Function–Last Ten Fiscal Years	102
Table 4 General Governmental Revenues by Source–Last Ten Fiscal Years	103
Table 5 Property Tax Levies and Collections–Last Ten Fiscal Years	104
Table 6 Assessed Value of Taxable Property–Last Ten Fiscal Years	105
Table 7 Property Tax Rates–Last Ten Fiscal Years	106
Table 8 Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita–Last Ten Fiscal Years	107
<b><u>Compliance:</u></b>	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	108-109
Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	110-111
Schedule of Expenditures of Federal Awards	112-113
Notes to Schedule of Expenditures of Federal Awards	114
Schedule of Findings and Questioned Costs	115
Summary Schedule of Prior Audit Findings	116

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *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 on pages 4-10, 74, and 75-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

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

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

The 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.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, on our consideration of County of Sussex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Sussex, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
November 1, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Sussex, 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, 2017. Please read it in conjunction with the County's basic financial statements, which follow this section.

### **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 \$38,879,069 (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 of \$54,661 (Exhibit 5) after making contributions totaling \$7,452,522 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,288,947, a decrease of \$54,661 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,911,732, or 25% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,027,297 during the current fiscal year.

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## 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 required and 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/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

The Government-wide financial statements include not only the County of Sussex, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Sussex, 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 Sussex, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

## **Overview of the Financial Statements (Continued)**

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

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for the general fund's budgetary comparison schedule and schedules of pension and OPEB funding progress. Other supplementary information includes budgetary comparison schedules for other funds, combining statements for agency funds, and combining financial statements for the discretely presented component unit - School Board. The School Board does not issue separate financial statements.

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## 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 \$38,879,069 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

### County of Sussex, Virginia's Net Position

	Governmental Activities	
	2017	2016
Current and other assets	\$ 11,393,993	\$ 11,879,597
Restricted assets	1,970,570	1,757,978
Capital assets	46,189,530	46,736,710
Total assets	\$ 59,554,093	\$ 60,374,285
Deferred outflows of resources	\$ 1,082,095	\$ 662,422
Current liabilities	\$ 739,836	\$ 1,044,913
Long-term liabilities outstanding	20,616,722	21,644,019
Total liabilities	\$ 21,356,558	\$ 22,688,932
Deferred inflows of resources	\$ 400,561	\$ 608,387
Net investment in capital assets	\$ 30,527,051	\$ 29,627,330
Restricted for debt service bond covenants	1,970,570	1,757,978
Unrestricted	6,381,448	6,354,080
Total net position	\$ 38,879,069	\$ 37,739,388

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**Government-wide Financial Analysis (Continued)**

The County's net position increased by \$1,139,681 during the current fiscal year. The following table summarizes the County's Statement of Activities:

<u>County of Sussex, Virginia's Changes in Net Position</u>			
	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	
Charges for services	\$ 6,396,100	\$ 5,681,358	
Operating grants and contributions	4,235,151	4,544,316	
Capital grants and contributions	373,572	349,739	
General property taxes	9,312,679	9,099,418	
Other local taxes	1,316,588	1,288,235	
Grants and other contributions not restricted	1,499,351	1,561,134	
Other general revenues	<u>306,947</u>	<u>460,550</u>	
Total revenues	<u>\$ 23,440,388</u>	<u>\$ 22,984,750</u>	
General government administration	\$ 1,737,275	\$ 1,726,683	
Judicial administration	1,227,671	1,260,283	
Public safety	5,724,666	5,421,684	
Public works	888,813	604,641	
Health and welfare	2,689,103	2,725,050	
Education	8,803,468	9,298,007	
Parks, recreation, and cultural	192,008	205,265	
Community development	618,068	497,810	
Interest and other fiscal charges	<u>419,635</u>	<u>475,246</u>	
Total expenses	<u>\$ 22,300,707</u>	<u>\$ 22,214,669</u>	
Change in net position	\$ 1,139,681	\$ 770,081	
Net position, beginning of year	<u>37,739,388</u>	<u>36,969,307</u>	
Net position, end of year	<u><u>\$ 38,879,069</u></u>	<u><u>\$ 37,739,388</u></u>	

## **Financial Analysis of the County's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$12,288,947, a decrease of \$54,661 in comparison with the prior year. Approximately 44% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$6,236,818. \$1,970,570 of this was restricted for debt, while \$4,266,248 was committed to current or future capital projects.

## **General Fund Budgetary Highlights**

During the year, budgetary estimates exceeded revenues and other financing sources by \$526,503. Budgetary estimates exceeded expenditures and other financing uses by \$2,333,232. The combination of the two resulted in a positive variance of \$1,806,729.

## **Capital Asset and Debt Administration**

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2017 amounts to \$46,189,530 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

**Long-term debt** - At the end of the current fiscal year, the County had total debt outstanding of \$15,144,248, all of which is debt backed by the full faith and credit of the County.

The County's total debt decreased by \$1,311,397 during the current fiscal year.

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

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## **Economic Factors and Next Year's Budgets and Rates**

< Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the County's budget for the 2018 fiscal year.

The fiscal year 2018 General Fund budget increased by approximately 2.4 percent. All property tax rates remained the same.

## **Requests for Information**

This financial report is designed to provide a general overview of the County of Sussex, 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, P.O. Box 1397, Sussex, Virginia 23884.

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*BASIC FINANCIAL STATEMENTS*

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*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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County of Sussex, Virginia  
Statement of Net Position  
June 30, 2017

	Primary Government	Component Unit
	Governmental <u>Activities</u>	<u>School Board</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,064,214	\$ 2,118,351
Receivables (net of allowance for uncollectibles):		
Taxes receivable	626,467	-
Accounts receivable	698,792	465
Due from other governmental units	2,004,520	606,351
Prepaid items	-	125,726
Restricted assets:		
Bond sinking funds	1,970,570	-
Capital assets (net of accumulated depreciation):		
Land	10,530,331	111,018
Buildings and improvements	19,993,327	17,671,950
Machinery and equipment	1,525,252	786,255
Construction in progress	14,140,620	-
Total assets	<u>\$ 59,554,093</u>	<u>\$ 21,420,116</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions subsequent to measurement date	\$ 426,326	\$ 1,205,890
Items related to measurement of net pension liability/asset	655,769	1,166,369
Total deferred outflows of resources	<u>\$ 1,082,095</u>	<u>\$ 2,372,259</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 504,990	\$ 86,909
Accrued liabilities	-	1,264,260
Accrued interest payable	234,846	-
Due to other governmental units	-	1,192,153
Long-term liabilities:		
Due within one year	1,351,862	146,590
Due in more than one year	19,264,860	15,809,525
Total liabilities	<u>\$ 21,356,558</u>	<u>\$ 18,499,437</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - property taxes	\$ 44,363	\$ -
Items related to measurement of net pension liability/asset	356,198	1,227,737
Total deferred inflows of resources	<u>\$ 400,561</u>	<u>\$ 1,227,737</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 30,527,051	\$ 18,569,223
Restricted for:		
Debt service and bond covenants	1,970,570	-
Unrestricted (deficit)	6,381,448	(14,504,022)
Total net position	<u>\$ 38,879,069</u>	<u>\$ 4,065,201</u>

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

County of Sussex, Virginia  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit School Board
<b>PRIMARY GOVERNMENT:</b>						
Governmental activities:						
General government administration	\$ 1,737,275	\$ -	\$ 197,032	\$ -	\$ (1,540,243)	\$ -
Judicial administration	1,227,671	1,148,631	479,801	-	400,761	-
Public safety	5,724,666	248,601	1,635,526	-	(3,840,539)	-
Public works	888,813	4,974,752	2,670	-	4,088,609	-
Health and welfare	2,689,103	-	1,877,927	-	(811,176)	-
Education	8,803,468	-	-	-	(8,803,468)	-
Parks, recreation, and cultural	192,008	-	5,000	-	(187,008)	-
Community development	618,068	24,116	37,195	373,572	(183,185)	-
Interest on long-term debt	419,635	-	-	-	(419,635)	-
Total governmental activities	\$ 22,300,707	\$ 6,396,100	\$ 4,235,151	\$ 373,572	\$ (11,295,884)	\$ -
Total primary government	\$ 22,300,707	\$ 6,396,100	\$ 4,235,151	\$ 373,572	\$ (11,295,884)	\$ -
<b>COMPONENT UNIT:</b>						
School Board	\$ 19,015,798	\$ 156,865	\$ 10,230,626	\$ -	\$ -	\$ (8,628,307)
Total component unit	\$ 19,015,798	\$ 156,865	\$ 10,230,626	\$ -	\$ -	\$ (8,628,307)
General revenues:						
General property taxes					\$ 9,312,679	\$ -
Local sales tax					868,292	-
Motor vehicle licenses					220,325	-
Other local taxes					227,971	-
Unrestricted revenues from use of money and property					156,837	1,110
Miscellaneous					150,110	452,130
Grants and contributions not restricted to specific programs					1,499,351	-
Payment from Sussex County					-	8,867,172
Total general revenues					\$ 12,435,565	\$ 9,320,412
Change in net position					\$ 1,139,681	\$ 692,105
Net position - beginning					37,739,388	3,373,096
Net position - ending					\$ 38,879,069	\$ 4,065,201

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

*FUND FINANCIAL STATEMENTS*

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County of Sussex, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,505,117	\$ 4,511,167	\$ 47,930	\$ 8,064,214
Receivables (net of allowance for uncollectibles):				
Taxes receivable	626,467	-	-	626,467
Accounts receivable	698,682	-	110	698,792
Due from other governmental units	2,004,520	-	-	2,004,520
Restricted assets:				
Bond sinking funds	-	1,970,570	-	1,970,570
Total assets	<u>\$ 6,834,786</u>	<u>\$ 6,481,737</u>	<u>\$ 48,040</u>	<u>\$ 13,364,563</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 260,071	\$ 244,919	\$ -	\$ 504,990
Total liabilities	<u>\$ 260,071</u>	<u>\$ 244,919</u>	<u>\$ -</u>	<u>\$ 504,990</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	\$ 570,626	\$ -	\$ -	\$ 570,626
Total deferred inflows of resources	<u>\$ 570,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 570,626</u>
<b>Fund balances:</b>				
Restricted	\$ -	\$ 1,970,570	\$ -	\$ 1,970,570
Committed	92,357	4,266,248	48,040	4,406,645
Unassigned	5,911,732	-	-	5,911,732
Total fund balances	<u>\$ 6,004,089</u>	<u>\$ 6,236,818</u>	<u>\$ 48,040</u>	<u>\$ 12,288,947</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,834,786</u>	<u>\$ 6,481,737</u>	<u>\$ 48,040</u>	<u>\$ 13,364,563</u>

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

County of Sussex, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2017

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 12,288,947
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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	\$ 61,667,100	
Accumulated depreciation	<u>(15,477,570)</u>	46,189,530

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

Unavailable revenue - property taxes	\$ 526,263	
Deferred inflows related to measurement of net pension liability	<u>(356,198)</u>	170,065

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	426,326
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Compensated absences	\$ (404,648)	
Net OPEB obligation	(227,700)	
Landfill postclosure costs	(2,746,586)	
Net pension liability	(1,575,309)	
Deferred outflows related to measurement of net pension liability	655,769	
Literary fund loans	(7,102,820)	
General obligation bonds	(4,750,000)	
Bond premium	(518,231)	
QZAB bonds	(3,291,428)	
Accrued interest payable	<u>(234,846)</u>	(20,195,799)

