

COUNTY OF SUSSEX, VIRGINIA



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

COUNTY OF SUSSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR
ENDED JUNE 30, 2016

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COUNTY OF SUSSEX, VIRGINIA

Board of Supervisors

Keith C. Blowe, Chairperson	Alfred G. Futrell
Susan B. Seward, Vice Chairperson	C. Eric Fly, Sr.
John A. Stringfield	Rufus E. Tyler

Department of Social Services

Norfleet Givens, Chairperson	Gayle Bain
Cynthia Pegram-Wyche, Vice Chairperson	Alfred G. Futrell
Mae K. Mason	Evelyn P. Giles
Lou Savedge	

County School Board

Marvin Morris, Jr., Chairperson	Laurie S. Latham
Gloria S. Holloman, Vice Chairperson	Linda J. Skipper
Doris C. Hamlin	Terry A. Massenburg

Other Officials

County Administrator	Deborah A. Davis
Director of Social Services	Chequila H. Fields
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	Raymond R. Bell
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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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of June 30, 2016, 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.

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information (Continued)

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

The 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 11, 2016, 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, Farnham, Cox Associates

Richmond, Virginia
November 11, 2016

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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, 2016. 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 \$37,739,388 (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 \$2,575,506 (Exhibit 5) after making contributions totaling \$7,947,062 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,343,608, a decrease of \$2,575,506 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,948,856, or 26% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$823,052 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 \$37,739,388 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

<u>County of Sussex, Virginia's Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 11,879,597	\$ 14,114,909
Restricted assets	1,757,978	1,550,661
Capital assets	<u>46,736,710</u>	<u>45,246,392</u>
Total assets	<u>\$ 60,374,285</u>	<u>\$ 60,911,962</u>
Deferred outflows of resources	<u>\$ 662,422</u>	<u>\$ 508,804</u>
Current liabilities	\$ 1,044,913	\$ 654,053
Long-term liabilities outstanding	<u>21,644,019</u>	<u>22,467,071</u>
Total liabilities	<u>\$ 22,688,932</u>	<u>\$ 23,121,124</u>
Deferred inflows of resources	<u>\$ 608,387</u>	<u>\$ 1,330,335</u>
Net investment in capital assets	\$ 29,627,330	\$ 26,693,995
Restricted for debt service bond covenants	1,757,978	1,550,661
Unrestricted	<u>6,354,080</u>	<u>8,724,651</u>
Total net position	<u><u>\$ 37,739,388</u></u>	<u><u>\$ 36,969,307</u></u>

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Government-wide Financial Analysis (Continued)

The County's net position increased by \$770,081 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>2016</u>	<u>2015</u>
Charges for services	\$ 5,681,358	\$ 6,337,137
Operating grants and contributions	4,544,316	4,344,775
Capital grants and contributions	349,739	1,620,358
General property taxes	9,099,418	8,976,562
Other local taxes	1,288,235	1,192,279
Grants and other contributions not restricted	1,561,134	1,423,849
Other general revenues	460,550	377,847
Total revenues	\$ 22,984,750	\$ 24,272,807
General government administration	\$ 1,726,683	\$ 1,627,776
Judicial administration	1,260,283	1,233,272
Public safety	5,421,684	5,360,555
Public works	604,641	671,447
Health and welfare	2,725,050	2,859,243
Education	9,298,007	9,310,556
Parks, recreation, and cultural	205,265	203,681
Community development	497,810	450,369
Interest and other fiscal charges	475,246	518,091
Total expenses	\$ 22,214,669	\$ 22,234,990
Change in net position	\$ 770,081	\$ 2,037,817
Net position, beginning of year	36,969,307	34,931,490
Net position, end of year	\$ 37,739,388	\$ 36,969,307

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 \$12,343,608, a decrease of \$2,575,506 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 \$6,258,126. \$1,757,978 of this was restricted for debt, while \$4,500,148 was committed to current or future capital projects.

General Fund Budgetary Highlights

During the year, budgetary estimates exceeded revenues and other financing sources by \$623,765. Budgetary estimates exceeded expenditures and other financing uses by \$3,729,063. The combination of the two resulted in a positive variance of \$3,105,298.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2016 amounts to \$46,736,710 (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 \$16,455,645, 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 2017 fiscal year.

The fiscal year 2017 General Fund budget increased by approximately 0.01 percent. The tax rates on real property were increased by \$0.04 per \$100 of assessed value.

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, 2016

	Primary Government	Component Unit
	Governmental <u>Activities</u>	<u>School Board</u>
ASSETS		
Cash and cash equivalents	\$ 9,135,786	\$ 1,664,119
Receivables (net of allowance for uncollectibles):		
Taxes receivable	580,240	-
Accounts receivable	658,830	762
Due from other governmental units	1,504,741	591,804
Prepaid items	-	125,726
Restricted assets:		
Bond sinking funds	1,757,978	-
Net pension asset	-	57,519
Capital assets (net of accumulated depreciation):		
Land	10,530,331	111,018
Buildings and improvements	21,459,737	17,465,706
Machinery and equipment	1,366,904	427,988
Construction in progress	13,379,738	-
Total assets	<u>\$ 60,374,285</u>	<u>\$ 20,444,642</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	\$ 537,914	\$ 1,284,448
Items related to measurement of net pension liability/asset	124,508	-
Total deferred outflows of resources	<u>\$ 662,422</u>	<u>\$ 1,284,448</u>
LIABILITIES		
Accounts payable	\$ 782,714	\$ 138,623
Accrued liabilities	-	1,277,548
Accrued interest payable	262,199	-
Due to other governmental units	-	722,665
Long-term liabilities:		
Due within one year	1,463,848	146,757
Due in more than one year	20,180,171	14,080,558
Total liabilities	<u>\$ 22,688,932</u>	<u>\$ 16,366,151</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	\$ 40,224	\$ -
Items related to measurement of net pension liability/asset	568,163	1,989,843
Total deferred inflows of resources	<u>\$ 608,387</u>	<u>\$ 1,989,843</u>
NET POSITION		
Net investment in capital assets	\$ 29,627,330	\$ 18,004,712
Restricted for:		
Debt service and bond covenants	1,757,978	-
Unrestricted (deficit)	6,354,080	(14,631,616)
Total net position	<u>\$ 37,739,388</u>	<u>\$ 3,373,096</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Activities	School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,726,683	\$ -	\$ 208,398	\$ -	\$ (1,518,285)	\$ -
Judicial administration	1,260,283	795,051	510,711	-	45,479	-
Public safety	5,421,684	237,642	1,820,590	-	(3,363,452)	-
Public works	604,641	4,624,257	2,981	-	4,022,597	-
Health and welfare	2,725,050	-	1,966,520	-	(758,530)	-
Education	9,298,007	-	-	-	(9,298,007)	-
Parks, recreation, and cultural	205,265	-	5,000	-	(200,265)	-
Community development	497,810	24,408	30,116	349,739	(93,547)	-
Interest on long-term debt	475,246	-	-	-	(475,246)	-
Total governmental activities	\$ 22,214,669	\$ 5,681,358	\$ 4,544,316	\$ 349,739	\$ (11,639,256)	\$ -
Total primary government	\$ 22,214,669	\$ 5,681,358	\$ 4,544,316	\$ 349,739	\$ (11,639,256)	\$ -
COMPONENT UNIT:						
School Board	\$ 17,436,096	\$ 174,964	\$ 9,300,719	\$ -	\$ -	\$ (7,960,413)
Total component unit	\$ 17,436,096	\$ 174,964	\$ 9,300,719	\$ -	\$ -	\$ (7,960,413)
General revenues:						
General property taxes	\$ 9,099,418				\$ 9,099,418	\$ -
Local sales tax	828,000				828,000	-
Motor vehicle licenses	222,229				222,229	-
Other local taxes	238,006				238,006	-
Unrestricted revenues from use of money and property	149,162				149,162	683
Miscellaneous	311,388				311,388	221,767
Grants and contributions not restricted to specific programs	1,561,134				1,561,134	-
Payment from Sussex County	-				-	8,607,525
Total general revenues	\$ 12,409,337				\$ 12,409,337	\$ 8,829,975
Change in net position	\$ 770,081				\$ 770,081	\$ 869,562
Net position - beginning	36,969,307				36,969,307	2,503,534
Net position - ending	\$ 37,739,388				\$ 37,739,388	\$ 3,373,096

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, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,162,130	\$ 4,934,157	\$ 39,499	\$ 9,135,786
Receivables (net of allowance for uncollectibles):				
Taxes receivable	580,240	-	-	580,240
Accounts receivable	658,765	-	65	658,830
Due from other governmental units	1,421,288	83,453	-	1,504,741
Restricted assets:				
Bond sinking funds	-	1,757,978	-	1,757,978
Total assets	<u>\$ 6,822,423</u>	<u>\$ 6,775,588</u>	<u>\$ 39,564</u>	<u>\$ 13,637,575</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 265,252	\$ 517,462	\$ -	\$ 782,714
Total liabilities	<u>\$ 265,252</u>	<u>\$ 517,462</u>	<u>\$ -</u>	<u>\$ 782,714</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 511,253	\$ -	\$ -	\$ 511,253
Total deferred inflows of resources	<u>\$ 511,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,253</u>
Fund balances:				
Restricted	\$ -	\$ 1,757,978	\$ -	\$ 1,757,978
Committed	97,062	4,500,148	39,564	4,636,774
Unassigned	5,948,856	-	-	5,948,856
Total fund balances	<u>\$ 6,045,918</u>	<u>\$ 6,258,126</u>	<u>\$ 39,564</u>	<u>\$ 12,343,608</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,822,423</u>	<u>\$ 6,775,588</u>	<u>\$ 39,564</u>	<u>\$ 13,637,575</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, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 12,343,608
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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	\$ 61,458,502	
Accumulated depreciation	<u>(14,721,792)</u>	46,736,710