Net position of governmental activities	<u><u>\$ 38,879,069</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Sussex, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 9,257,445	\$ -	\$ -	\$ 9,257,445
Other local taxes	1,316,588	-	-	1,316,588
Permits, privilege fees, and regulatory licenses	83,095	-	-	83,095
Fines and forfeitures	1,113,847	-	-	1,113,847
Revenue from the use of money and property	100,397	56,417	23	156,837
Charges for services	5,198,231	-	927	5,199,158
Miscellaneous	150,110	-	-	150,110
Recovered costs	207,470	-	-	207,470
Intergovernmental:				
Commonwealth	4,575,921	373,572	12,179	4,961,672
Federal	1,146,402	-	-	1,146,402
Total revenues	<u>\$ 23,149,506</u>	<u>\$ 429,989</u>	<u>\$ 13,129</u>	<u>\$ 23,592,624</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,739,744	\$ -	\$ -	\$ 1,739,744
Judicial administration	1,153,653	-	611	1,154,264
Public safety	5,545,255	-	4,042	5,549,297
Public works	781,823	-	-	781,823
Health and welfare	2,664,504	-	-	2,664,504
Education	7,457,522	-	-	7,457,522
Parks, recreation, and cultural	186,310	-	-	186,310
Community development	708,609	-	-	708,609
Capital projects	-	1,511,323	-	1,511,323
Debt service:				
Principal retirement	1,311,397	100,955	-	1,412,352
Interest and other fiscal charges	477,499	4,038	-	481,537
Total expenditures	<u>\$ 22,026,316</u>	<u>\$ 1,616,316</u>	<u>\$ 4,653</u>	<u>\$ 23,647,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,123,190</u>	<u>\$ (1,186,327)</u>	<u>\$ 8,476</u>	<u>\$ (54,661)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 1,165,019	\$ -	\$ 1,165,019
Transfers out	(1,165,019)	-	-	(1,165,019)
Total other financing sources (uses)	<u>\$ (1,165,019)</u>	<u>\$ 1,165,019</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (41,829)	\$ (21,308)	\$ 8,476	\$ (54,661)
Fund balances - beginning	6,045,918	6,258,126	39,564	12,343,608
Fund balances - ending	<u>\$ 6,004,089</u>	<u>\$ 6,236,818</u>	<u>\$ 48,040</u>	<u>\$ 12,288,947</u>

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

County of Sussex, Virginia  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds \$ (54,661)

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

Capital outlays	\$ 1,360,721	
Jointly owned asset allocation	(810,447)	
Depreciation expense	<u>(1,097,454)</u>	(547,180)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 55,234	
Decrease (increase) in deferred inflows related to measurement of net pension liability	<u>211,965</u>	267,199

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. The following is a summary of items supporting this adjustment:

Principal retirement on state literary fund loans	\$ 711,397	
Principal retirement on general obligation bonds	600,000	
Principal retirement on capital leases	100,955	
Decrease in landfill postclosure liability	<u>47,112</u>	1,459,464

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.

Amortization of bond premium	\$ 34,549	
(Increase) decrease in compensated absences	110,315	
(Increase) decrease in net OPEB obligation	(30,200)	
(Increase) decrease in net pension liability	(546,831)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(111,588)	
Increase (decrease) in deferred outflows related to measurement of net pension liability	531,261	
(Increase) decrease in accrued interest payable	<u>27,353</u>	14,859

Change in net position of governmental activities \$ 1,139,681

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

County of Sussex, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017

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	Private-Purpose <u>Trusts</u>	Agency <u>Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 175,645	\$ 12,941
Total assets	\$ 175,645	\$ 12,941
<b>LIABILITIES</b>		
Amounts held for social services clients	\$ -	\$ 1,564
Amounts held for others	-	2,835
Amounts held for inmates	-	8,542
Total liabilities	\$ -	\$ 12,941
<b>NET POSITION</b>		
Amounts held in trust for scholarships	\$ 175,645	\$ -
Total net position	\$ 175,645	\$ -
Total liabilities and net position	\$ 175,645	\$ 12,941

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

County of Sussex, Virginia  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2017

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	Private Purpose Trusts <u>Funds</u>
<b>ADDITIONS</b>	
Investment earnings (losses)	\$ 1,273
Private donations	15,750
Total additions	\$ 17,023
 <b>DEDUCTIONS</b>	
Scholarships	\$ 5,800
Total deductions	\$ 5,800
Change in net position	11,223
Net position - beginning	\$ 164,422
Net position - ending	\$ 175,645

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017

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*Note 1—Summary of Significant Accounting Policies:*

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

**A. Financial Reporting Entity**

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

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

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**B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2017.

*Discretely Presented Component Units.* The School Board members are elected by the citizens of Sussex 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 primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017.

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

None

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the following as 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 transactions and 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 services, 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.

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

The County reports the following nonmajor governmental funds:

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County Special Revenue Fund includes the operations of the law library and the drug forfeiture activity.

2. Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and Private Purpose Trust 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 Special Welfare, Sheriff Information, Jail Inmate and Canteen Funds. Private Purpose Trust Funds include Robert Mitchell Scholarship, Rotary Scholarship, Richard Clements Moore III Scholarship and Millard Stith Family Scholarship.

E. Cash and Cash Equivalents

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

F. Investments

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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

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F. Investments (Continued)

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$87,293 at June 30, 2017 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	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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H. Capital Assets

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	40
Building improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10

I. 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.

J. Compensated Absences

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

K. Use of Estimates

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

L. Net Position

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

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

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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. Pensions

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

O. Long-term Obligations

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

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

P. Deferred Outflows/Inflows of Resources

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

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

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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, and amounts prepaid on the next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability (asset) are reported as deferred inflows of resources. These include the differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

Q. Fund Equity

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

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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

**Q. Fund Equity (Continued)**

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).

In the general fund, the County strives to maintain a committed fund balance to be used for Indoor Plumbing activity and CDBG funds.

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

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balances:				
Restricted:				
Bond sinking funds	\$ -	\$ 1,970,570	\$ -	\$ 1,970,570
Total Restricted Fund Balance	<u>\$ -</u>	<u>\$ 1,970,570</u>	<u>\$ -</u>	<u>\$ 1,970,570</u>
Committed:				
Indoor Plumbing	\$ 35,490	\$ -	\$ -	\$ 35,490
CDBG	56,867	-	-	56,867
Capital Improvements	-	4,266,248	-	4,266,248
Forfeited asset	-	-	20,249	20,249
Law library	-	-	27,791	27,791
Total Committed Fund Balance	<u>\$ 92,357</u>	<u>\$ 4,266,248</u>	<u>\$ 48,040</u>	<u>\$ 4,406,645</u>
Unassigned	\$ 5,911,732	\$ -	\$ -	\$ 5,911,732
Total Fund Balances	<u><u>\$ 6,004,089</u></u>	<u><u>\$ 6,236,818</u></u>	<u><u>\$ 48,040</u></u>	<u><u>\$ 12,288,947</u></u>

## COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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### *Note 2—Stewardship, Compliance, and Accounting:*

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

1. On or before March 30<sup>th</sup>, 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.
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 department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

### *Note 3—Deposits and Investments:*

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#### Deposits

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

#### Investments

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 3—Deposits and Investments: (Continued)*

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Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 2,091,302
Money Market Mutual Fund	1,970,570
Total	<u>\$ 4,061,872</u>

External Investment Pool

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

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 4—Due to/from Other Governments:*

At June 30, 2017, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Sussex County School Board	\$ 1,192,153	\$ -
Commonwealth of Virginia:		
Local sales tax	151,464	-
Welfare	41,897	-
Rolling stock tax	80,516	-
State Sales Tax	-	246,585
Constitutional officer reimbursements	187,150	-
Recordation tax	2,344	-
Mobile home titling tax	5,987	-
Communications tax	27,198	-
E-911 wireless	14,252	-
Fire programs	28,599	-
Comprehensive services	170,771	-
Emergency medical services	9,377	-
Federal Government:		
School fund grants	-	359,766
DHCD grant	16,311	-
Welfare	76,501	-
Total due from other governments	\$ <u>2,004,520</u>	\$ <u>606,351</u>

At June 30, 2017, amounts due to other local governments are as follows:

Other Local Governments:		
County of Sussex	\$ <u>-</u>	\$ <u>1,192,153</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Primary Government:

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017
<b>Governmental activities:</b>				
<b>Capital assets not subject to depreciation:</b>				
Land	\$ 10,530,331	\$ -	\$ -	\$ 10,530,331
Construction in progress	13,379,738	760,882	-	14,140,620
Total capital assets not subject to depreciation	<u>\$ 23,910,069</u>	<u>\$ 760,882</u>	<u>\$ -</u>	<u>\$ 24,670,951</u>
<b>Capital assets subject to depreciation:</b>				
Buildings and improvements	\$ 8,217,938	\$ 100,604	\$ -	\$ 8,318,542
Machinery and equipment	6,844,739	499,235	80,682	7,263,292
Jointly owned assets	22,485,756	-	1,071,441	21,414,315
Total capital assets being depreciated	<u>\$ 37,548,433</u>	<u>\$ 599,839</u>	<u>\$ 1,152,123</u>	<u>\$ 36,996,149</u>
<b>Accumulated depreciation:</b>				
Buildings and improvements	\$ 3,766,626	\$ 221,068	\$ -	\$ 3,987,694
Machinery and equipment	5,477,835	340,887	80,682	5,738,040
Jointly owned assets	5,477,331	535,499	260,994	5,751,836
Total accumulated depreciation	<u>\$ 14,721,792</u>	<u>\$ 1,097,454</u>	<u>\$ 341,676</u>	<u>\$ 15,477,570</u>
Total capital assets being depreciated, net	<u>\$ 22,826,641</u>	<u>\$ (497,615)</u>	<u>\$ 810,447</u>	<u>\$ 21,518,579</u>
Governmental activities capital assets, net	<u>\$ 46,736,710</u>	<u>\$ 263,267</u>	<u>\$ 810,447</u>	<u>\$ 46,189,530</u>
<b>Component Unit - School Board:</b>				
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Governmental activities:</b>				
<b>Capital assets not subject to depreciation:</b>				
Land	\$ 111,018	\$ -	\$ -	\$ 111,018
Total capital assets not subject to depreciation	<u>\$ 111,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,018</u>
<b>Capital assets subject to depreciation:</b>				
Machinery and equipment	\$ 3,985,527	\$ 427,711	\$ 76,000	\$ 4,337,238
Jointly owned assets	23,090,295	-	(1,071,441)	24,161,736
Total capital assets being depreciated	<u>\$ 27,075,822</u>	<u>\$ 427,711</u>	<u>\$ (995,441)</u>	<u>\$ 28,498,974</u>
<b>Accumulated depreciation:</b>				
Machinery and equipment	\$ 3,557,539	\$ 69,444	\$ 76,000	\$ 3,550,983
Jointly owned assets	5,624,589	604,203	(260,994)	6,489,786
Total accumulated depreciation	<u>\$ 9,182,128</u>	<u>\$ 673,647</u>	<u>\$ (184,994)</u>	<u>\$ 10,040,769</u>
Total capital assets being depreciated, net	<u>\$ 17,893,694</u>	<u>\$ (245,936)</u>	<u>\$ (810,447)</u>	<u>\$ 18,458,205</u>
Governmental activities capital assets, net	<u>\$ 18,004,712</u>	<u>\$ (245,936)</u>	<u>\$ (810,447)</u>	<u>\$ 18,569,223</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 5—Capital Assets: (Continued)*

Depreciation expense was charged to functions/programs as follows:

Primray Government:	
Governmental activities:	
General government administration	\$ 54,843
Judicial administration	124,029
Public safety	327,285
Public works	10,615
Health and welfare	39,485
Education	535,499
Parks, recreation and cultural	<u>5,698</u>
Total Governmental activities	<u>\$ 1,097,454</u>
Component Unit School Board	<u>\$ 673,647</u>

*Note 6—Interfund Transfers:*

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 1,165,019
County Capital Projects	<u>1,165,019</u>	<u>-</u>
Total	<u>\$ 1,165,019</u>	<u>\$ 1,165,019</u>
Component Unit- School Board:		
School Operating	\$ -	\$ 82,430
School Special Revenue	<u>82,430</u>	<u>-</u>
Total	<u>\$ 82,430</u>	<u>\$ 82,430</u>

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 514,963	\$ 51,496	\$ 161,811	\$ 404,648	\$ 40,465
Capital leases	100,955	-	100,955	-	-
Landfill postclosure costs	2,793,698		47,112	2,746,586	-
Net pension liability	1,028,478	2,237,761	1,690,930	1,575,309	-
Net OPEB obligation	197,500	40,600	10,400	227,700	-
Total incurred by County	<u>\$ 4,635,594</u>	<u>\$ 2,329,857</u>	<u>\$ 2,011,208</u>	<u>\$ 4,954,243</u>	<u>\$ 40,465</u>
Incurred by School Board:					
Literary Fund Loans	\$ 7,814,217	\$ -	\$ 711,397	\$ 7,102,820	\$ 711,397
General obligation bonds	5,350,000	-	600,000	4,750,000	600,000
Bond premium	552,780	-	34,549	518,231	-
QZAB Bonds	3,291,428	-	-	3,291,428	-
Total incurred by School Board	<u>\$ 17,008,425</u>	<u>\$ -</u>	<u>\$ 1,345,946</u>	<u>\$ 15,662,479</u>	<u>\$ 1,311,397</u>
Total Governmental Activities Obligations	<u>\$ 21,644,019</u>	<u>\$ 2,329,857</u>	<u>\$ 3,357,154</u>	<u>\$ 20,616,722</u>	<u>\$ 1,351,862</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

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

Year Ending June 30	Incurred by School Board					
	General Obligation Bonds		OZAB Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 600,000	\$ 211,488	\$ -	\$ -	\$ 711,397	\$ 213,085
2019	600,000	180,772	-	-	711,397	191,743
2020	600,000	149,823	-	-	711,397	170,401
2021	230,000	128,543	1,077,000	-	711,397	149,059
2022	230,000	116,928	-	-	711,397	127,717
2023	230,000	105,313	2,214,428	-	711,397	106,375
2024	230,000	93,698	-	-	711,397	85,033
2025	230,000	82,083	-	-	711,397	63,691
2026	225,000	70,594	-	-	711,400	42,349
2027	225,000	61,481	-	-	350,127	21,007
2028	225,000	53,494	-	-	350,117	10,504
2029	225,000	43,256	-	-	-	-
2030	225,000	34,144	-	-	-	-
2031	225,000	25,594	-	-	-	-
2032	225,000	15,357	-	-	-	-
2033	225,000	5,119	-	-	-	-
Total	<u>\$ 4,750,000</u>	<u>\$ 1,377,687</u>	<u>\$ 3,291,428</u>	<u>\$ -</u>	<u>\$ 7,102,820</u>	<u>\$ 1,180,964</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 7—Long-Term Obligations: (Continued)*

Primary Government: (Continued)

Details of long-term obligations:

General Obligations:

Incurred by County:

Landfill postclosure costs	\$	<u>2,746,586</u>
Net OPEB obligation	\$	<u>227,700</u>
Net Pension Liability	\$	<u>1,575,309</u>
Compensated absences (payable from the General Fund)	\$	<u>404,648</u>
Total incurred by County	\$	<u><u>4,954,243</u></u>

Incurred by School Board:

QZAB Bonds:

\$1,077,000 QZAB bond issued December 23, 2005, due in one lump sum payment at December 23, 2020, interest rate at 0%.	\$	1,077,000
\$2,214,428 QZAB bond issued November 17, 2006, due in one lump sum payment at November 17, 2022, interest rate at 0%.		<u>2,214,428</u>
Total QZAB Bonds	\$	<u>3,291,428</u>

General Obligation Bonds:

\$7,430,000 VPSA bond issued April 26, 1999 in annual installments of \$370,000, interest payable semi-annually at coupon rates of 4.100% to 5.225% through July 15, 2019.	\$	1,110,000
\$4,560,000 VPSA bond issued May 10, 2017 due in annual installments of \$230,000, interest payable semi-annually at coupon rates of 2.55% to 5.05% through July 15, 2032.		<u>3,640,000</u>
Total General Obligation Bonds	\$	<u>4,750,000</u>
Bond Premium	\$	<u>518,231</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations: (Continued)

General Obligations: (Continued)

Incurred by School Board: (Continued)

Literary Fund Loans:

\$7,225,403 Literary loan issued October 1, 2005, due in annual installments of \$361,270 through October 1, 2025, interest at 3%.	\$	3,251,433
\$7,002,530 Literary loan issued January 1, 2017, due in annual installments of \$350,127 through January 1, 2028, interest at 3%.		<u>3,851,387</u>
Total Literary Fund Loans	\$	<u>7,102,820</u>
Total incurred by School Board	\$	<u>15,662,479</u>
Total General Obligations, Primary Government	\$	<u><u>20,616,722</u></u>

Discretely Presented Component Unit-School Board:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2017:

	Restated Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amounts Due Within One Year
Component Unit-School Board:					
VRS early retirement liability	\$ 722,499	\$ -	\$ 67,925	\$ 654,574	\$ 73,360
Net OPEB obligation	242,500	155,100	91,000	306,600	-
Net pension liability	12,416,481	4,342,760	2,496,595	14,262,646	-
Compensated absences	<u>788,316</u>	<u>22,811</u>	<u>78,832</u>	<u>732,295</u>	<u>73,230</u>
Total Component Unit-School Board	<u>\$ 14,227,315</u>	<u>\$ 4,520,671</u>	<u>\$ 2,734,352</u>	<u>\$ 15,956,115</u>	<u>\$ 146,590</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 7—Long-Term Obligations: (Continued)*

Discretely Presented Component Unit-School Board: (Continued)

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

Year Ending June 30	VRS Early Retirement Liability	
	Principal	Interest
2018	\$ 73,360	\$ 52,366
2019	79,228	46,498
2020	85,567	40,159
2021	92,412	33,314
2022	99,805	25,921
2023	107,789	17,937
2024	116,413	9,313
Total	<u>\$ 654,574</u>	<u>\$ 225,508</u>

Details of long-term indebtedness:

General Obligations:

VRS early retirement liability, issued July 1, 1994 at 8% over 30 years	\$ 654,574
Net OPEB obligation	\$ 306,600
Net pension liability	\$ 14,262,646
Compensated absences (Payable from the School Fund)	\$ 732,295
Total General obligations, Component Unit - School Board	\$ <u>15,956,115</u>

*Note 8—Closure and Postclosure Costs:*

The County closed its two landfills and is liable for postclosure monitoring for a period of thirty years. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with Federal and State Regulations. The \$2,746,586 reported as landfill closure and postclosure liability at June 30, 2017, represents the estimated liability for postclosure monitoring, over the remaining seventeen years. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 8—Closure and Postclosure Costs: (Continued)*

The County has demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

*Note 9—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. Deferred/unavailable revenue is comprised of the following:

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$526,263 at June 30, 2017.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2017 but paid in advance by the taxpayers totaled \$44,363 at June 30, 2017.

*Note 10—Contingent Liabilities:*

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

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

The following construction contracts were outstanding at June 30, 2017:

Fund	Project	Contractor	Amount Of Contract	Contract Outstanding At June 30, 2017
County Capital Projects	Cabin Point ans Sewer Extension	Perkins Construction	\$ 360,594	\$ 191,081
County Capital Projects	Communications Tower	Technical Partners Inc.	238,110	144,335

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 11—Litigation:*

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At June 30, 2017, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

*Note 12—Risk Management:*

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The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

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*Note 13—Pension Plan:*

*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.

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

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

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members (Cont.)</b> Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2017.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> </ul>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contributions Component:</u> (Cont.)</p> <ul style="list-style-type: none"> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage (Cont.)</b> VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage (Cont.)</b> VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage (Cont.)</b> Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Employees Covered by Benefit Terms*

As of the June 30, 2015 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	69	29
Inactive members:		
Vested inactive members	14	4
Non-vested inactive members	13	10
Inactive members active elsewhere in VRS	56	14
Total inactive members	83	28
Active members	110	53
Total covered employees	262	110

*Contributions*

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 8.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$426,326 and \$534,939 for the years ended June 30, 2017 and June 30, 2016, respectively.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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*Contributions (Continued)*

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 4.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$42,010 and \$75,486 for the years ended June 30, 2017 and June 30, 2016, respectively.

*Net Pension Liability (Asset)*

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

*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, 2015, 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, 2016.

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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*Actuarial Assumptions - General Employees (Continued)*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

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

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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*Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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*Actuarial Assumptions - Public Safety Employees (Continued)*

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Long-Term Expected Rate of Return*

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

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Discount Rate*

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

*Changes in Net Pension Liability*

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 23,197,762	\$ 22,169,284	\$ 1,028,478
Changes for the year:			
Service cost	\$ 627,879	\$ -	\$ 627,879
Interest	1,596,021	-	1,596,021
Differences between expected and actual experience	(508,419)	-	(508,419)
Contributions - employer	-	534,939	(534,939)
Contributions - employee	-	254,475	(254,475)
Net investment income	-	393,097	(393,097)
Benefit payments, including refunds of employee contributions	(794,935)	(794,935)	-
Administrative expenses	-	(13,696)	13,696
Other changes	-	(165)	165
Net changes	\$ 920,546	\$ 373,715	\$ 546,831
Balances at June 30, 2016	\$ 24,118,308	\$ 22,542,999	\$ 1,575,309

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

*Changes in Net Pension Liability (Asset)*

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	\$ 3,340,360	\$ 3,397,879	\$ (57,519)
Changes for the year:			
Service cost	\$ 107,869	\$ -	\$ 107,869
Interest	225,719	-	225,719
Differences between expected and actual experience	(59,657)	-	(59,657)
Contributions - employer	-	75,486	(75,486)
Contributions - employee	-	47,846	(47,846)
Net investment income	-	56,606	(56,606)
Benefit payments, including refunds of employee contributions	(231,619)	(231,619)	-
Administrative expenses	-	(2,147)	2,147
Other changes	-	(25)	25
Net changes	\$ 42,312	\$ (53,853)	\$ 96,165
Balances at June 30, 2016	\$ 3,382,672	\$ 3,344,026	\$ 38,646

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 4,530,878	\$ 1,575,309	\$ (894,277)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 436,248	\$ 38,646	\$ (296,167)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

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

For the year ended June 30, 2017, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$338,544 and \$24,176, respectively. At June 30, 2017, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,505	\$ 356,198	\$ -	\$ 49,737
Net difference between projected and actual earnings on pension plan investments	581,264	-	90,369	-
Employer contributions subsequent to the measurement date	426,326	-	42,010	-
Total	<u>\$ 1,082,095</u>	<u>\$ 356,198</u>	<u>\$ 132,379</u>	<u>\$ 49,737</u>

\$426,326 and \$42,010 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 of (increase to) the Net Pension Liability (Asset) in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2018	\$ (93,570)	\$ (29,752)
2019	(119,070)	(16,175)
2020	280,596	51,083
2021	231,615	35,476
2022	-	-
Thereafter	-	-

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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Component Unit School Board (professional)

*Plan Description*

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

*Contributions*

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

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$1,163,880 and \$1,208,321 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability \$14,224,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.10150% as compared to 0.09911% at June 30, 2015.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense \$1,048,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 461,000
Net difference between projected and actual earnings on pension plan investments	813,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	263,000	717,000
Employer contributions subsequent to the measurement date	<u>1,163,880</u>	<u>-</u>
Total	<u>\$ 2,239,880</u>	<u>\$ 1,178,000</u>

\$1,163,880 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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>	
2018	\$ (271,000)
2019	(271,000)
2020	225,000
2021	221,000
2022	(6,000)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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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, 2015, 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, 2016.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 13—Pension Plan: (Continued)*

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Component Unit School Board (professional) (Continued)

*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, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	44,182,326
Plan Fiduciary Net Position		<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>14,014,115</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		  68.28%

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.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

Component Unit School Board (professional) (Continued)

*Long-Term Expected Rate of Return*

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

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 13—Pension Plan: (Continued)*

Component Unit School Board (professional) (Continued)

*Discount Rate*

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

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

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

Rate		
1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)

School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 20,277,000	\$	14,224,000	\$	9,238,000
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*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

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*Note 14—Surety Bonds:*

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	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gary M. Williams, Clerk of the Circuit Court	\$ 210,000
Onnie L. Woodruff, Treasurer	400,000
Ellen G. Boone, Commissioner of the Revenue	20,000
Earnest L. Giles, Sheriff	30,000
Continental Insurance Company-Surety:	
Dr. Arthur Jarrett, Jr., Superintendent of Schools and Clerk of the Board	10,000
All County, Social Service and School Board Employees	100,000

*Note 15—Jointly Governed Organizations:*

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District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the cities of Colonial Heights, Emporia, Hopewell, and Petersburg, and the Counties of Sussex, Greensville, Surry, and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Sussex County contributed \$64,499 to the District 19 Community Services Board for the fiscal year ended June 30, 2017.

*Note 16—Other Postemployment Benefits - Health Insurance:*

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A. Plan Description

The County and School Board allow retirees to remain on their health insurance plan after they retire. All forms of coverage cease upon the first month after the death of the employee. The spouses of County retirees may remain on the plan as well and coverage ceases upon the death of retiree. The School Board retirees coverage ceases upon the earlier of death or the attainment of medicare eligibility. The coverage of spouses of School Board retirees ceases upon the earlier of the eighteenth month after the death of the retiree or medicare eligibility.