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

Unavailable revenue - property taxes	\$ 471,029	
Items related to measurement of net pension liability	<u>(568,163)</u>	(97,134)

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.		537,914
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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	\$ (514,963)	
Net OPEB obligation	(197,500)	
Landfill postclosure costs	(2,793,698)	
Capital leases	(100,955)	
Net pension liability	(1,028,478)	
Deferred outflows related to measurement of net pension liability	124,508	
Literary fund loans	(7,814,217)	
General obligation bonds	(5,350,000)	
Bond premium	(552,780)	
QZAB bonds	(3,291,428)	
Accrued interest payable	<u>(262,199)</u>	(21,781,710)

Net position of governmental activities		<u><u>\$ 37,739,388</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, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 8,973,765	\$ -	\$ -	\$ 8,973,765
Other local taxes	1,288,235	-	-	1,288,235
Permits, privilege fees, and regulatory licenses	89,085	-	-	89,085
Fines and forfeitures	761,045	-	-	761,045
Revenue from the use of money and property	105,826	43,312	24	149,162
Charges for services	4,830,451	-	777	4,831,228
Miscellaneous	311,388	-	-	311,388
Recovered costs	364,728	-	-	364,728
Intergovernmental:				
Commonwealth	5,028,149	349,739	6,947	5,384,835
Federal	1,070,354	-	-	1,070,354
Total revenues	<u>\$ 22,823,026</u>	<u>\$ 393,051</u>	<u>\$ 7,748</u>	<u>\$ 23,223,825</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,651,120	\$ -	\$ -	\$ 1,651,120
Judicial administration	1,146,584	-	175	1,146,759
Public safety	5,302,180	-	11,203	5,313,383
Public works	712,289	-	-	712,289
Health and welfare	2,781,880	-	-	2,781,880
Education	7,952,062	-	-	7,952,062
Parks, recreation, and cultural	199,567	-	-	199,567
Community development	606,219	-	-	606,219
Capital projects	-	3,491,491	-	3,491,491
Debt service:				
Principal retirement	1,311,397	97,072	-	1,408,469
Interest and other fiscal charges	528,171	7,921	-	536,092
Total expenditures	<u>\$ 22,191,469</u>	<u>\$ 3,596,484</u>	<u>\$ 11,378</u>	<u>\$ 25,799,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 631,557</u>	<u>\$ (3,203,433)</u>	<u>\$ (3,630)</u>	<u>\$ (2,575,506)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 433,790	\$ -	\$ 433,790
Transfers out	(433,790)	-	-	(433,790)
Total other financing sources (uses)	<u>\$ (433,790)</u>	<u>\$ 433,790</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 197,767	\$ (2,769,643)	\$ (3,630)	\$ (2,575,506)
Fund balances - beginning	5,848,151	9,027,769	43,194	14,919,114
Fund balances - ending	<u>\$ 6,045,918</u>	<u>\$ 6,258,126</u>	<u>\$ 39,564</u>	<u>\$ 12,343,608</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, 2016

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

Net change in fund balances - total governmental funds \$ (2,575,506)

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	\$ 3,433,803	
Jointly owned asset allocation	(1,132,455)	
Depreciation expense	<u>(800,278)</u>	1,501,070

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (10,752)

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

Property taxes	\$ 125,653	
Decrease (increase) in items related to measurement of net pension liability	<u>726,648</u>	852,301

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	97,072	
Decrease in landfill postclosure liability	<u>49,107</u>	1,457,576

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	\$ 34,548	
(Increase) decrease in compensated absences	(44,884)	
(Increase) decrease in net OPEB obligation	(27,000)	
(Increase) decrease in net pension liability	(597,188)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	29,110	
Increase (decrease) in deferred outflows related to measurement of net pension liability	124,508	
(Increase) decrease in accrued interest payable	<u>26,298</u>	(454,608)

Change in net position of governmental activities \$ 770,081

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, 2016

	Private-Purpose <u>Trusts</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 164,422	\$ 13,589
Total assets	<u>\$ 164,422</u>	<u>\$ 13,589</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 1,622
Amounts held for others	-	2,845
Amounts held for inmates	-	9,122
Total liabilities	<u>\$ -</u>	<u>\$ 13,589</u>
NET POSITION		
Amounts held in trust for scholarships	\$ 164,422	\$ -
Total net position	<u>\$ 164,422</u>	<u>\$ -</u>
Total liabilities and net position	<u>\$ 164,422</u>	<u>\$ 13,589</u>

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, 2016

	Private Purpose Trusts <u>Funds</u>
ADDITIONS	
Investment earnings (losses)	\$ 1,346
Private donations	14,925
Total additions	\$ 16,271
 DEDUCTIONS	
Scholarships	\$ 4,300
Total deductions	\$ 4,300
Change in net position	11,971
Net position - beginning	\$ 152,451
Net position - ending	\$ 164,422

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, 2016

Note 1—Summary of Significant Accounting Policies:

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)

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)

B. Individual Component Unit Disclosures

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

Discretely Presented Component Units. The School Board members are elected by the citizens of 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, 2016.

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)

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)

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, 2016

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

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 \$87,326 at June 30, 2016 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	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)

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)

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 one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability (asset). These include differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments and contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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

P. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 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, 2016

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	\$ -	\$ 1,757,978	\$ -	\$ 1,757,978
Total Restricted Fund Balance	<u>\$ -</u>	<u>\$ 1,757,978</u>	<u>\$ -</u>	<u>\$ 1,757,978</u>
Committed:				
Indoor Plumbing	\$ 44,004	\$ -	\$ -	\$ 44,004
CDBG	53,058	-	-	53,058
Capital Improvements	-	4,500,148	-	4,500,148
Forfeited asset	-	-	12,105	12,105
Law library	-	-	27,459	27,459
Total Committed Fund Balance	<u>\$ 97,062</u>	<u>\$ 4,500,148</u>	<u>\$ 39,564</u>	<u>\$ 4,636,774</u>
Unassigned	\$ 5,948,856	\$ -	\$ -	\$ 5,948,856
Total Fund Balances	<u><u>\$ 6,045,918</u></u>	<u><u>\$ 6,258,126</u></u>	<u><u>\$ 39,564</u></u>	<u><u>\$ 12,343,608</u></u>

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

R. Adoption of Accounting Policies:

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

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

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 19.

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

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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:

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.

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COUNTY OF SUSSEX, VIRGINIA

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

Note 3—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2016 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	\$	4,573,515
Money Market Mutual Fund		1,757,978
Total	\$	<u>6,331,493</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, 2016

Note 4—Due to/from Other Governments:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Sussex County School Board	\$ 722,665	\$ -
Commonwealth of Virginia:		
Local sales tax	134,848	-
Welfare	41,985	-
Rolling stock tax	77,776	-
State Sales Tax	-	242,900
Constitutional officer reimbursements	191,661	-
Recordation tax	4,371	-
Department of Forestry - timber sales	21,881	-
Mobile home titling tax	228	-
Communications tax	27,703	-
E-911 wireless	13,459	-
Fire programs	27,932	-
School resource officer	3,761	-
Comprehensive services	67,361	-
Tobacco commission grants	83,453	-
Federal Government:		
School fund grants	-	348,904
DHCD grant	1,793	-
Welfare	83,864	-
	<u>1,504,741</u>	<u>591,804</u>
Total due from other governments	\$ <u>1,504,741</u>	\$ <u>591,804</u>

At June 30, 2016, amounts due to other local governments are as follows:

Other Local Governments:		
County of Sussex	\$ -	\$ <u>722,665</u>

COUNTY OF SUSSEX, VIRGINIA

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

Note 5—Capital Assets:

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

Primary Government:

	<u>Balance July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 10,445,596	\$ 95,487	\$ 10,752	\$ 10,530,331
Construction in progress	<u>10,179,858</u>	<u>3,199,880</u>	<u>-</u>	<u>13,379,738</u>
Total capital assets not subject to depreciation	<u>\$ 20,625,454</u>	<u>\$ 3,295,367</u>	<u>\$ 10,752</u>	<u>\$ 23,910,069</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,145,095	\$ 72,843	\$ -	\$ 8,217,938
Machinery and equipment	6,779,146	65,593	-	6,844,739
Jointly owned assets	<u>23,856,299</u>	<u>-</u>	<u>1,370,543</u>	<u>22,485,756</u>
Total capital assets being depreciated	<u>\$ 38,780,540</u>	<u>\$ 138,436</u>	<u>\$ 1,370,543</u>	<u>\$ 37,548,433</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,548,073	\$ 218,553	\$ -	\$ 3,766,626
Machinery and equipment	5,109,600	368,235	-	5,477,835
Jointly owned assets	<u>5,501,929</u>	<u>213,490</u>	<u>238,088</u>	<u>5,477,331</u>
Total accumulated depreciation	<u>\$ 14,159,602</u>	<u>\$ 800,278</u>	<u>\$ 238,088</u>	<u>\$ 14,721,792</u>
Total capital assets being depreciated, net	<u>\$ 24,620,938</u>	<u>\$ (661,842)</u>	<u>\$ 1,132,455</u>	<u>\$ 22,826,641</u>
Governmental activities capital assets, net	<u>\$ 45,246,392</u>	<u>\$ 2,633,525</u>	<u>\$ 1,143,207</u>	<u>\$ 46,736,710</u>
Component Unit - School Board:				
	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 111,236	\$ -	\$ 218	\$ 111,018
Total capital assets not subject to depreciation	<u>\$ 111,236</u>	<u>\$ -</u>	<u>\$ 218</u>	<u>\$ 111,018</u>
Capital assets subject to depreciation:				
Machinery and equipment	\$ 3,894,083	\$ 91,444	\$ -	\$ 3,985,527
Jointly owned assets	<u>22,405,234</u>	<u>-</u>	<u>(685,061)</u>	<u>23,090,295</u>
Total capital assets being depreciated	<u>\$ 26,299,317</u>	<u>\$ 91,444</u>	<u>\$ (685,061)</u>	<u>\$ 27,075,822</u>
Accumulated depreciation:				
Machinery and equipment	\$ 3,427,461	\$ 130,078	\$ -	\$ 3,557,539
Jointly owned assets	<u>5,167,271</u>	<u>219,230</u>	<u>(238,088)</u>	<u>5,624,589</u>
Total accumulated depreciation	<u>\$ 8,594,732</u>	<u>\$ 349,308</u>	<u>\$ (238,088)</u>	<u>\$ 9,182,128</u>
Total capital assets being depreciated, net	<u>\$ 17,704,585</u>	<u>\$ (257,864)</u>	<u>\$ (446,973)</u>	<u>\$ 17,893,694</u>
Governmental activities capital assets, net	<u>\$ 17,815,821</u>	<u>\$ (257,864)</u>	<u>\$ (446,755)</u>	<u>\$ 18,004,712</u>

COUNTY OF SUSSEX, VIRGINIA

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

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	121,514
Public safety	358,428
Public works	10,615
Health and welfare	35,690
Education	213,490
Parks, recreation and cultural	<u>5,698</u>
Total Governmental activities	<u>\$ 800,278</u>
Component Unit School Board	<u>\$ 349,308</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 433,790
County Capital Projects	<u>433,790</u>	<u>-</u>
Total	<u>\$ 433,790</u>	<u>\$ 433,790</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, 2016

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, 2016:

	<u>Balance at July 1, 2015</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 470,079	\$ 283,373	\$ 238,489	\$ 514,963	\$ 51,496
Capital leases (Note 8)	198,027	-	97,072	100,955	100,955
Landfill postclosure costs	2,842,805	-	49,107	2,793,698	-
Net pension liability	431,290	2,324,878	1,727,690	1,028,478	-
Net OPEB obligation	170,500	37,000	10,000	197,500	-
Total incurred by County	<u>\$ 4,112,701</u>	<u>\$ 2,645,251</u>	<u>\$ 2,122,358</u>	<u>\$ 4,635,594</u>	<u>\$ 152,451</u>
Incurred by School Board:					
Literary Fund Loans	\$ 8,525,614	\$ -	\$ 711,397	\$ 7,814,217	\$ 711,397
General obligation bonds	5,950,000	-	600,000	5,350,000	600,000
Bond premium	587,328	-	34,548	552,780	-
QZAB Bonds	3,291,428	-	-	3,291,428	-
Total incurred by School Board	<u>\$ 18,354,370</u>	<u>\$ -</u>	<u>\$ 1,345,945</u>	<u>\$ 17,008,425</u>	<u>\$ 1,311,397</u>
Total Governmental Activities Obligations	<u>\$ 22,467,071</u>	<u>\$ 2,645,251</u>	<u>\$ 3,468,303</u>	<u>\$ 21,644,019</u>	<u>\$ 1,463,848</u>

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COUNTY OF SUSSEX, VIRGINIA

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

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
2017	\$ 600,000	\$ 241,973	\$ -	\$ -	\$ 711,397	\$ 234,426
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>\$ 5,350,000</u>	<u>\$ 1,619,660</u>	<u>\$ 3,291,428</u>	<u>\$ -</u>	<u>\$ 7,814,217</u>	<u>\$ 1,415,390</u>

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COUNTY OF SUSSEX, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

General Obligations:

Incurred by County:

Landfill postclosure costs	\$	2,793,698
Net OPEB obligation	\$	197,500
Net Pension Liability	\$	1,028,478
Capital Leases	\$	100,955
Compensated absences (payable from the General Fund)	\$	514,963
Total incurred by County	\$	<u>4,635,594</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.	\$	1,480,000
\$4,560,000 VPSA bond issued May 10, 2016 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>3,870,000</u>
Total General Obligation Bonds	\$	<u>5,350,000</u>
Bond Premium	\$	<u>552,780</u>

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COUNTY OF SUSSEX, VIRGINIA

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

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%.	\$	3,612,703
\$7,002,530 Literary loan issued January 1, 2016, due in annual installments of \$350,127 through January 1, 2028, interest at 3%.		<u>4,201,514</u>
Total Literary Fund Loans	\$	<u>7,814,217</u>
Total incurred by School Board	\$	<u>17,008,425</u>
Total General Obligations, Primary Government	\$	<u><u>21,644,019</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, 2016:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Component Unit-School Board:					
VRS early retirement liability	\$ 785,393	\$ -	\$ 62,894	\$ 722,499	\$ 67,925
Net OPEB obligation	181,500	141,000	80,000	242,500	-
Net pension liability	12,646,000	2,967,000	3,139,000	12,474,000	-
Compensated absences	<u>702,744</u>	<u>155,846</u>	<u>70,274</u>	<u>788,316</u>	<u>78,832</u>
Total Component Unit-School Board	<u>\$ 14,315,637</u>	<u>\$ 3,263,846</u>	<u>\$ 3,352,168</u>	<u>\$ 14,227,315</u>	<u>\$ 146,757</u>

COUNTY OF SUSSEX, VIRGINIA

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

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
2017	\$ 67,925	\$ 57,801
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>\$ 722,499</u>	<u>\$ 283,309</u>

Details of long-term indebtedness:

General Obligations:

VRS early retirement liability, issued July 1, 1994 at 8% over 30 years	\$ <u>722,499</u>
Net OPEB obligation	\$ <u>242,500</u>
Net pension liability	\$ <u>12,474,000</u>
Compensated absences (Payable from the School Fund)	\$ <u>788,316</u>
Total General obligations, Component Unit - School Board	\$ <u>14,227,315</u>

COUNTY OF SUSSEX, VIRGINIA

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

Note 8—Capital Leases:

The government has entered into lease agreements as lessee for financing the acquisition of ten sheriff vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Primary Government</u>
Asset:	
Equipment	\$ 324,898
Less: accumulated depreciation	<u>(129,960)</u>
 Total	 <u><u>\$ 194,938</u></u>

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

<u>Year Ended June 30</u>	<u>Primary Government</u>
2017	<u>\$ 104,993</u>
Total minimum lease payments	\$ 104,993
Less: amount representing interest	<u>(4,038)</u>
 Present value of minimum lease payments	 <u><u>\$ 100,955</u></u>

Note 9—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 \$2,793,698 reported as landfill closure and postclosure liability at June 30, 2016, 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 2016. 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, 2016

Note 9—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 10—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. 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 \$471,029 at June 30, 2016.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2016 but paid in advance by the taxpayers totaled \$40,224 at June 30, 2016.

Note 11—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, 2016:

Fund	Project	Contractor	Amount Of Contract	Contract Outstanding At June 30, 2016
County Capital Projects	Radio Communication System	Harris Corporation	\$ 4,226,991	\$ 485,831

COUNTY OF SUSSEX, VIRGINIA

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

Note 12—Litigation:

At June 30, 2016, 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 13—Risk Management:

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 14—Pension Plan:

Plan Description

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

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

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

Note 14—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"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	66	28
Inactive members:		
Vested inactive members	11	2
Non-vested inactive members	12	9
Inactive members active elsewhere in VRS	56	12
Total inactive members	79	23
Active members	110	57
Total covered employees	255	108

Contributions

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

The County’s contractually required contribution rate for the year ended June 30, 2016 was 10.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$537,914 and \$507,532 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 7.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. However, during 2016, the Component Unit School Board paid an increased certified rate approved by the VRS of 7.85% of covered employee compensation.