B. Funding Policy

The County and School Board allow retirees and their spouses to continue to participate in the County's medical plans with the retiree paying 100% of the premium. The contribution requirements of plan members are established and may be amended by the County and School Board. The School Board currently has 14 retirees on their plan. The County has 4 retirees on its plan.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 16—Other Postemployment Benefits - Health Insurance:*

**C. Annual OPEB Cost and Net OPEB Obligation**

The County and School Board’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

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

	<u>COUNTY</u>	<u>SCHOOL BOARD</u>
Annual required contribution	\$ 45,900	\$ 161,600
Interest on net OPEB obligation	7,900	9,700
Adjustment to annual required contribution	(13,200)	(16,200)
Annual OPEB cost (expense)	<u>\$ 40,600</u>	<u>\$ 155,100</u>
Contributions made	<u>(10,400)</u>	<u>(91,000)</u>
Increase in net OPEB obligation	30,200	64,100
Net OPEB obligation-beginning of year	197,500	242,500
Net OPEB obligation-end of year	<u><u>\$ 227,700</u></u>	<u><u>\$ 306,600</u></u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 16—Other Postemployment Benefits - Health Insurance: (Continued)*

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

The County’s and School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2015	\$ 37,000	27.03%	\$ 170,500
6/30/2016	37,000	25.62%	197,500
6/30/2017	40,600	25.62%	227,700
School Board:			
6/30/2015	\$ 139,000	82.01%	\$ 181,500
6/30/2016	141,000	58.67%	242,500
6/30/2017	155,100	58.67%	306,600

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the County’s actuarial accrued liability for benefits was \$321,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,957,513, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.85 percent.

As of July 1, 2014, the most recent actuarial valuation date, the School Board’s actuarial accrued liability for benefits was \$1,108,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,208,487, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.85 percent.

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

*Note 16—Other Postemployment Benefits - Health Insurance: (Continued)*

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**E. Actuarial Methods and Assumptions**

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

The following simplifying assumptions were made:

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

*Mortality*-Life expectancies were based on RP-2000 Fully Generational Combined funding Mortality Table for males and females with improvements using Scale AA.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 4.0% was used. In addition, the entry age normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014 was fifteen years.

*Note 17—Other Postemployment Benefits - Health Insurance Credit:*

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**A. Plan Description**

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

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

*Note 17—Other Postemployment Benefits - Health Insurance Credit: (Continued)*

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Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2017, 2016, and 2015 were \$84,943, \$91,473, and \$78,897, respectively and equaled the required contributions for each year.

*Note 18—Fair Value Measurements:*

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The County maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

(If there has been a change in valuation technique that has a significant effect on the result (e.g., changing from an expected cash flow technique or the use of an additional valuation technique), document that specific change, and the reason(s) for making it.)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2017

*Note 18—Fair Value Measurements: (Continued)*

The County has the following recurring fair value measurements as of June 30, 2017:

Investment type	Balance June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Primary Government</b>				
<b>Money market mutual fund:</b>				
QZAB bond sinking fund 2005	\$ 733,555	\$ 733,555	\$ -	\$ -
QZAB bond sinking fund 2006	1,237,015	1,237,015	-	-
	<u>\$ 1,970,570</u>	<u>\$ 1,970,570</u>	<u>\$ -</u>	<u>\$ -</u>

*Note 19—Upcoming Pronouncements:*

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

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

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

*Note 19—Upcoming Pronouncements: (Continued)*

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Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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*REQUIRED SUPPLEMENTARY INFORMATION*

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County of Sussex, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 9,656,854	\$ 9,656,854	\$ 9,257,445	\$ (399,409)
Other local taxes	1,211,425	1,211,425	1,316,588	105,163
Permits, privilege fees, and regulatory licenses	65,560	65,560	83,095	17,535
Fines and forfeitures	795,600	795,600	1,113,847	318,247
Revenue from the use of money and property	89,000	89,000	100,397	11,397
Charges for services	5,061,265	5,063,214	5,198,231	135,017
Miscellaneous	72,808	138,282	150,110	11,828
Recovered costs	348,140	348,140	207,470	(140,670)
Intergovernmental:				
Commonwealth	4,911,383	4,968,293	4,575,921	(392,372)
Federal	1,313,866	1,339,641	1,146,402	(193,239)
Total revenues	<u>\$ 23,525,901</u>	<u>\$ 23,676,009</u>	<u>\$ 23,149,506</u>	<u>\$ (526,503)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,002,806	\$ 2,112,228	\$ 1,739,744	\$ 372,484
Judicial administration	1,109,185	1,154,968	1,153,653	1,315
Public safety	5,582,707	5,659,132	5,545,255	113,877
Public works	783,122	783,122	781,823	1,299
Health and welfare	3,140,682	3,178,890	2,664,504	514,386
Education	7,964,170	8,009,440	7,457,522	551,918
Parks, recreation, and cultural	185,985	185,985	186,310	(325)
Community development	708,534	819,971	708,609	111,362
Debt service:				
Principal retirement	1,311,397	1,311,397	1,311,397	-
Interest and other fiscal charges	737,313	737,313	477,499	259,814
Total expenditures	<u>\$ 23,525,901</u>	<u>\$ 23,952,446</u>	<u>\$ 22,026,316</u>	<u>\$ 1,926,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (276,437)</u>	<u>\$ 1,123,190</u>	<u>\$ 1,399,627</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (483,000)	\$ (1,572,121)	\$ (1,165,019)	\$ 407,102
Total other financing sources (uses)	<u>\$ (483,000)</u>	<u>\$ (1,572,121)</u>	<u>\$ (1,165,019)</u>	<u>\$ 407,102</u>
Net change in fund balances	\$ (483,000)	\$ (1,848,558)	\$ (41,829)	\$ 1,806,729
Fund balances - beginning	483,000	1,848,558	6,045,918	4,197,360
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,004,089</u>	<u>\$ 6,004,089</u>

County of Sussex, Virginia  
 Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
 For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll
County:						
7/1/2010	\$ -	\$ 282,000	282,000	0.00%	2,855,746	9.87%
7/1/2012	-	224,000	224,000	0.00%	2,430,456	9.22%
7/1/2014	-	321,000	321,000	0.00%	2,957,513	10.85%
School Board:						
7/1/2010	\$ -	\$ 783,000	783,000	0.00%	7,929,254	9.87%
7/1/2012	-	978,000	978,000	0.00%	10,611,544	9.22%
7/1/2014	-	1,108,000	1,108,000	0.00%	10,208,487	10.85%

County of Sussex, Virginia  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Primary Government  
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 627,879	\$ 645,288	\$ 590,927
Interest	1,596,021	1,491,519	1,406,176
Differences between expected and actual experience	(508,419)	174,511	-
Benefit payments, including refunds of employee contributions	(794,935)	(841,948)	(713,892)
Net change in total pension liability	\$ 920,546	\$ 1,469,370	\$ 1,283,211
Total pension liability - beginning	23,197,762	21,728,392	20,445,181
Total pension liability - ending (a)	\$ 24,118,308	\$ 23,197,762	\$ 21,728,392
Plan fiduciary net position			
Contributions - employer	\$ 534,939	\$ 507,532	\$ 575,363
Contributions - employee	254,475	236,929	246,243
Net investment income	393,097	983,229	2,902,874
Benefit payments, including refunds of employee contributions	(794,935)	(841,948)	(713,892)
Administrative expense	(13,696)	(13,354)	(15,408)
Other	(165)	(206)	153
Net change in plan fiduciary net position	\$ 373,715	\$ 872,182	\$ 2,995,333
Plan fiduciary net position - beginning	22,169,284	21,297,102	18,301,769
Plan fiduciary net position - ending (b)	\$ 22,542,999	\$ 22,169,284	\$ 21,297,102
County's net pension liability - ending (a) - (b)	\$ 1,575,309	\$ 1,028,478	\$ 431,290
Plan fiduciary net position as a percentage of the total pension liability	93.47%	95.57%	98.02%
Covered payroll	\$ 5,036,650	\$ 4,764,080	\$ 4,832,947
County's net pension liability as a percentage of covered payroll	31.28%	21.59%	8.92%

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

County of Sussex, Virginia  
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 Component Unit School Board (nonprofessional)  
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 107,869	\$ 123,372	\$ 128,063
Interest	225,719	216,841	202,821
Differences between expected and actual experience	(59,657)	(32,090)	-
Benefit payments, including refunds of employee contributions	(231,619)	(130,986)	(130,207)
Net change in total pension liability	\$ 42,312	\$ 177,137	\$ 200,677
Total pension liability - beginning	3,340,360	3,163,223	2,962,546
Total pension liability - ending (a)	<u>\$ 3,382,672</u>	<u>\$ 3,340,360</u>	<u>\$ 3,163,223</u>
Plan fiduciary net position			
Contributions - employer	\$ 75,486	\$ 80,878	\$ 100,515
Contributions - employee	47,846	51,355	53,467
Net investment income	56,606	149,384	441,674
Benefit payments, including refunds of employee contributions	(231,619)	(130,986)	(130,207)
Administrative expense	(2,147)	(2,015)	(2,339)
Other	(25)	(33)	23
Net change in plan fiduciary net position	\$ (53,853)	\$ 148,583	\$ 463,133
Plan fiduciary net position - beginning	3,397,879	3,249,296	2,786,163
Plan fiduciary net position - ending (b)	<u>\$ 3,344,026</u>	<u>\$ 3,397,879</u>	<u>\$ 3,249,296</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ 38,646	\$ (57,519)	\$ (86,073)
Plan fiduciary net position as a percentage of the total pension liability	98.86%	101.72%	102.72%
Covered payroll	\$ 969,777	\$ 1,020,209	\$ 1,078,493
School Division's net pension liability (asset) as a percentage of covered payroll	3.99%	-5.64%	-7.98%

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

County of Sussex, Virginia  
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan  
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.10150%	0.09911%	0.10465%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 14,224,000	\$ 12,474,000	\$ 12,646,000
Employer's Covered Payroll	8,594,033	7,368,917	7,650,889
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	165.51%	169.28%	165.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

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

\* The amounts presented have a measurement date of the previous fiscal year end.

County of Sussex, Virginia  
 Schedule of Employer Contributions  
 For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Primary Government</b>					
2017	\$ 426,326	\$ 426,326	\$ -	\$ 4,806,381	8.87%
2016	534,939	534,939	-	5,036,650	10.62%
2015	507,532	507,532	-	4,764,080	10.65%
2014	569,321	569,321	-	4,832,947	11.78%
2013	552,091	552,091	-	4,686,680	11.78%
2012	499,215	499,215	-	4,538,320	11.00%
2011	509,999	509,999	-	4,636,352	11.00%
2010	535,752	535,752	-	4,762,240	11.25%
2009	529,787	529,787	-	4,709,222	11.25%
2008	317,501	317,501	-	4,662,281	6.81%
<b>Component Unit School Board (nonprofessional)</b>					
2017	\$ 42,010	\$ 42,010	\$ -	\$ 867,985	4.84%
2016	73,024	75,486	(2,462)	969,777	7.78%
2015	76,822	80,878	(4,056)	1,020,209	7.93%
2014	101,378	101,378	-	1,078,493	9.40%
2013	104,658	104,658	-	1,113,386	9.40%
2012	81,926	81,926	-	1,043,648	7.85%
2011	81,505	81,505	-	1,038,274	7.85%
2010	75,120	75,120	-	1,116,193	6.73%
2009	81,438	81,438	-	1,210,071	6.73%
2008	76,831	76,831	-	1,164,112	6.60%
<b>Component Unit School Board (professional)</b>					
2017	\$ 1,163,880	\$ 1,163,880	\$ -	\$ 7,652,585	15.21%
2016	1,208,321	1,208,321	-	8,594,033	14.06%
2015	1,068,493	1,068,493	-	7,368,917	14.50%
2014	892,094	892,094	-	7,650,889	11.66%
2013	911,686	911,686	-	14,402,622	6.33%
2012	486,617	486,617	-	12,382,112	3.93%
2011	276,392	276,392	-	3,137,253	8.81%
2010	713,077	713,077	-	8,093,950	8.81%
2009	726,146	726,146	-	7,049,961	10.30%
2008	838,683	838,683	-	9,116,120	9.20%

Current year contributions are from County records and prior year contributions are from the VRS actuarial valuation performed each year.

County of Sussex, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2017

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

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County of Sussex, Virginia  
 County Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 56,417	\$ 56,417
Intergovernmental:				
Commonwealth	290,000	963,518	373,572	(589,946)
Total revenues	\$ 290,000	\$ 963,518	\$ 429,989	\$ (533,529)
<b>EXPENDITURES</b>				
Capital projects	\$ 668,007	\$ 3,534,021	\$ 1,511,323	\$ 2,022,698
Debt service:				
Principal retirement	100,955	100,955	100,955	-
Interest and other fiscal charges	4,038	4,038	4,038	-
Total expenditures	\$ 773,000	\$ 3,639,014	\$ 1,616,316	\$ 2,022,698
Excess (deficiency) of revenues over (under) expenditures	\$ (483,000)	\$ (2,675,496)	\$ (1,186,327)	\$ 1,489,169
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 483,000	\$ 1,572,121	\$ 1,165,019	\$ (407,102)
Total other financing sources (uses)	\$ 483,000	\$ 1,572,121	\$ 1,165,019	\$ (407,102)
Net change in fund balances	\$ -	\$ (1,103,375)	\$ (21,308)	\$ 1,082,067
Fund balances - beginning	-	1,103,375	6,258,126	5,154,751
Fund balances - ending	\$ -	\$ -	\$ 6,236,818	\$ 6,236,818

County of Sussex, Virginia  
 Nonmajor Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2017

	County Special Revenue Fund				Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual			
	Original	Final				
<b>REVENUES</b>						
Revenue from the use of money and property	\$	-	\$	-	\$ 23	\$ 23
Charges for services		-		-	927	927
Intergovernmental:						
Commonwealth		-	12,179	12,179		-
Total revenues	\$	-	\$ 12,179	\$ 13,129	\$ 950	\$ 950
<b>EXPENDITURES</b>						
Current:						
Judicial administration	\$	-	\$	-	\$ 611	\$ (611)
Public safety		-	24,291	4,042		20,249
Total expenditures	\$	-	\$ 24,291	\$ 4,653	\$ 19,638	\$ 19,638
Excess (deficiency) of revenues over (under) expenditures	\$	-	\$ (12,112)	\$ 8,476	\$ 20,588	\$ 20,588
Net change in fund balances	\$	-	\$ (12,112)	\$ 8,476	\$ 20,588	\$ 20,588
Fund balances - beginning		-	12,112	39,564		27,452
Fund balances - ending	\$	-	\$ -	\$ 48,040	\$ 48,040	\$ 48,040

County of Sussex, Virginia  
 Combining Statement of Fiduciary Net Position  
 Fiduciary Funds  
 June 30, 2017

	Agency Funds				Private Purpose Trust Funds					
	Special Welfare	Sheriff Information	Canteen	Jail Inmate	Total	Robert Mitchell Scholarship	Rotary Scholarship	Richard Clements Moore III Scholarship	Millard Stith Family Scholarship	Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ 1,564	\$ 2,835	\$ 2,021	\$ 6,521	\$ 12,941	\$ 25,851	\$ 32,339	\$ 29,959	\$ 87,496	\$ 175,645
Total assets	\$ 1,564	\$ 2,835	\$ 2,021	\$ 6,521	\$ 12,941	\$ 25,851	\$ 32,339	\$ 29,959	\$ 87,496	\$ 175,645
<b>LIABILITIES</b>										
Amounts held for social services clients	\$ 1,564	\$ -	\$ -	\$ -	\$ 1,564	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts held for others	-	2,835	-	-	2,835	-	-	-	-	-
Amounts held for inmates	-	-	2,021	6,521	8,542	-	-	-	-	-
Total liabilities	\$ 1,564	\$ 2,835	\$ 2,021	\$ 6,521	\$ 12,941	\$ -	\$ -	\$ -	\$ -	\$ -
<b>NET POSITION</b>										
Amounts held in trust for scholarships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,851	\$ 32,339	\$ 29,959	\$ 87,496	\$ 175,645
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,851	\$ 32,339	\$ 29,959	\$ 87,496	\$ 175,645
Total liabilities and net position	\$ 1,564	\$ 2,835	\$ 2,021	\$ 6,521	\$ 12,941	\$ 25,851	\$ 32,339	\$ 29,959	\$ 87,496	\$ 175,645

County of Sussex, Virginia  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare:</b>				
Assets:				
Cash and cash equivalents	\$ 1,622	\$ 11,740	\$ 11,798	\$ 1,564
Liabilities:				
Amounts held for social services clients	\$ 1,622	\$ 11,740	\$ 11,798	\$ 1,564
<b>Sheriff Information:</b>				
Assets:				
Cash and cash equivalents	\$ 2,845	\$ 13,999	\$ 14,009	\$ 2,835
Liabilities:				
Amounts held for others	\$ 2,845	\$ 13,999	\$ 14,009	\$ 2,835
<b>Canteen:</b>				
Assets:				
Cash and cash equivalents	\$ 4,511	\$ 5,129	\$ 7,619	\$ 2,021
Liabilities:				
Amounts held for inmates	\$ 4,511	\$ 5,129	\$ 7,619	\$ 2,021
<b>Jail Inmate:</b>				
Assets:				
Cash and cash equivalents	\$ 4,611	\$ 58,427	\$ 56,517	\$ 6,521
Liabilities:				
Amounts held for inmates	\$ 4,611	\$ 58,427	\$ 56,517	\$ 6,521
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 13,589	\$ 89,295	\$ 89,943	\$ 12,941
Total assets	\$ 13,589	\$ 89,295	\$ 89,943	\$ 12,941
Liabilities:				
Amounts held for inmates	\$ 9,122	\$ 63,556	\$ 64,136	\$ 8,542
Amounts held for others	2,845	13,999	14,009	2,835
Amounts held for social services clients	1,622	11,740	11,798	1,564
Total liabilities	\$ 13,589	\$ 89,295	\$ 89,943	\$ 12,941

*DISCRETELY PRESENTED COMPONENT UNIT  
SCHOOL BOARD*

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County of Sussex, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2017

	<u>School Operating Fund</u>	<u>School Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,913,195	\$ 205,156	\$ 2,118,351
Receivables (net of allowance for uncollectibles):			
Accounts receivable	465	-	465
Due from other governmental units	567,883	38,468	606,351
Prepaid items	125,726	-	125,726
Total assets	\$ 2,607,269	\$ 243,624	\$ 2,850,893
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 68,800	\$ 18,109	\$ 86,909
Accrued liabilities	1,220,590	43,670	1,264,260
Due to other governmental units	1,192,153	-	1,192,153
Total liabilities	\$ 2,481,543	\$ 61,779	\$ 2,543,322
Fund balances:			
Nonspendable	\$ 125,726	\$ -	\$ 125,726
Committed:			
School cafeteria fund	-	14,232	14,232
School textbook fund	-	167,613	167,613
Total fund balances	\$ 125,726	\$ 181,845	\$ 307,571
Total liabilities and fund balances	\$ 2,607,269	\$ 243,624	\$ 2,850,893
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total fund balances per above			\$ 307,571
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		\$ 28,609,992	
Accumulated depreciation		(10,040,769)	18,569,223
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred inflows related to measurement of net pension liability			(1,227,737)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			1,205,890
Long-term liabilities, including compensated absences, 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:			
VRS early retirement liability		\$ (654,574)	
Net OPEB obligation		(306,600)	
Net pension liability		(14,262,646)	
Deferred outflows related to measurement of net pension liability		1,166,369	
Compensated absences		(732,295)	(14,789,746)
Net position of governmental activities			\$ 4,065,201

County of Sussex, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2017

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 1,098	\$ 12	\$ 1,110
Charges for services	-	156,865	156,865
Miscellaneous	452,130	-	452,130
Intergovernmental:			
Local government	7,414,308	38,214	7,452,522
Commonwealth	8,150,127	91,069	8,241,196
Federal	1,276,912	712,518	1,989,430
Total revenues	<u>\$ 17,294,575</u>	<u>\$ 998,678</u>	<u>\$ 18,293,253</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 17,168,849	\$ 934,682	\$ 18,103,531
Debt service:			
Principal retirement	67,925	-	67,925
Interest and other fiscal charges	57,801	-	57,801
Total expenditures	<u>\$ 17,294,575</u>	<u>\$ 934,682</u>	<u>\$ 18,229,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 63,996</u>	<u>\$ 63,996</u>
Net change in fund balances	\$ -	\$ 63,996	\$ 63,996
Fund balances - beginning	125,726	117,849	243,575
Fund balances - ending	<u>\$ 125,726</u>	<u>\$ 181,845</u>	<u>\$ 307,571</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 63,996

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.

Jointly owned asset allocation	\$	810,447	
Capital outlays		427,711	
Depreciation expense		<u>(673,647)</u>	564,511

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

(Increase) decrease in deferred inflows related to measurement of net pension liability/asset 762,106

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

VRS early retirement liability - principal payment 67,925

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.

(Increase) decrease in compensated absences	\$	56,021	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date		(78,558)	
(Increase) decrease in net pension liability/asset		(1,846,165)	
Increase (decrease) in deferred outflows related to measurement of net pension liability		1,166,369	
(Increase) decrease in net OPEB obligation		<u>(64,100)</u>	(766,433)

Change in net position of governmental activities \$ 692,105

County of Sussex, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2017

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 1,098	\$ 98
Miscellaneous	85,500	364,418	452,130	87,712
Intergovernmental:				
Local government	7,920,956	7,966,226	7,414,308	(551,918)
Commonwealth	8,013,537	8,013,537	8,150,127	136,590
Federal	1,284,645	1,284,645	1,276,912	(7,733)
Total revenues	<u>\$ 17,305,638</u>	<u>\$ 17,629,826</u>	<u>\$ 17,294,575</u>	<u>\$ (335,251)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 17,179,912	\$ 17,504,100	\$ 17,168,849	\$ 335,251
Debt service:				
Principal retirement	67,925	67,925	67,925	-
Interest and other fiscal charges	57,801	57,801	57,801	-
Total expenditures	<u>\$ 17,305,638</u>	<u>\$ 17,629,826</u>	<u>\$ 17,294,575</u>	<u>\$ 335,251</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	125,726	125,726
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,726</u>	<u>\$ 125,726</u>

County of Sussex, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2017

	School Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 12	\$ 12
Charges for services	305,475	305,475	156,865	(148,610)
Intergovernmental:				
Local government	38,214	38,214	38,214	-
Commonwealth	83,201	83,201	91,069	7,868
Federal	605,000	649,522	712,518	62,996
Total revenues	<u>\$ 1,031,890</u>	<u>\$ 1,076,412</u>	<u>\$ 998,678</u>	<u>\$ (77,734)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 1,031,890	\$ 1,076,412	\$ 934,682	\$ 141,730
Total expenditures	<u>\$ 1,031,890</u>	<u>\$ 1,076,412</u>	<u>\$ 934,682</u>	<u>\$ 141,730</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 63,996	\$ 63,996
Net change in fund balances	\$ -	\$ -	\$ 63,996	\$ 63,996
Fund balances - beginning	-	-	117,849	117,849
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,845</u>	<u>\$ 181,845</u>