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 \$76,127 and \$80,878 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability (Asset)

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

Actuarial Assumptions - General Employees

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

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

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

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

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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COUNTY OF SUSSEX, VIRGINIA

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

Note 14—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, 2016

Note 14—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, 2014	\$ 21,728,392	\$ 21,297,102	\$ 431,290
Changes for the year:			
Service cost	\$ 645,288	\$ -	\$ 645,288
Interest	1,491,519	-	1,491,519
Differences between expected and actual experience	174,511	-	174,511
Contributions - employer	-	507,532	(507,532)
Contributions - employee	-	236,929	(236,929)
Net investment income	-	983,229	(983,229)
Benefit payments, including refunds of employee contributions	(841,948)	(841,948)	-
Administrative expenses	-	(13,354)	13,354
Other changes	-	(206)	206
Net changes	\$ 1,469,370	\$ 872,182	\$ 597,188
Balances at June 30, 2015	\$ 23,197,762	\$ 22,169,284	\$ 1,028,478

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—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, 2014	\$ 3,163,223	\$ 3,249,296	\$ (86,073)
Changes for the year:			
Service cost	\$ 123,372	\$ -	\$ 123,372
Interest	216,841	-	216,841
Differences between expected and actual experience	(32,090)	-	(32,090)
Contributions - employer	-	80,878	(80,878)
Contributions - employee	-	51,355	(51,355)
Net investment income	-	149,384	(149,384)
Benefit payments, including refunds of employee contributions	(130,986)	(130,986)	-
Administrative expenses	-	(2,015)	2,015
Other changes	-	(33)	33
Net changes	\$ 177,137	\$ 148,583	\$ 28,554
Balances at June 30, 2015	\$ 3,340,360	\$ 3,397,879	\$ (57,519)

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)	\$ 3,966,365	\$ 1,028,478	\$ (1,422,185)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 333,066	\$ (57,519)	\$ (385,679)

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$253,564 and \$19,561, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,508	\$ -	\$ -	\$ 21,738
Net difference between projected and actual earnings on pension plan investments	-	568,163	-	85,105
Employer contributions subsequent to the measurement date	537,914	-	76,127	-
Total	<u>\$ 662,422</u>	<u>\$ 568,163</u>	<u>\$ 76,127</u>	<u>\$ 106,843</u>

\$537,814 and \$76,127 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (172,964)	\$ (43,922)
2018	(172,964)	(43,922)
2019	(198,464)	(34,606)
2020	100,737	15,607
Thereafter	-	-

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. 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. 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, 2016. Contributions to the pension plan from the School Board were \$1,208,321 and \$1,068,493 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability \$12,474,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.09911% as compared to 0.10465% at June 30, 2014.

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2016, the school division recognized pension expense \$681,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience \$	-	\$ 172,000
Net difference between projected and actual earnings on pension plan investments	-	764,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	947,000
Employer contributions subsequent to the measurement date	<u>1,208,321</u>	<u>-</u>
Total	<u>\$ 1,208,321</u>	<u>\$ 1,883,000</u>

\$1,208,321 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2017	\$ (570,000)
2018	(570,000)
2019	(570,000)
2020	(85,000)
Thereafter	(88,000)

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 14—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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* 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, 2016

Note 14—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	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	18,255,000 \$	12,474,000 \$	7,716,000

Pension Plan Fiduciary Net Position

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

COUNTY OF SUSSEX, VIRGINIA

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

Note 15—Surety Bonds:

	<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
Raymond R. Bell, 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 16—Jointly Governed Organizations:

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, 2016.

Note 17—Other Postemployment Benefits - Health Insurance:

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, 2016

Note 17—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	\$	43,000	\$	147,000
Interest on net OPEB obligation		7,000		7,000
Adjustment to annual required contribution		(13,000)		(13,000)
Annual OPEB cost (expense)	\$	37,000	\$	141,000
Contributions made		(10,000)		(80,000)
Increase in net OPEB obligation		27,000		61,000
Net OPEB obligation-beginning of year		170,500		181,500
Net OPEB obligation-end of year	\$	<u>197,500</u>	\$	<u>242,500</u>

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 2016 and two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
6/30/2014	\$ 21,000	33.33%	\$ 143,500
6/30/2015	37,000	27.03%	170,500
6/30/2016	37,000	27.03%	197,500
School Board:			
6/30/2014	\$ 138,000	44.93%	\$ 156,500
6/30/2015	139,000	82.01%	181,500
6/30/2016	141,000	56.74%	242,500

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

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 \$341,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,115,618, 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 \$1,100,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,050,382, 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.

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 18—Other Postemployment Benefits - Health Insurance Credit:

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 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, 2016, 2015, and 2014 were \$91,473, \$78,897, and \$84,925, respectively and equaled the required contributions for each year.

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COUNTY OF SUSSEX, VIRGINIA

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

Note 19—Fair Value Measurements:

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.)

The County has the following recurring fair value measurements as of June 30, 2016:

Investment type	Balance June 30, 2016	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)
Primary Government				
Money market mutual fund:				
QZAB bond sinking fund 2005	\$ 658,511	\$ 658,511	\$ -	\$ -
QZAB bond sinking fund 2006	1,099,467	1,099,467	-	-
	<u>\$ 1,757,978</u>	<u>\$ 1,757,978</u>	<u>\$ -</u>	<u>\$ -</u>

Note 20—Upcoming Pronouncements:

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

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

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

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

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

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

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

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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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 9,091,129	\$ 8,955,239	\$ 8,973,765	\$ 18,526
Other local taxes	1,269,615	1,242,061	1,288,235	46,174
Permits, privilege fees, and regulatory licenses	73,425	77,025	89,085	12,060
Fines and forfeitures	794,100	794,100	761,045	(33,055)
Revenue from the use of money and property	87,050	87,050	105,826	18,776
Charges for services	5,243,365	5,100,865	4,830,451	(270,414)
Miscellaneous	44,088	231,045	311,388	80,343
Recovered costs	616,205	473,723	364,728	(108,995)
Intergovernmental:				
Commonwealth	4,954,337	5,201,291	5,028,149	(173,142)
Federal	1,238,395	1,284,392	1,070,354	(214,038)
Total revenues	\$ 23,411,709	\$ 23,446,791	\$ 22,823,026	\$ (623,765)
EXPENDITURES				
Current:				
General government administration	\$ 1,744,915	\$ 1,702,785	\$ 1,651,120	\$ 51,665
Judicial administration	1,134,633	1,156,458	1,146,584	9,874
Public safety	5,508,111	5,721,820	5,302,180	419,640
Public works	781,873	783,562	712,289	71,273
Health and welfare	3,220,512	3,260,512	2,781,880	478,632
Education	7,964,170	8,037,350	7,952,062	85,288
Parks, recreation, and cultural	218,567	218,567	199,567	19,000
Community development	718,167	808,500	606,219	202,281
Capital projects	4,375	4,375	-	4,375
Debt service:				
Principal retirement	1,311,397	1,311,397	1,311,397	-
Interest and other fiscal charges	787,990	787,990	528,171	259,819
Total expenditures	\$ 23,394,710	\$ 23,793,316	\$ 22,191,469	\$ 1,601,847
Excess (deficiency) of revenues over (under) expenditures	\$ 16,999	\$ (346,525)	\$ 631,557	\$ 978,082
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (250,000)	\$ (2,561,006)	\$ (433,790)	\$ 2,127,216
Total other financing sources (uses)	\$ (250,000)	\$ (2,561,006)	\$ (433,790)	\$ 2,127,216
Net change in fund balances	\$ (233,001)	\$ (2,907,531)	\$ 197,767	\$ 3,105,298
Fund balances - beginning	233,001	2,907,531	5,848,151	2,940,620
Fund balances - ending	\$ -	\$ -	\$ 6,045,918	\$ 6,045,918

County of Sussex, Virginia
 Schedule of OPEB Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2016

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	-	341,000	341,000	0.00%	3,115,618	10.94%
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	-	1,100,000	1,100,000	0.00%	10,050,382	10.94%

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

	2015	2014
Total pension liability		
Service cost	\$ 645,288	\$ 590,927
Interest	1,491,519	1,406,176
Differences between expected and actual experience	174,511	-
Benefit payments, including refunds of employee contributions	(841,948)	(713,892)
Net change in total pension liability	\$ 1,469,370	\$ 1,283,211
Total pension liability - beginning	21,728,392	20,445,181
Total pension liability - ending (a)	\$ 23,197,762	\$ 21,728,392
Plan fiduciary net position		
Contributions - employer	\$ 507,532	\$ 575,363
Contributions - employee	236,929	246,243
Net investment income	983,229	2,902,874
Benefit payments, including refunds of employee contributions	(841,948)	(713,892)
Administrative expense	(13,354)	(15,408)
Other	(206)	153
Net change in plan fiduciary net position	\$ 872,182	\$ 2,995,333
Plan fiduciary net position - beginning	21,297,102	18,301,769
Plan fiduciary net position - ending (b)	\$ 22,169,284	\$ 21,297,102
County's net pension liability - ending (a) - (b)	\$ 1,028,478	\$ 431,290
Plan fiduciary net position as a percentage of the total pension liability	95.57%	98.02%
Covered payroll	\$ 4,764,080	\$ 4,861,046
County's net pension liability as a percentage of covered payroll	21.59%	8.87%