*SUPPORTING SCHEDULES*

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County of Sussex, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,015,926	\$ 5,015,926	\$ 4,858,314	\$ (157,612)
Real and personal public service corporation taxes	689,852	689,852	721,445	31,593
Personal property taxes	2,320,318	2,320,318	2,349,048	28,730
Mobile home taxes	21,481	21,481	21,056	(425)
Machinery and tools taxes	1,280,777	1,280,777	1,076,338	(204,439)
Merchants capital taxes	120,000	120,000	73,197	(46,803)
Penalties	93,500	93,500	87,819	(5,681)
Interest	115,000	115,000	70,228	(44,772)
Total general property taxes	<u>\$ 9,656,854</u>	<u>\$ 9,656,854</u>	<u>\$ 9,257,445</u>	<u>\$ (399,409)</u>
Other local taxes:				
Local sales and use taxes	\$ 791,242	\$ 791,242	\$ 868,292	\$ 77,050
Consumers' utility taxes	95,000	95,000	87,579	(7,421)
Consumption tax	39,000	39,000	31,545	(7,455)
Business license taxes	40,630	40,630	40,752	122
Motor vehicle licenses	190,053	190,053	220,325	30,272
Bank stock taxes	3,500	3,500	4,414	914
Transient occupancy taxes	52,000	52,000	63,681	11,681
Total other local taxes	<u>\$ 1,211,425</u>	<u>\$ 1,211,425</u>	<u>\$ 1,316,588</u>	<u>\$ 105,163</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 7,116	\$ (884)
Transfer fees	350	350	363	13
Permits and other licenses	57,210	57,210	75,616	18,406
Total permits, privilege fees, and regulatory licenses	<u>\$ 65,560</u>	<u>\$ 65,560</u>	<u>\$ 83,095</u>	<u>\$ 17,535</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 795,600	\$ 795,600	\$ 1,113,847	\$ 318,247
Total fines and forfeitures	<u>\$ 795,600</u>	<u>\$ 795,600</u>	<u>\$ 1,113,847</u>	<u>\$ 318,247</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 13,000	\$ 13,000	\$ 22,163	\$ 9,163
Revenue from use of property	76,000	76,000	78,234	2,234
Total revenue from use of money and property	<u>\$ 89,000</u>	<u>\$ 89,000</u>	<u>\$ 100,397</u>	<u>\$ 11,397</u>
Charges for services:				
Sheriff fees	\$ 665	\$ 665	\$ 665	\$ -
Charges for court costs	5,550	5,550	2,949	(2,601)
Charges for Commonwealth's Attorney	1,650	1,650	1,928	278
Courthouse security fees	160,000	160,000	154,648	(5,352)
Charges for courthouse maintenance fees	35,000	35,000	28,980	(6,020)
Charges for correction and detention	3,800	3,800	5,870	2,070
Charges for other protection	1,600	3,549	4,323	774
Charges for sanitation and waste removal:				
Tipping fees	4,600,000	4,600,000	4,746,266	146,266
Quality control fees	225,000	225,000	225,000	-

County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for community development	\$ 25,000	\$ 25,000	\$ 24,116	\$ (884)
Other charges for services	3,000	3,000	3,486	486
Total charges for services	\$ 5,061,265	\$ 5,063,214	\$ 5,198,231	\$ 135,017
Miscellaneous:				
Miscellaneous	\$ 72,808	\$ 138,282	\$ 150,110	\$ 11,828
Recovered costs:				
Wakefield sheriff patrol	\$ 68,000	\$ 68,000	\$ 62,676	\$ (5,324)
Jurors	6,000	6,000	5,611	(389)
Jail clean up	19,500	19,500	19,843	343
Clerk of the circuit court	1,000	1,000	927	(73)
Indoor plumbing	-	-	2,653	2,653
CDBG housing loan payments	-	-	3,774	3,774
VHDA	83,202	83,202	83,460	258
Trash collections - school board	50,000	50,000	26,862	(23,138)
Other recovered costs	120,438	120,438	1,664	(118,774)
Total recovered costs	\$ 348,140	\$ 348,140	\$ 207,470	\$ (140,670)
Total revenue from local sources	\$ 17,300,652	\$ 17,368,075	\$ 17,427,183	\$ 59,108
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 92,180	\$ 92,180	\$ 83,924	\$ (8,256)
Mobile home titling tax	18,000	18,000	21,690	3,690
Taxes on deeds	65,000	65,000	64,927	(73)
Payment in lieu of taxes-prison	25,000	25,000	53,979	28,979
State recordation tax	16,473	16,473	16,246	(227)
Personal property tax relief funds	1,106,617	1,106,617	1,093,152	(13,465)
Communication taxes	180,000	180,000	165,433	(14,567)
Total noncategorical aid	\$ 1,503,270	\$ 1,503,270	\$ 1,499,351	\$ (3,919)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 243,094	\$ 243,094	\$ 240,584	\$ (2,510)
Sheriff	1,317,850	1,319,260	1,292,689	(26,571)
Commissioner of revenue	75,502	75,502	74,508	(994)
Treasurer	86,858	86,858	85,327	(1,531)
Registrar/electoral board	38,000	38,000	37,029	(971)
Clerk of circuit court	191,909	203,909	207,532	3,623
Local jails	100,000	100,000	102,980	2,980
Total shared expenses	\$ 2,053,213	\$ 2,066,623	\$ 2,040,649	\$ (25,974)

County of Sussex, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 467,535	\$ 467,535	\$ 473,351	\$ 5,816
Fire programs fund	25,363	25,363	28,599	3,236
Litter control	-	-	2,670	2,670
Comprehensive services act	551,942	551,942	368,636	(183,306)
Emergency medical services	9,900	9,900	9,377	(523)
Wireless funds	100,000	100,000	83,816	(16,184)
Art grant	5,000	5,000	5,000	-
Victim-witness grant	56,000	56,000	19,506	(36,494)
Animal friendly plates	160	160	168	8
Timber sale	75,000	75,000	-	(75,000)
PSAP grant	-	-	1,919	1,919
School resource officer	64,000	64,000	32,595	(31,405)
Criminal justice grant	-	13,500	-	(13,500)
Other state grants	-	30,000	10,284	(19,716)
Total other categorical aid	<u>\$ 1,354,900</u>	<u>\$ 1,398,400</u>	<u>\$ 1,035,921</u>	<u>\$ (362,479)</u>
 Total categorical aid	 <u>\$ 3,408,113</u>	 <u>\$ 3,465,023</u>	 <u>\$ 3,076,570</u>	 <u>\$ (388,453)</u>
 Total revenue from the Commonwealth	 <u>\$ 4,911,383</u>	 <u>\$ 4,968,293</u>	 <u>\$ 4,575,921</u>	 <u>\$ (392,372)</u>
 Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	1,313,866	1,313,866	\$ 1,035,940	\$ (277,926)
Victim-witness grant	-	-	58,519	58,519
Highway safety grant	-	25,775	14,748	(11,027)
DHCD grant	-	-	37,195	37,195
Total categorical aid	<u>\$ 1,313,866</u>	<u>\$ 1,339,641</u>	<u>\$ 1,146,402</u>	<u>\$ (193,239)</u>
 Total revenue from the federal government	 <u>\$ 1,313,866</u>	 <u>\$ 1,339,641</u>	 <u>\$ 1,146,402</u>	 <u>\$ (193,239)</u>
 Total General Fund	 <u>\$ 23,525,901</u>	 <u>\$ 23,676,009</u>	 <u>\$ 23,149,506</u>	 <u>\$ (526,503)</u>
 Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 23	\$ 23
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 23</u>
 Charges for services:				
Law library fees	\$ -	\$ -	\$ 927	\$ 927
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 927</u>	<u>\$ 927</u>
 Total revenue from local sources	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 950</u>	 <u>\$ 950</u>

County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 12,179	\$ 12,179	\$ -
Total revenue from the Commonwealth	\$ -	\$ 12,179	\$ 12,179	\$ -
Total County Special Revenue Fund	\$ -	\$ 12,179	\$ 13,129	\$ 950
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 56,417	\$ 56,417
Total revenue from local sources	\$ -	\$ -	\$ 56,417	\$ 56,417
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grants	\$ 290,000	\$ 963,518	\$ 373,572	\$ (589,946)
Total revenue from the Commonwealth	\$ 290,000	\$ 963,518	\$ 373,572	\$ (589,946)
Total County Capital Projects Fund	\$ 290,000	\$ 963,518	\$ 429,989	\$ (533,529)
Total Primary Government	\$ 23,815,901	\$ 24,651,706	\$ 23,592,624	\$ (1,059,082)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,000	\$ 1,000	\$ 1,098	\$ 98
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 1,098	\$ 98
Miscellaneous:				
Miscellaneous	\$ 85,500	\$ 364,418	\$ 452,130	\$ 87,712
Total miscellaneous	\$ 85,500	\$ 364,418	\$ 452,130	\$ 87,712
Total revenue from local sources	\$ 86,500	\$ 365,418	\$ 453,228	\$ 87,810

County of Sussex, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 7,920,956	\$ 7,966,226	\$ 7,414,308	\$ (551,918)
Total revenues from local governments	\$ 7,920,956	\$ 7,966,226	\$ 7,414,308	\$ (551,918)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,423,917	\$ 1,423,917	\$ 1,380,112	\$ (43,805)
Basic school aid	3,413,402	3,413,402	3,697,017	283,615
Remedial summer education	82,957	82,957	61,401	(21,556)
Regular foster care	22,933	22,933	15,904	(7,029)
Gifted and talented	31,943	31,943	33,826	1,883
Remedial education	245,114	245,114	259,561	14,447
Special education	548,900	548,900	581,252	32,352
GED funding	7,859	7,859	8,418	559
Vocational education	165,374	165,374	171,200	5,826
School fringes	686,451	686,451	728,290	41,839
Mentor teacher program	452	452	632	180
Early reading intervention	23,414	23,414	27,672	4,258
English as a second language	7,164	7,164	8,432	1,268
Special education - foster children	-	-	51,493	51,493
At risk payments	448,423	448,423	438,128	(10,295)
Standards of Learning algebra readiness	24,108	24,108	28,365	4,257
Primary class size	344,015	344,015	375,901	31,886
Educational technology	168,000	168,000	103,540	(64,460)
Homebound	10,249	10,249	10,621	372
Project graduation	48,012	48,012	21,824	(26,188)
Other state funds	310,850	310,850	146,538	(164,312)
Total categorical aid	\$ 8,013,537	\$ 8,013,537	\$ 8,150,127	\$ 136,590
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 451,586	\$ 451,586	\$ 489,575	\$ 37,989
Title VI-B, special education flow-through	293,960	293,960	223,131	(70,829)
Vocational education	29,077	29,077	27,584	(1,493)
Title VI-B, special education pre-school	8,834	8,834	3,893	(4,941)
Title V	-	-	1,519	1,519
Rural education	20,967	20,967	22,502	1,535
Title II Part A	87,841	87,841	59,819	(28,022)
Gear up	21,476	21,476	35,525	14,049
JROTC	56,000	56,000	71,193	15,193
Preschool expansion	314,904	314,904	341,713	26,809
Other federal funds	-	-	458	458
Total categorical aid	\$ 1,284,645	\$ 1,284,645	\$ 1,276,912	\$ (7,733)
Total School Operating Fund	\$ 17,305,638	\$ 17,629,826	\$ 17,294,575	\$ (335,251)

County of Sussex, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 12	\$ 12
Total revenue from use of money and property	\$ -	\$ -	\$ 12	\$ 12
Charges for services:				
Cafeteria sales	\$ 305,475	\$ 305,475	\$ 156,865	\$ (148,610)
Total charges for services	\$ 305,475	\$ 305,475	\$ 156,865	\$ (148,610)
Total revenue from local sources	\$ 305,475	\$ 305,475	\$ 156,877	\$ (148,598)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 38,214	\$ 38,214	\$ 38,214	\$ -
Total revenues from local governments	\$ 38,214	\$ 38,214	\$ 38,214	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 11,635	\$ 11,635	\$ 15,285	\$ 3,650
Textbook payment	71,566	71,566	75,784	4,218
Total categorical aid	\$ 83,201	\$ 83,201	\$ 91,069	\$ 7,868
Total revenue from the Commonwealth	\$ 83,201	\$ 83,201	\$ 91,069	\$ 7,868
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 605,000	\$ 605,000	\$ 647,685	\$ 42,685
Commodities	-	44,522	44,522	-
Summer feeding	-	-	20,311	20,311
Total categorical aid	\$ 605,000	\$ 649,522	\$ 712,518	\$ 62,996
Total revenue from the federal government	\$ 605,000	\$ 649,522	\$ 712,518	\$ 62,996
Total School Special Revenue Fund	\$ 1,031,890	\$ 1,076,412	\$ 998,678	\$ (77,734)
Total Discretely Presented Component Unit - School Board	\$ 18,337,528	\$ 18,706,238	\$ 18,293,253	\$ (412,985)

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

<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	\$ 136,582	\$ 136,622	\$ 119,380	\$ 17,242
General and financial administration:				
County administrator	\$ 651,634	\$ 713,856	\$ 613,134	\$ 100,722
Legal services	75,000	75,000	108,844	(33,844)
Commissioner of revenue	228,770	230,643	225,083	5,560
Treasurer	385,024	388,002	376,534	11,468
Central accounting	70,795	35,795	25,089	10,706
Reassessment	-	150,000	41,643	108,357
Other general and financial administration	293,304	206,102	62,287	143,815
Total general and financial administration	<u>\$ 1,704,527</u>	<u>\$ 1,799,398</u>	<u>\$ 1,452,614</u>	<u>\$ 346,784</u>
Board of elections:				
Electoral board and officials	\$ 161,697	\$ 176,208	\$ 167,750	\$ 8,458
Total general government administration	<u>\$ 2,002,806</u>	<u>\$ 2,112,228</u>	<u>\$ 1,739,744</u>	<u>\$ 372,484</u>
Judicial administration:				
Courts:				
Circuit court	\$ 35,590	\$ 35,590	\$ 40,906	\$ (5,316)
General district court	23,692	24,962	17,704	7,258
Special magistrates	7,125	7,125	8,261	(1,136)
Juvenile and domestic relations court	12,262	12,262	12,262	-
Sheriff	187,250	187,250	208,140	(20,890)
Victim witness	68,427	80,289	76,901	3,388
Clerk of the circuit court	352,513	384,313	363,861	20,452
Total courts	<u>\$ 686,859</u>	<u>\$ 731,791</u>	<u>\$ 728,035</u>	<u>\$ 3,756</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 422,326	\$ 423,177	\$ 425,618	\$ (2,441)
Total commonwealth's attorney	<u>\$ 422,326</u>	<u>\$ 423,177</u>	<u>\$ 425,618</u>	<u>\$ (2,441)</u>
Total judicial administration	<u>\$ 1,109,185</u>	<u>\$ 1,154,968</u>	<u>\$ 1,153,653</u>	<u>\$ 1,315</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,810,021	\$ 1,908,392	\$ 1,814,719	\$ 93,673
School resource officer grant	107,679	107,679	109,341	(1,662)
911 services	202,860	157,860	170,122	(12,262)
Wakefield operations	57,180	57,180	51,146	6,034
Total law enforcement and traffic control	<u>\$ 2,177,740</u>	<u>\$ 2,231,111</u>	<u>\$ 2,145,328</u>	<u>\$ 85,783</u>
Fire and rescue services:				
Fire department	\$ 184,289	\$ 198,903	\$ 196,877	\$ 2,026
Ambulance and rescue services	747,041	747,041	892,950	(145,909)
Forest fire extinction services	24,000	24,000	23,837	163
Emergency services	223,089	223,089	218,948	4,141
Total fire and rescue services	<u>\$ 1,178,419</u>	<u>\$ 1,193,033</u>	<u>\$ 1,332,612</u>	<u>\$ (139,579)</u>

County of Sussex, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

<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)				
Correction and detention:				
Confinement and care of prisoners	\$ 1,685,618	\$ 1,688,874	\$ 1,559,833	\$ 129,041
Crater youth care commission	103,100	103,100	106,349	(3,249)
Total correction and detention	<u>\$ 1,788,718</u>	<u>\$ 1,791,974</u>	<u>\$ 1,666,182</u>	<u>\$ 125,792</u>
Inspections:				
Building	\$ 222,354	\$ 222,354	\$ 188,869	\$ 33,485
Total inspections	<u>\$ 222,354</u>	<u>\$ 222,354</u>	<u>\$ 188,869</u>	<u>\$ 33,485</u>
Other protection:				
Animal control	\$ 215,476	\$ 220,660	\$ 212,264	\$ 8,396
Total other protection	<u>\$ 215,476</u>	<u>\$ 220,660</u>	<u>\$ 212,264</u>	<u>\$ 8,396</u>
Total public safety	<u>\$ 5,582,707</u>	<u>\$ 5,659,132</u>	<u>\$ 5,545,255</u>	<u>\$ 113,877</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 159,800	\$ 159,800	\$ 123,876	\$ 35,924
Total sanitation and waste removal	<u>\$ 159,800</u>	<u>\$ 159,800</u>	<u>\$ 123,876</u>	<u>\$ 35,924</u>
Maintenance of general buildings and grounds:				
General properties	\$ 548,322	\$ 548,322	\$ 580,466	\$ (32,144)
General works	75,000	75,000	77,481	(2,481)
Total maintenance of general buildings and grounds	<u>\$ 623,322</u>	<u>\$ 623,322</u>	<u>\$ 657,947</u>	<u>\$ (34,625)</u>
Total public works	<u>\$ 783,122</u>	<u>\$ 783,122</u>	<u>\$ 781,823</u>	<u>\$ 1,299</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 176,489	\$ 176,489	\$ 176,489	\$ -
Total health	<u>\$ 176,489</u>	<u>\$ 176,489</u>	<u>\$ 176,489</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 64,499	\$ 64,499	\$ 64,499	\$ -
Total mental health and mental retardation	<u>\$ 64,499</u>	<u>\$ 64,499</u>	<u>\$ 64,499</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 2,099,652	\$ 2,135,060	\$ 1,780,040	\$ 355,020
Area agency on aging	7,060	7,060	7,060	-
Mission Ministries tornado relief	-	800	-	800
Other social services	67,982	69,982	68,982	1,000
Comprehensive services act	725,000	725,000	567,434	157,566
Total welfare	<u>\$ 2,899,694</u>	<u>\$ 2,937,902</u>	<u>\$ 2,423,516</u>	<u>\$ 514,386</u>
Total health and welfare	<u>\$ 3,140,682</u>	<u>\$ 3,178,890</u>	<u>\$ 2,664,504</u>	<u>\$ 514,386</u>

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

<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)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Contribution to County School Board	7,959,170	8,004,440	7,452,522	551,918
Total education	<u>\$ 7,964,170</u>	<u>\$ 8,009,440</u>	<u>\$ 7,457,522</u>	<u>\$ 551,918</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 16,000	\$ 16,000	\$ 16,325	\$ (325)
Total parks and recreation	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 16,325</u>	<u>\$ (325)</u>
Cultural enrichment:				
Wakefield foundation	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Carpenter museum	5,000	5,000	5,000	-
Total cultural enrichment	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 154,985	\$ 154,985	\$ 154,985	\$ -
Total library	<u>\$ 154,985</u>	<u>\$ 154,985</u>	<u>\$ 154,985</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 185,985</u>	<u>\$ 185,985</u>	<u>\$ 186,310</u>	<u>\$ (325)</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 182,950	\$ 236,702	\$ 218,566	\$ 18,136
Industrial development authority	500	500	-	500
Planning district commission	9,790	9,790	9,790	-
Indoor plumbing	-	20,000	11,194	8,806
Housing assistance and other	206,971	241,971	212,719	29,252
Total planning and community development	<u>\$ 400,211</u>	<u>\$ 508,963</u>	<u>\$ 452,269</u>	<u>\$ 56,694</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 3,355	\$ 3,355	\$ 3,355	\$ -
Environmental inspection	225,000	227,685	211,917	15,768
Other environmental management	9,200	9,200	7,200	2,000
Total environmental management	<u>\$ 237,555</u>	<u>\$ 240,240</u>	<u>\$ 222,472</u>	<u>\$ 17,768</u>
Cooperative extension program:				
Extension office	\$ 70,768	\$ 70,768	\$ 33,868	\$ 36,900
Total cooperative extension program	<u>\$ 70,768</u>	<u>\$ 70,768</u>	<u>\$ 33,868</u>	<u>\$ 36,900</u>
Total community development	<u>\$ 708,534</u>	<u>\$ 819,971</u>	<u>\$ 708,609</u>	<u>\$ 111,362</u>
Debt service:				
Principal retirement	\$ 1,311,397	\$ 1,311,397	\$ 1,311,397	\$ -
Interest and other fiscal charges	737,313	737,313	477,499	259,814
Total debt service	<u>2,048,710</u>	<u>2,048,710</u>	<u>1,788,896</u>	<u>259,814</u>
Total General Fund	<u>\$ 23,525,901</u>	<u>\$ 23,952,446</u>	<u>\$ 22,026,316</u>	<u>\$ 1,926,130</u>

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2017

Schedule 2  
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial administration:				
Courts:				
Law library	\$ -	\$ -	\$ 611	\$ (611)
Total judicial administration	\$ -	\$ -	\$ 611	\$ (611)
Public Safety:				
Other Protection:				
Forfeited assets	\$ -	\$ 24,291	\$ 4,042	\$ 20,249
Total other protection	\$ -	\$ 24,291	\$ 4,042	\$ 20,249
Total public safety	\$ -	\$ 24,291	\$ 4,042	\$ 20,249
Total County Special Revenue Fund	\$ -	\$ 24,291	\$ 4,653	\$ 19,638
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ 600,000	\$ 3,455,389	\$ 1,444,708	\$ 2,010,681
Vehicle replacement	68,007	78,632	66,615	12,017
Total capital projects	\$ 668,007	\$ 3,534,021	\$ 1,511,323	\$ 2,022,698
Debt service:				
Principal retirement	\$ 100,955	\$ 100,955	\$ 100,955	\$ -
Interest and other fiscal charges	4,038	4,038	4,038	-
Total debt service	\$ 104,993	\$ 104,993	\$ 104,993	\$ -
Total County Capital Projects Fund	\$ 773,000	\$ 3,639,014	\$ 1,616,316	\$ 2,022,698
Total Primary Government	\$ 24,298,901	\$ 27,615,751	\$ 23,647,285	\$ 3,968,466
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,188,729	\$ 1,188,729	\$ 1,133,870	\$ 54,859
Instruction costs	12,496,597	12,547,960	12,178,515	369,445
Pupil transportation	1,578,113	1,850,938	2,001,774	(150,836)
Operation and maintenance of school plant	1,916,473	1,916,473	1,854,690	61,783
Total education	\$ 17,179,912	\$ 17,504,100	\$ 17,168,849	\$ 335,251
Debt service:				
Principal retirement	\$ 67,925	\$ 67,925	\$ 67,925	\$ -
Interest and other fiscal charges	57,801	57,801	57,801	-
Total debt service	\$ 125,726	\$ 125,726	\$ 125,726	\$ -
Total School Operating Fund	\$ 17,305,638	\$ 17,629,826	\$ 17,294,575	\$ 335,251

County of Sussex, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2017

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Education:				
Textbooks	\$ 109,780	\$ 109,780	\$ 47,876	\$ 61,904
Commodities	-	44,522	44,522	-
School food services	922,110	922,110	842,284	79,826
	<hr/>			
Total School Special Revenue Fund	\$ 1,031,890	\$ 1,076,412	\$ 934,682	\$ 141,730
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Total Discretely Presented Component Unit - School Board	\$ 18,337,528	\$ 18,706,238	\$ 18,229,257	\$ 476,981
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*STATISTICAL INFORMATION*

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Table 1

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

Fiscal Year	General										Interest on Long-Term Debt	Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development				
2008	\$ 1,710,415	\$ 1,099,108	\$ 5,092,001	\$ 850,360	\$ 3,157,925	\$ 3,002,544	\$ 273,141	\$ 1,270,552	\$ 529,121	\$ 16,985,167		
2009	1,750,158	1,173,501	5,558,789	744,007	3,502,184	9,330,399	211,185	662,735	592,492	23,525,450		
2010	1,790,384	1,117,542	5,032,632	802,875	3,296,600	8,154,852	210,076	397,609	481,963	21,284,533		
2011	1,625,465	1,091,275	5,076,704	718,552	3,164,197	9,530,650	196,825	734,337	591,427	22,729,432		
2012	1,723,664	1,125,133	5,211,151	745,138	2,973,785	7,668,587	200,550	1,400,525	440,982	21,489,515		
2013	1,520,058	1,317,423	5,211,763	767,515	3,006,195	14,827,622	197,755	1,297,885	601,442	28,747,658		
2014	1,819,420	1,183,650	5,209,793	742,468	3,281,566	10,770,100	194,874	624,780	580,008	24,406,659		
2015	1,627,776	1,233,272	5,360,555	671,447	2,859,243	9,310,556	203,681	450,369	518,091	22,234,990		
2016	1,726,683	1,260,283	5,421,684	604,641	2,725,050	9,298,007	205,265	497,810	475,246	22,214,669		
2017	1,737,275	1,227,671	5,724,666	888,813	2,689,103	8,803,468	192,008	618,068	419,635	22,300,707		