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

	2015	2014
Total pension liability		
Service cost	\$ 123,372	\$ 128,063
Interest	216,841	202,821
Differences between expected and actual experience	(32,090)	-
Benefit payments, including refunds of employee contributions	(130,986)	(130,207)
Net change in total pension liability	\$ 177,137	\$ 200,677
Total pension liability - beginning	3,163,223	2,962,546
Total pension liability - ending (a)	\$ 3,340,360	\$ 3,163,223
Plan fiduciary net position		
Contributions - employer	\$ 80,878	\$ 100,515
Contributions - employee	51,355	53,467
Net investment income	149,384	441,674
Benefit payments, including refunds of employee contributions	(130,986)	(130,207)
Administrative expense	(2,015)	(2,339)
Other	(33)	23
Net change in plan fiduciary net position	\$ 148,583	\$ 463,133
Plan fiduciary net position - beginning	3,249,296	2,786,163
Plan fiduciary net position - ending (b)	\$ 3,397,879	\$ 3,249,296
 School Division's net pension liability (asset) - ending (a) - (b)	 \$ (57,519)	 \$ (86,073)
 Plan fiduciary net position as a percentage of the total pension liability	 101.72%	 102.72%
 Covered payroll	 \$ 1,020,209	 \$ 1,069,192
 School Division's net pension liability (asset) as a percentage of covered payroll	 -5.64%	 -8.05%

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 Year Ended June 30, 2016*

	2016	2015
Employer's Proportion of the Net Pension Liability (Asset)	0.09911%	0.10465%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,474,000	\$ 12,646,000
Employer's Covered Payroll	8,594,033	7,650,889
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	145.15%	165.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 537,914	\$ 537,914	\$ -	\$ 5,036,650	10.68%
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%
2007	302,243	302,243	-	4,438,230	6.81%
Component Unit School Board (nonprofessional)					
2016	\$ 73,024	\$ 76,127	\$ (3,103)	\$ 969,777	7.85%
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%
2007	72,410	72,410	-	1,097,124	6.60%
Component Unit School Board (professional)					
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	-	7,818,919	11.66%
2012	486,617	486,617	-	7,687,472	6.33%
2011	276,392	276,392	-	7,032,875	3.93%
2010	713,077	713,077	-	8,093,950	8.81%
2009	726,146	726,146	-	8,242,293	8.81%
2008	838,683	838,683	-	8,142,553	10.30%
2007	707,331	707,331	-	7,688,380	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, 2016

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

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 43,312	\$ 43,312
Charges for services	35,500	-	-	-
Intergovernmental:				
Commonwealth	-	875,378	349,739	(525,639)
Total revenues	\$ 35,500	\$ 875,378	\$ 393,051	\$ (482,327)
EXPENDITURES				
Capital projects	\$ 165,000	\$ 5,059,895	\$ 3,491,491	\$ 1,568,404
Debt service:				
Principal retirement	97,072	97,072	97,072	-
Interest and other fiscal charges	7,928	7,928	7,921	7
Total expenditures	\$ 270,000	\$ 5,164,895	\$ 3,596,484	\$ 1,568,411
Excess (deficiency) of revenues over (under) expenditures	\$ (234,500)	\$ (4,289,517)	\$ (3,203,433)	\$ 1,086,084
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 250,000	\$ 2,389,235	\$ 433,790	\$ (1,955,445)
Total other financing sources (uses)	\$ 250,000	\$ 2,389,235	\$ 433,790	\$ (1,955,445)
Net change in fund balances	\$ 15,500	\$ (1,900,282)	\$ (2,769,643)	\$ (869,361)
Fund balances - beginning	(15,500)	1,900,282	9,027,769	7,127,487
Fund balances - ending	\$ -	\$ -	\$ 6,258,126	\$ 6,258,126

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, 2016

	County Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 25	\$ 25	\$ 24	\$ (1)
Charges for services	950	950	777	(173)
Intergovernmental:				
Commonwealth	-	4,247	6,947	2,700
Total revenues	<u>\$ 975</u>	<u>\$ 5,222</u>	<u>\$ 7,748</u>	<u>\$ 2,526</u>
EXPENDITURES				
Current:				
Judicial administration	\$ 2,400	\$ 2,400	\$ 175	\$ 2,225
Public safety	-	23,393	11,203	12,190
Total expenditures	<u>\$ 2,400</u>	<u>\$ 25,793</u>	<u>\$ 11,378</u>	<u>\$ 14,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,425)</u>	<u>\$ (20,571)</u>	<u>\$ (3,630)</u>	<u>\$ 16,941</u>
Net change in fund balances	\$ (1,425)	\$ (20,571)	\$ (3,630)	\$ 16,941
Fund balances - beginning	1,425	20,571	43,194	22,623
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,564</u>	<u>\$ 39,564</u>

County of Sussex, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	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
ASSETS										
Cash and cash equivalents	\$ 1,622	\$ 2,845	\$ 4,511	\$ 4,611	\$ 13,589	\$ 26,449	\$ 28,374	\$ 29,458	\$ 80,141	\$ 164,422
Total assets	\$ 1,622	\$ 2,845	\$ 4,511	\$ 4,611	\$ 13,589	\$ 26,449	\$ 28,374	\$ 29,458	\$ 80,141	\$ 164,422
LIABILITIES										
Amounts held for social services clients	\$ 1,622	\$ -	\$ -	\$ -	\$ 1,622	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts held for others	-	2,845	-	-	2,845	-	-	-	-	-
Amounts held for inmates	-	-	4,511	4,611	9,122	-	-	-	-	-
Total liabilities	\$ 1,622	\$ 2,845	\$ 4,511	\$ 4,611	\$ 13,589	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION										
Amounts held in trust for scholarships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,449	\$ 28,374	\$ 29,458	\$ 80,141	\$ 164,422
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,449	\$ 28,374	\$ 29,458	\$ 80,141	\$ 164,422
Total liabilities and net position	\$ 1,622	\$ 2,845	\$ 4,511	\$ 4,611	\$ 13,589	\$ 26,449	\$ 28,374	\$ 29,458	\$ 80,141	\$ 164,422

County of Sussex, Virginia
 Combining Statement of Changes in Assets and Liabilities - Agency Funds
 For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 4,429	\$ 8,890	\$ 11,697	\$ 1,622
Liabilities:				
Amounts held for social services clients	\$ 4,429	\$ 8,890	\$ 11,697	\$ 1,622
Sheriff Information:				
Assets:				
Cash and cash equivalents	\$ 3,025	\$ 7,318	\$ 7,498	\$ 2,845
Liabilities:				
Amounts held for others	\$ 3,025	\$ 7,318	\$ 7,498	\$ 2,845
Canteen:				
Assets:				
Cash and cash equivalents	\$ 4,247	\$ 4,945	\$ 4,681	\$ 4,511
Liabilities:				
Amounts held for inmates	\$ 4,247	\$ 4,945	\$ 4,681	\$ 4,511
Jail Inmate:				
Assets:				
Cash and cash equivalents	\$ 2,994	\$ 58,074	\$ 56,457	\$ 4,611
Liabilities:				
Amounts held for inmates	\$ 2,994	\$ 58,074	\$ 56,457	\$ 4,611
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 14,695	\$ 79,227	\$ 80,333	\$ 13,589
Total assets	\$ 14,695	\$ 79,227	\$ 80,333	\$ 13,589
Liabilities:				
Amounts held for inmates	\$ 7,241	\$ 63,019	\$ 61,138	\$ 9,122
Amounts held for others	3,025	7,318	7,498	2,845
Amounts held for social services clients	4,429	8,890	11,697	1,622
Total liabilities	\$ 14,695	\$ 79,227	\$ 80,333	\$ 13,589

*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, 2016

	School Operating <u>Fund</u>	School Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,531,380	\$ 132,739	\$ 1,664,119
Receivables (net of allowance for uncollectibles):			
Accounts receivable	762	-	762
Due from other governmental units	560,306	31,498	591,804
Prepaid items	125,726	-	125,726
Total assets	<u>\$ 2,218,174</u>	<u>\$ 164,237</u>	<u>\$ 2,382,411</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 130,200	\$ 8,423	\$ 138,623
Accrued liabilities	1,239,583	37,965	1,277,548
Due to other governmental units	722,665	-	722,665
Total liabilities	<u>\$ 2,092,448</u>	<u>\$ 46,388</u>	<u>\$ 2,138,836</u>
Fund balances:			
Nonspendable	\$ 125,726	-	\$ 125,726
Committed:			
School cafeteria fund	-	16,358	16,358
School textbook fund	-	101,491	101,491
Total fund balances	<u>\$ 125,726</u>	<u>\$ 117,849</u>	<u>\$ 243,575</u>
Total liabilities and fund balances	<u>\$ 2,218,174</u>	<u>\$ 164,237</u>	<u>\$ 2,382,411</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above \$ 243,575

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	\$ 27,186,840	
Accumulated depreciation	<u>(9,182,128)</u>	18,004,712

The net pension asset is not an available resource and, therefore, is not reported in the funds. 57,519

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

Items related to measurement of net pension liability	(1,989,843)
-------------------------------------------------------	-------------

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. 1,284,448

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	\$ (722,499)	
Net OPEB obligation	(242,500)	
Net pension liability	(12,474,000)	
Compensated absences	<u>(788,316)</u>	(14,227,315)

Net position of governmental activities \$ 3,373,096

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, 2016

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 674	\$ 9	\$ 683
Charges for services	-	174,964	174,964
Miscellaneous	221,767	-	221,767
Intergovernmental:			
Local government	7,947,062	-	7,947,062
Commonwealth	7,409,530	75,403	7,484,933
Federal	1,125,683	690,103	1,815,786
Total revenues	<u>\$ 16,704,716</u>	<u>\$ 940,479</u>	<u>\$ 17,645,195</u>
EXPENDITURES			
Current:			
Education	\$ 16,578,990	\$ 968,903	\$ 17,547,893
Debt service:			
Principal retirement	62,894	-	62,894
Interest and other fiscal charges	62,832	-	62,832
Total expenditures	<u>\$ 16,704,716</u>	<u>\$ 968,903</u>	<u>\$ 17,673,619</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (28,424)	\$ (28,424)
Net change in fund balances	\$ -	\$ (28,424)	\$ (28,424)
Fund balances - beginning	125,726	146,273	271,999
Fund balances - ending	<u>\$ 125,726</u>	<u>\$ 117,849</u>	<u>\$ 243,575</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 \$ (28,424)

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	\$ 446,973	
Capital outlays	91,444	
Depreciation expense	<u>(349,308)</u>	189,109

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position. (218)

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

(Increase) decrease in items related to measurement of net pension liability/asset 492,871

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 62,894

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	\$ (85,572)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	156,456	
(Increase) decrease in net pension liability/asset	143,446	
(Increase) decrease in net OPEB obligation	<u>(61,000)</u>	153,330

Change in net position of governmental activities \$ 869,562

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, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 674	\$ (326)
Miscellaneous	85,500	138,200	221,767	83,567
Intergovernmental:				
Local government	7,938,609	8,011,789	7,947,062	(64,727)
Commonwealth	7,634,872	7,561,127	7,409,530	(151,597)
Federal	1,215,212	1,236,258	1,125,683	(110,575)
Total revenues	<u>\$ 16,875,193</u>	<u>\$ 16,948,374</u>	<u>\$ 16,704,716</u>	<u>\$ (243,658)</u>
EXPENDITURES				
Current:				
Education	\$ 16,749,467	\$ 16,822,648	\$ 16,578,990	\$ 243,658
Debt service:				
Principal retirement	62,894	62,894	62,894	-
Interest and other fiscal charges	62,832	62,832	62,832	-
Total expenditures	<u>\$ 16,875,193</u>	<u>\$ 16,948,374</u>	<u>\$ 16,704,716</u>	<u>\$ 243,658</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, 2016

	School Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 9	\$ 9
Charges for services	305,475	305,475	174,964	(130,511)
Intergovernmental:				
Local government	20,561	20,561	-	(20,561)
Commonwealth	79,251	79,251	75,403	(3,848)
Federal	605,000	649,130	690,103	40,973
Total revenues	<u>\$ 1,010,287</u>	<u>\$ 1,054,417</u>	<u>\$ 940,479</u>	<u>\$ (113,938)</u>
EXPENDITURES				
Current:				
Education	\$ 1,010,287	\$ 1,054,417	\$ 968,903	\$ 85,514
Total expenditures	<u>\$ 1,010,287</u>	<u>\$ 1,054,417</u>	<u>\$ 968,903</u>	<u>\$ 85,514</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (28,424)	\$ (28,424)
Net change in fund balances	\$ -	\$ -	\$ (28,424)	\$ (28,424)
Fund balances - beginning	-	-	146,273	146,273
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,849</u>	<u>\$ 117,849</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, 2016

<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)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,670,000	\$ 4,631,101	\$ 4,633,591	\$ 2,490
Real and personal public service corporation taxes	563,000	644,138	644,197	59
Personal property taxes	2,243,514	2,211,795	2,181,038	(30,757)
Mobile home taxes	18,000	18,000	19,744	1,744
Machinery and tools taxes	1,287,535	1,174,116	1,227,595	53,479
Merchants capital taxes	123,080	80,089	80,047	(42)
Penalties	84,000	94,000	85,160	(8,840)
Interest	102,000	102,000	102,393	393
Total general property taxes	<u>\$ 9,091,129</u>	<u>\$ 8,955,239</u>	<u>\$ 8,973,765</u>	<u>\$ 18,526</u>
Other local taxes:				
Local sales and use taxes	\$ 722,415	\$ 809,861	\$ 828,000	\$ 18,139
Consumers' utility taxes	95,000	95,000	91,165	(3,835)
Consumption tax	38,000	38,000	37,498	(502)
Business license taxes	140,100	25,100	52,228	27,128
Motor vehicle licenses	226,500	226,500	222,229	(4,271)
Bank stock taxes	2,600	2,600	3,557	957
Transient occupancy taxes	45,000	45,000	53,558	8,558
Total other local taxes	<u>\$ 1,269,615</u>	<u>\$ 1,242,061</u>	<u>\$ 1,288,235</u>	<u>\$ 46,174</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,300	\$ 8,300	\$ 7,720	\$ (580)
Transfer fees	325	325	412	87
Permits and other licenses	64,800	68,400	80,953	12,553
Total permits, privilege fees, and regulatory licenses	<u>\$ 73,425</u>	<u>\$ 77,025</u>	<u>\$ 89,085</u>	<u>\$ 12,060</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 794,100	\$ 794,100	\$ 761,045	\$ (33,055)
Total fines and forfeitures	<u>\$ 794,100</u>	<u>\$ 794,100</u>	<u>\$ 761,045</u>	<u>\$ (33,055)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 13,050	\$ 13,050	\$ 25,774	\$ 12,724
Revenue from use of property	74,000	74,000	80,052	6,052
Total revenue from use of money and property	<u>\$ 87,050</u>	<u>\$ 87,050</u>	<u>\$ 105,826</u>	<u>\$ 18,776</u>
Charges for services:				
Sheriff fees	\$ 665	\$ 665	\$ 665	\$ -
Charges for court costs	2,750	2,750	5,085	2,335
Charges for Commonwealth's Attorney	1,650	1,650	1,786	136
Courthouse security fees	180,000	160,000	140,780	(19,220)
Charges for courthouse maintenance fees	-	27,500	26,358	(1,142)
Charges for correction and detention	3,800	3,800	3,753	(47)
Charges for other protection	1,500	1,500	3,359	1,859
Charges for sanitation and waste removal:				
Tipping fees	4,800,000	4,650,000	4,396,660	(253,340)
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, 2016