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	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	Total	
2008	\$ 9,862,743	\$ 4,608,191	\$ 702,126	\$ 7,013,522	\$ 1,153,991	\$ 756,429	\$ 182,266	\$ 1,541,056	\$ 25,820,324		
2009	7,811,169	4,826,716	295,634	7,763,119	1,103,140	646,208	156,820	1,684,464	24,287,270		
2010	7,079,380	4,581,112	3,000	7,641,415	962,731	525,710	170,722	1,780,590	22,744,660		
2011	8,012,050	4,544,066	5,896	7,321,690	981,129	342,043	113,224	2,064,221	23,384,319		
2012	6,969,432	4,459,264	755,500	7,370,633	1,071,020	233,729	114,766	1,476,144	22,450,488		
2013	6,764,345	4,553,833	4,537,507	8,574,854	1,074,162	162,130	104,229	1,394,567	27,165,627		
2014	5,887,063	5,024,468	3,044,363	8,871,846	1,089,346	140,981	180,495	1,492,747	25,731,309		
2015	6,337,137	4,344,775	1,620,358	8,976,562	1,192,279	133,395	244,452	1,423,849	24,272,807		
2016	5,681,358	4,544,316	349,739	9,099,418	1,288,235	149,162	311,388	1,561,134	22,984,750		
2017	6,396,100	4,235,151	373,572	9,312,679	1,316,588	156,837	150,110	1,499,351	23,440,388		

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2008	\$ 1,691,150	\$ 945,586	\$ 5,281,250	\$ 945,854	\$ 3,115,853	\$ 19,859,874	\$ 267,376	\$ 964,018	\$ 1,296,331	\$ 34,367,292
2009	1,698,539	1,082,816	5,452,393	858,840	3,470,196	19,799,492	205,488	722,862	1,820,159	35,110,785
2010	1,688,106	1,028,983	5,153,230	759,403	3,264,016	18,597,272	204,378	731,514	1,781,565	33,208,467
2011	1,659,008	998,081	5,065,100	828,833	3,127,541	18,587,853	191,127	760,375	1,742,510	32,960,428
2012	1,652,293	1,032,403	5,087,886	858,074	2,937,477	18,311,915	194,852	766,673	1,714,529	32,556,102
2013	1,460,320	1,050,051	4,878,914	847,909	2,975,556	18,204,951	192,057	817,889	1,902,911	32,330,558
2014	1,718,461	1,102,682	5,034,438	833,719	3,271,067	18,616,141	189,176	702,936	2,156,335	33,624,955
2015	1,596,323	1,088,057	5,356,646	769,943	2,932,392	17,610,724	197,983	622,978	2,155,589	32,330,635
2016	1,651,120	1,146,759	5,313,383	712,289	2,781,880	17,552,893	199,567	606,219	2,070,287	32,034,397
2017	1,739,744	1,154,264	5,549,297	781,823	2,664,504	18,234,257	186,310	708,609	1,893,889	32,912,697

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit School Board  
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit School Board.  
(3) Excludes Capital Projects funds, with the exception of debt service.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2008	\$ 6,827,701	\$ 1,153,991	\$ 111,802	\$ 523,070	\$ 366,819	\$ 9,552,804	\$ 529,087	\$ 388,243	\$ 17,444,276	\$ 36,897,793
2009	7,720,656	1,103,140	80,226	440,304	363,764	7,581,842	394,319	505,592	17,876,069	36,065,912
2010	7,534,857	962,731	96,985	467,053	367,802	6,803,999	325,731	435,143	17,564,069	34,558,370
2011	7,321,027	981,129	79,127	976,889	169,375	7,236,490	214,365	420,352	16,452,862	33,851,616
2012	7,685,234	1,071,020	129,359	695,809	160,564	6,423,415	312,664	286,039	16,940,871	33,704,975
2013	8,428,982	1,074,162	77,524	643,294	113,758	6,320,215	251,789	257,135	16,479,857	33,646,716
2014	8,713,866	1,089,346	56,176	637,934	80,511	5,442,342	293,832	245,439	16,480,773	33,040,219
2015	9,297,759	1,192,279	69,190	796,132	91,784	5,651,985	493,709	432,205	15,162,396	33,187,439
2016	8,973,765	1,288,235	89,085	761,045	106,533	5,006,192	533,155	364,728	15,406,169	32,528,907
2017	9,257,445	1,316,588	83,095	1,113,847	101,530	5,356,023	602,240	207,470	15,965,128	34,003,366

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Delinquent Taxes to Tax Levy		
2008	\$ 7,731,894	\$ 7,854,032	101.58%	\$ (150,054)	\$ 7,703,978	99.64%	\$ 270,581	3.50%	
2009	8,793,146	8,579,157	97.57%	108,021	8,687,178	98.79%	292,461	3.33%	
2010	8,546,817	8,299,271	97.10%	143,369	8,442,640	98.78%	345,257	4.04%	
2011	8,667,073	8,268,631	95.40%	206,044	8,474,675	97.78%	545,014	6.29%	
2012	8,536,012	8,481,243	99.36%	233,737	8,714,980	102.10%	318,841	3.74%	
2013	9,458,698	9,210,290	97.37%	115,340	9,325,630	98.59%	376,015	3.98%	
2014	9,891,716	9,689,394	97.95%	211,197	9,900,591	100.09%	576,583	5.83%	
2015	10,070,536	9,877,423	98.08%	460,707	10,338,130	102.66%	320,414	3.18%	
2016	10,072,275	9,740,166	96.70%	205,445	9,945,611	98.74%	420,847	4.18%	
2017	10,280,713	10,018,934	97.45%	142,486	10,161,420	98.84%	539,381	5.25%	

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchants Capital	Public Service(2)			Total
					Real Estate	Real Estate	Personal Property	
2008	\$ 763,631,538	\$ 65,400,176	\$ 20,814,145	\$ 8,062,905	\$ 64,204,050	\$ 1,005,946	\$ 923,118,760	
2009	783,848,824	70,531,248	21,577,440	8,979,150	51,887,667	674,605	937,498,934	
2010	794,375,037	66,931,158	36,921,353	9,922,430	53,795,463	701,673	962,647,114	
2011	790,662,282	68,294,266	39,352,829	7,691,275	51,832,467	664,445	958,497,564	
2012	779,605,930	68,133,788	35,320,163	9,041,663	63,107,718	727,459	955,936,721	
2013	875,389,910	62,540,742	47,377,210	13,728,234	99,366,077	730,786	1,099,132,959	
2014	862,116,308	69,889,855	51,669,805	17,213,368	101,233,977	765,005	1,102,888,318	
2015	864,288,995	71,400,542	57,374,335	15,503,834	96,540,341	844,766	1,105,952,813	
2016	859,623,290	75,590,773	52,706,861	8,009,419	109,399,038	1,100,689	1,106,430,070	
2017	848,259,629	75,987,958	47,854,245	7,382,323	115,022,027	1,072,643	1,095,578,825	

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

County of Sussex, Virginia  
Property Tax Rates (1)  
Last Ten Calendar Years

Calendar Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools	Merchants Capital
2007	\$ 0.48	\$ 0.48	\$ 4.85	\$ 4.85	\$ 1.00
2008	0.54	0.54	4.85	4.85	1.00
2009	0.54	0.54	4.85	2.43	1.00
2010 (2)	0.54	0.54	4.85	2.43	1.00
2011	0.54	0.54	4.85	2.43	1.00
2012	0.54	0.54	4.85	2.43	1.00
2013	0.54	0.54	4.85	2.43	1.00
2014	0.54	0.54	4.85	2.43	1.00
2015	0.54	0.54	4.85	2.43	1.00
2016	0.58	0.58	4.85	2.43	1.00

(1) Per \$100 of assessed value.

(2) In FY 2010 machinery and tools assessed values increased dramatically, and the tax rate was lowered by roughly 50%.

Table 8

## County of Sussex, Virginia

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities			
2008	12,504	\$ 923,118,760	\$ 21,236,821	\$ 229,675	\$ -	\$ 21,007,146	2.28%	\$ 1,680
2009	12,504	937,498,934	20,155,424	404,794	-	19,750,630	2.11%	1,580
2010	12,087	962,647,114	19,074,027	584,066	-	18,489,961	1.92%	1,530
2011	12,087	958,497,564	17,992,630	767,672	-	17,224,958	1.80%	1,425
2012	12,087	955,936,721	22,162,207	955,718	-	21,206,489	2.22%	1,754
2013	12,087	1,099,132,959	21,046,261	1,150,608	-	19,895,653	1.81%	1,646
2014	12,087	1,102,888,318	19,700,315	1,348,239	-	18,352,076	1.66%	1,518
2015	12,087	1,105,952,813	18,354,370	1,550,661	-	16,803,709	1.52%	1,390
2016	12,087	1,106,430,070	17,008,425	1,757,978	-	15,250,447	1.38%	1,262
2017	12,087	1,095,578,825	15,662,479	1,970,750	-	13,691,729	1.25%	1,133

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

(2) From Table 6.

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

*COMPLIANCE*

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Sussex, Virginia's basic financial statements and have issued our report thereon dated November 1, 2017.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
November 1, 2017

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

### Report on Compliance for Each Major Federal Program

We have audited County of Sussex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Sussex, Virginia's major federal programs for the year ended June 30, 2017. County of Sussex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditors' Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

In our opinion, County of Sussex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Richmond, Virginia  
November 1, 2017

County of Sussex, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 343
Temporary Assistance for Needy Families	93.558	0400116/0400117	192,546
Refugee and Entrant Assistance - State Administered Programs	93.566	0500116/0500117	701
Low Income Home Energy Assistance	93.568	0600416/0600417	23,420
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760116/0760117	33,117
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116/0900117	364
Foster Care - Title IV-E	93.658	1100116/1100117	85,392
Adoption Assistance	93.659	1120116/1120117	43,193
Social Services Block Grant	93.667	1000116/1000117	166,276
Chafee Foster Care Independence Program	93.674	9150116/9150117	5,820
Children's Health Insurance Program	93.767	0540116/0540117	7,887
Medical Assistance Program	93.778	1200116/1200117	264,102
			\$ 823,161
Total Department of Health and Human Services			
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.559	17901	\$ 1,289
Department of Health:			
Summer Food Service Program for Children	10.559	17901	20,311
			\$ 21,600
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 43,233
Department of Education:			
National School Lunch Program	10.555	17901-40623	420,322
			\$ 463,555
School Breakfast Program	10.553	17901-40591	196,209 \$ 681,364
Pass-Through Payments:			
Department of Education:			
Fresh Fruit and Vegetable Program	10.582	17901-40599	31,154

County of Sussex, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass-Through Payments: (Continued)			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	\$ 212,779
Total Department of Agriculture			<u>\$ 925,297</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	390001-10220	\$ 58,519
Total Department of Justice			<u>\$ 58,519</u>
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-53000	\$ 14,748
Total Department of Transportation			<u>\$ 14,748</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	533005-1400	\$ 37,195
Total Department of Housing and Urban Development			<u>\$ 37,195</u>
Department of Education:			
Pass-Through Payments:			
State Council for Higher Education for Virginia:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	17117	\$ 35,525
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	489,575
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	\$ 223,131
Special Education - Preschool Grants	84.173	17901-62521	3,893
Career and Technical Education - Basic Grants to States	84.048	17901-61095	27,584
Advanced Placement Program	84.330	17901-60957	458
Rural Education	84.358	17901-43481	22,502
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	17901-61480	59,819
English Language Acquisition State Grants	84.365	17901-60512	1,519
Preschool Development Grants	84.419	17901-40002	341,713
Total Department of Education			<u>\$ 1,205,719</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 71,193
Total Expenditures of Federal Awards			<u>\$ 3,135,832</u>

See accompanying notes to schedule of expenditures of federal awards.

County of Sussex, Virginia  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Sussex, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Sussex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Sussex, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ 1,146,402
Total primary government	\$ <u>1,146,402</u>
Component Unit School Board:	
School Operating Fund	\$ 1,276,912
School Special Revenue Fund	712,518
Total Component Unit School Board	\$ <u>1,989,430</u>
Total federal expenditures per basic financial statements	\$ <u><u>3,135,832</u></u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,135,832</u></u>

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The County has no loans or loan guarantees which are subject to reporting requirements for the current year.

County of Sussex, Virginia  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017

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**Section I-Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_  no  
 Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_  none reported  
 Type of auditors' report issued on compliance  
 for major programs: *unmodified*  
 Any findings disclosed that are required to be  
 reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ yes \_\_\_\_\_  no

Identification of major programs:

CFDA Number(s)  
 10.553/10.555/10.559

Name of Federal Program or Cluster  
 Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? \_\_\_\_\_  yes \_\_\_\_\_ no

**Section II-Financial Statement Findings**

None

**Section III-Federal Award Findings and Questioned Costs**

None

County of Sussex, Virginia

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

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There were no prior year findings.

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