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for community development	\$ 25,000	\$ 25,000	\$ 24,408	\$ (592)
Other charges for services	3,000	3,000	2,597	(403)
Total charges for services	\$ 5,243,365	\$ 5,100,865	\$ 4,830,451	\$ (270,414)
Miscellaneous:				
Miscellaneous	\$ 44,088	\$ 231,045	\$ 311,388	\$ 80,343
Recovered costs:				
Wakefield sheriff patrol	\$ 68,000	\$ 68,829	\$ 68,157	\$ (672)
Jurors	6,000	6,000	6,728	728
Jail clean up	19,500	19,500	17,946	(1,554)
Clerk of the circuit court	1,000	1,000	623	(377)
Indoor plumbing	3,725	3,725	4,157	432
CDBG housing loan payments	4,350	4,350	4,019	(331)
VHDA	83,202	83,202	83,564	362
Rescue squad vehicle purchase	145,000	-	-	-
Waverly rescue	130,000	130,000	130,000	-
Trash collections - school board	62,000	62,000	47,685	(14,315)
Other recovered costs	93,428	95,117	1,849	(93,268)
Total recovered costs	\$ 616,205	\$ 473,723	\$ 364,728	\$ (108,995)
Total revenue from local sources	\$ 17,218,977	\$ 16,961,108	\$ 16,724,523	\$ (236,585)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 92,180	\$ 92,180	\$ 77,776	\$ (14,404)
Mobile home titling tax	18,000	18,000	8,576	(9,424)
Taxes on deeds	65,000	65,000	77,690	12,690
Motor vehicle rental tax	-	-	326	326
Payment in lieu of taxes-prison	18,020	46,241	46,242	1
State recordation tax	18,000	18,000	21,523	3,523
Personal property tax relief funds	1,149,486	1,149,486	1,159,399	9,913
Communication taxes	180,000	180,000	169,602	(10,398)
Total noncategorical aid	\$ 1,540,686	\$ 1,568,907	\$ 1,561,134	\$ (7,773)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 240,172	\$ 240,172	\$ 240,112	\$ (60)
Sheriff	1,316,592	1,316,592	1,308,684	(7,908)
Commissioner of revenue	74,425	74,425	74,425	-
Treasurer	85,578	85,578	85,576	(2)
Registrar/electoral board	38,000	38,000	48,290	10,290
Clerk of circuit court	189,603	189,603	206,749	17,146
Local jails	128,000	128,000	107,800	(20,200)
Total shared expenses	\$ 2,072,370	\$ 2,072,370	\$ 2,071,636	\$ (734)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 542,000	\$ 542,000	\$ 461,668	\$ (80,332)
Fire programs fund	25,363	25,363	27,932	2,569
Litter control	-	2,981	2,981	-
Comprehensive services act	555,608	555,608	466,265	(89,343)
Emergency medical services	9,900	9,900	10,042	142
Wireless funds	108,000	80,000	81,103	1,103
Art grant	5,000	5,000	5,000	-
Victim-witness grant	55,250	55,250	56,903	1,653
Animal friendly plates	160	160	107	(53)
Timber sale	40,000	100,568	21,881	(78,687)
PSAP grant	-	147,577	224,932	77,355
School resource officer	-	32,075	32,075	-
Criminal justice grant	-	3,532	-	(3,532)
Other state grants	-	-	4,490	4,490
Total other categorical aid	<u>\$ 1,341,281</u>	<u>\$ 1,560,014</u>	<u>\$ 1,395,379</u>	<u>\$ (164,635)</u>
 Total categorical aid	 <u>\$ 3,413,651</u>	 <u>\$ 3,632,384</u>	 <u>\$ 3,467,015</u>	 <u>\$ (165,369)</u>
 Total revenue from the Commonwealth	 <u>\$ 4,954,337</u>	 <u>\$ 5,201,291</u>	 <u>\$ 5,028,149</u>	 <u>\$ (173,142)</u>
 Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	1,237,595	1,237,595	\$ 1,038,587	\$ (199,008)
Community development block grant	-	30,000	6,442	(23,558)
Victim-witness grant	-	-	8,535	8,535
Highway safety grant	-	15,997	14,997	(1,000)
DHCD grant	-	-	1,793	1,793
Social security administration	800	800	-	(800)
Total categorical aid	<u>\$ 1,238,395</u>	<u>\$ 1,284,392</u>	<u>\$ 1,070,354</u>	<u>\$ (214,038)</u>
 Total revenue from the federal government	 <u>\$ 1,238,395</u>	 <u>\$ 1,284,392</u>	 <u>\$ 1,070,354</u>	 <u>\$ (214,038)</u>
 Total General Fund	 <u>\$ 23,411,709</u>	 <u>\$ 23,446,791</u>	 <u>\$ 22,823,026</u>	 <u>\$ (623,765)</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	\$ 25	\$ 25	\$ 24	\$ (1)
Total revenue from use of money and property	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 24</u>	<u>\$ (1)</u>
 Charges for services:				
Law library fees	\$ 950	\$ 950	\$ 777	\$ (173)
Total charges for services	<u>\$ 950</u>	<u>\$ 950</u>	<u>\$ 777</u>	<u>\$ (173)</u>
 Total revenue from local sources	 <u>\$ 975</u>	 <u>\$ 975</u>	 <u>\$ 801</u>	 <u>\$ (174)</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 4,247	\$ 6,947	\$ 2,700
Total categorical aid	\$ -	\$ 4,247	\$ 6,947	\$ 2,700
Total revenue from the Commonwealth	\$ -	\$ 4,247	\$ 6,947	\$ 2,700
Total County Special Revenue Fund	\$ 975	\$ 5,222	\$ 7,748	\$ 2,526
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 43,312	\$ 43,312
Total revenue from use of money and property	\$ -	\$ -	\$ 43,312	\$ 43,312
Charges for services:				
Courthouse maintenance fees	\$ 35,500	\$ -	\$ -	\$ -
Total charges for services	\$ 35,500	\$ -	\$ -	\$ -
Total revenue from local sources	\$ 35,500	\$ -	\$ 43,312	\$ 43,312
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grants	\$ -	\$ 875,378	\$ 349,739	\$ (525,639)
Total revenue from the Commonwealth	\$ -	\$ 875,378	\$ 349,739	\$ (525,639)
Total County Capital Projects Fund	\$ 35,500	\$ 875,378	\$ 393,051	\$ (482,327)
Total Primary Government	\$ 23,448,184	\$ 24,327,391	\$ 23,223,825	\$ (1,103,566)
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	\$ 674	\$ (326)
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 674	\$ (326)
Miscellaneous:				
Miscellaneous	\$ 85,500	\$ 138,200	\$ 221,767	\$ 83,567
Total miscellaneous	\$ 85,500	\$ 138,200	\$ 221,767	\$ 83,567
Total revenue from local sources	\$ 86,500	\$ 139,200	\$ 222,441	\$ 83,241

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 7,938,609	\$ 8,011,789	\$ 7,947,062	\$ (64,727)
Total revenues from local governments	\$ 7,938,609	\$ 8,011,789	\$ 7,947,062	\$ (64,727)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,392,018	\$ 1,392,018	\$ 1,392,336	\$ 318
Basic school aid	3,368,338	3,368,338	3,248,143	(120,195)
Remedial summer education	57,011	57,011	66,617	9,606
Regular foster care	15,850	15,850	7,792	(8,058)
Gifted and talented	31,761	31,761	30,842	(919)
Remedial education	236,515	236,515	229,678	(6,837)
Special education	649,402	649,402	630,630	(18,772)
GED funding	7,859	7,859	7,859	-
Compensation supplement	63,535	63,535	61,656	(1,879)
Vocational education	119,498	119,498	116,093	(3,405)
School fringes	679,810	679,810	660,160	(19,650)
Mentor teacher program	452	452	630	178
Early reading intervention	22,374	22,374	22,374	-
English as a second language	10,355	10,355	6,770	(3,585)
Special education - foster children	-	-	15,974	15,974
At risk payments	346,942	346,942	337,111	(9,831)
Standards of Learning algebra readiness	27,055	27,055	22,988	(4,067)
Primary class size	325,072	325,072	314,275	(10,797)
Educational technology	168,400	168,400	185,370	16,970
Homebound	12,625	12,625	9,887	(2,738)
Project graduation	-	23,423	18,063	(5,360)
Other state funds	100,000	2,832	24,282	21,450
Total categorical aid	\$ 7,634,872	\$ 7,561,127	\$ 7,409,530	\$ (151,597)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 384,550	\$ 384,550	\$ 425,655	\$ 41,105
Title VI-B, special education flow-through	306,257	306,257	283,093	(23,164)
Vocational education	23,500	29,077	50,284	21,207
Title VI-B, special education pre-school	8,834	8,834	13,582	4,748
Title V	-	2,112	1,900	(212)
Rural education	21,249	21,249	7,759	(13,490)
Title II Part A	87,841	87,841	14,001	(73,840)
Gear up	15,000	28,357	26,062	(2,295)
JROTC	56,000	56,000	68,647	12,647
Preschool expansion	291,981	291,981	234,577	(57,404)
Other federal funds	20,000	20,000	123	(19,877)
Total categorical aid	\$ 1,215,212	\$ 1,236,258	\$ 1,125,683	\$ (110,575)
Total School Operating Fund	\$ 16,875,193	\$ 16,948,374	\$ 16,704,716	\$ (243,658)

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9	\$ 9
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 9</u>
Charges for services:				
Cafeteria sales	\$ 305,475	\$ 305,475	\$ 174,964	\$ (130,511)
Total charges for services	<u>\$ 305,475</u>	<u>\$ 305,475</u>	<u>\$ 174,964</u>	<u>\$ (130,511)</u>
Total revenue from local sources	<u>\$ 305,475</u>	<u>\$ 305,475</u>	<u>\$ 174,973</u>	<u>\$ (130,502)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 20,561	\$ 20,561	\$ -	\$ (20,561)
Total revenues from local governments	<u>\$ 20,561</u>	<u>\$ 20,561</u>	<u>\$ -</u>	<u>\$ (20,561)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 14,230	\$ 14,230	\$ 12,261	\$ (1,969)
Textbook payment	65,021	65,021	63,142	(1,879)
Total categorical aid	<u>\$ 79,251</u>	<u>\$ 79,251</u>	<u>\$ 75,403</u>	<u>\$ (3,848)</u>
Total revenue from the Commonwealth	<u>\$ 79,251</u>	<u>\$ 79,251</u>	<u>\$ 75,403</u>	<u>\$ (3,848)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 605,000	\$ 605,000	\$ 616,554	\$ 11,554
Commodities	-	44,130	44,130	-
Summer feeding	-	-	29,419	29,419
Total categorical aid	<u>\$ 605,000</u>	<u>\$ 649,130</u>	<u>\$ 690,103</u>	<u>\$ 40,973</u>
Total revenue from the federal government	<u>\$ 605,000</u>	<u>\$ 649,130</u>	<u>\$ 690,103</u>	<u>\$ 40,973</u>
Total School Special Revenue Fund	<u>\$ 1,010,287</u>	<u>\$ 1,054,417</u>	<u>\$ 940,479</u>	<u>\$ (113,938)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,885,480</u>	<u>\$ 18,002,791</u>	<u>\$ 17,645,195</u>	<u>\$ (357,596)</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 125,182	\$ 130,182	\$ 117,056	\$ 13,126
General and financial administration:				
County administrator	\$ 637,863	\$ 639,023	\$ 602,777	\$ 36,246
Legal services	101,152	101,152	87,300	13,852
Commissioner of revenue	227,632	227,632	227,820	(188)
Treasurer	394,914	394,914	379,255	15,659
Central accounting	61,160	26,160	40,818	(14,658)
Other general and financial administration	25,000	11,710	2,492	9,218
Total general and financial administration	<u>\$ 1,447,721</u>	<u>\$ 1,400,591</u>	<u>\$ 1,340,462</u>	<u>\$ 60,129</u>
Board of elections:				
Electoral board and officials	\$ 172,012	\$ 172,012	\$ 193,602	\$ (21,590)
Total general government administration	<u>\$ 1,744,915</u>	<u>\$ 1,702,785</u>	<u>\$ 1,651,120</u>	<u>\$ 51,665</u>
Judicial administration:				
Courts:				
Circuit court	\$ 44,790	\$ 44,790	\$ 38,426	\$ 6,364
General district court	23,975	23,975	17,372	6,603
Special magistrates	7,125	7,125	8,411	(1,286)
Juvenile and domestic relations court	8,941	8,941	8,941	-
Sheriff	181,424	181,424	199,675	(18,251)
Victim witness	68,788	77,323	74,601	2,722
Clerk of the circuit court	361,690	361,690	354,294	7,396
Total courts	<u>\$ 696,733</u>	<u>\$ 705,268</u>	<u>\$ 701,720</u>	<u>\$ 3,548</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 437,900	\$ 451,190	\$ 444,864	\$ 6,326
Total commonwealth's attorney	<u>\$ 437,900</u>	<u>\$ 451,190</u>	<u>\$ 444,864</u>	<u>\$ 6,326</u>
Total judicial administration	<u>\$ 1,134,633</u>	<u>\$ 1,156,458</u>	<u>\$ 1,146,584</u>	<u>\$ 9,874</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,771,895	\$ 1,868,768	\$ 1,757,829	\$ 110,939
School resource officer grant	98,653	148,653	136,945	11,708
911 services	203,259	232,098	235,244	(3,146)
Wakefield operations	60,812	60,812	46,588	14,224
Total law enforcement and traffic control	<u>\$ 2,134,619</u>	<u>\$ 2,310,331</u>	<u>\$ 2,176,606</u>	<u>\$ 133,725</u>
Fire and rescue services:				
Fire department	\$ 151,103	\$ 153,210	\$ 140,598	\$ 12,612
Ambulance and rescue services	751,733	751,733	668,879	82,854
Forest fire extinction services	24,000	24,000	23,837	163
Emergency services	200,675	200,675	202,925	(2,250)
Total fire and rescue services	<u>\$ 1,127,511</u>	<u>\$ 1,129,618</u>	<u>\$ 1,036,239</u>	<u>\$ 93,379</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Confinement and care of prisoners	\$ 1,780,732	\$ 1,816,622	\$ 1,660,620	\$ 156,002
Total correction and detention	<u>\$ 1,780,732</u>	<u>\$ 1,816,622</u>	<u>\$ 1,660,620</u>	<u>\$ 156,002</u>
Inspections:				
Building	\$ 224,677	\$ 224,677	\$ 218,174	\$ 6,503
Total inspections	<u>\$ 224,677</u>	<u>\$ 224,677</u>	<u>\$ 218,174</u>	<u>\$ 6,503</u>
Other protection:				
Animal control	\$ 240,572	\$ 240,572	\$ 210,541	\$ 30,031
Total other protection	<u>\$ 240,572</u>	<u>\$ 240,572</u>	<u>\$ 210,541</u>	<u>\$ 30,031</u>
Total public safety	<u>\$ 5,508,111</u>	<u>\$ 5,721,820</u>	<u>\$ 5,302,180</u>	<u>\$ 419,640</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 156,800	\$ 156,800	\$ 124,587	\$ 32,213
Total sanitation and waste removal	<u>\$ 156,800</u>	<u>\$ 156,800</u>	<u>\$ 124,587</u>	<u>\$ 32,213</u>
Maintenance of general buildings and grounds:				
General properties	\$ 563,073	\$ 564,762	\$ 513,058	\$ 51,704
General works	62,000	62,000	74,644	(12,644)
Total maintenance of general buildings and grounds	<u>\$ 625,073</u>	<u>\$ 626,762</u>	<u>\$ 587,702</u>	<u>\$ 39,060</u>
Total public works	<u>\$ 781,873</u>	<u>\$ 783,562</u>	<u>\$ 712,289</u>	<u>\$ 71,273</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	\$ 2,203,433	\$ 2,243,433	\$ 1,807,203	\$ 436,230
Area agency on aging	7,060	7,060	7,060	-
Mission Ministries tornado relief	-	-	46,417	(46,417)
Other social services	69,031	69,031	68,031	1,000
Comprehensive services act	700,000	700,000	612,181	87,819
Total welfare	<u>\$ 2,979,524</u>	<u>\$ 3,019,524</u>	<u>\$ 2,540,892</u>	<u>\$ 478,632</u>
Total health and welfare	<u>\$ 3,220,512</u>	<u>\$ 3,260,512</u>	<u>\$ 2,781,880</u>	<u>\$ 478,632</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Contribution to County School Board	7,959,170	8,032,350	7,947,062	85,288
Total education	<u>\$ 7,964,170</u>	<u>\$ 8,037,350</u>	<u>\$ 7,952,062</u>	<u>\$ 85,288</u>

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

Schedule 2
Page 3 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>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 35,000	\$ 35,000	\$ 16,000	\$ 19,000
Total parks and recreation	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 16,000</u>	<u>\$ 19,000</u>
Cultural enrichment:				
Wakefield foundation	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Carpenter museum	10,000	10,000	10,000	-
Total cultural enrichment	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 163,567	\$ 163,567	\$ 163,567	\$ -
Total library	<u>\$ 163,567</u>	<u>\$ 163,567</u>	<u>\$ 163,567</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 218,567</u>	<u>\$ 218,567</u>	<u>\$ 199,567</u>	<u>\$ 19,000</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 179,479	\$ 232,831	\$ 172,474	\$ 60,357
Industrial development authority	500	500	-	500
Planning district commission	9,790	9,790	9,790	-
Indoor plumbing	3,838	3,838	1,944	1,894
Housing assistance and other	210,096	244,096	200,824	43,272
Total planning and community development	<u>\$ 403,703</u>	<u>\$ 491,055</u>	<u>\$ 385,032</u>	<u>\$ 106,023</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 3,355	\$ 3,355	\$ 3,355	\$ -
Environmental inspection	230,071	230,071	139,945	90,126
Other environmental management	9,200	9,200	7,200	2,000
Total environmental management	<u>\$ 242,626</u>	<u>\$ 242,626</u>	<u>\$ 150,500</u>	<u>\$ 92,126</u>
Cooperative extension program:				
Extension office	\$ 71,838	\$ 74,819	\$ 70,687	\$ 4,132
Total cooperative extension program	<u>\$ 71,838</u>	<u>\$ 74,819</u>	<u>\$ 70,687</u>	<u>\$ 4,132</u>
Total community development	<u>\$ 718,167</u>	<u>\$ 808,500</u>	<u>\$ 606,219</u>	<u>\$ 202,281</u>
Capital projects:				
CDBG housing program	\$ 4,375	\$ 4,375	\$ -	\$ 4,375
Total capital projects	<u>\$ 4,375</u>	<u>\$ 4,375</u>	<u>\$ -</u>	<u>\$ 4,375</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 1,311,397	\$ 1,311,397	\$ 1,311,397	\$ -
Interest and other fiscal charges	787,990	787,990	528,171	259,819
Total debt service	<u>2,099,387</u>	<u>2,099,387</u>	<u>1,839,568</u>	<u>259,819</u>
Total General Fund	<u>\$ 23,394,710</u>	<u>\$ 23,793,316</u>	<u>\$ 22,191,469</u>	<u>\$ 1,601,847</u>

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

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	\$ 2,400	\$ 2,400	\$ 175	\$ 2,225
Total judicial administration	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 175</u>	<u>\$ 2,225</u>
Public Safety:				
Other Protection:				
Forfeited assets	\$ -	\$ 23,393	\$ 11,203	\$ 12,190
Total other protection	<u>\$ -</u>	<u>\$ 23,393</u>	<u>\$ 11,203</u>	<u>\$ 12,190</u>
Total public safety	<u>\$ -</u>	<u>\$ 23,393</u>	<u>\$ 11,203</u>	<u>\$ 12,190</u>
Total County Special Revenue Fund	<u>\$ 2,400</u>	<u>\$ 25,793</u>	<u>\$ 11,378</u>	<u>\$ 14,415</u>
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ -	\$ 4,993,781	\$ 3,392,963	\$ 1,600,818
School capital projects	-	-	32,935	(32,935)
Vehicle replacement	165,000	66,114	65,593	521
Total capital projects	<u>\$ 165,000</u>	<u>\$ 5,059,895</u>	<u>\$ 3,491,491</u>	<u>\$ 1,568,404</u>
Debt service:				
Principal retirement	\$ 97,072	\$ 97,072	\$ 97,072	\$ -
Interest and other fiscal charges	7,928	7,928	7,921	7
Total debt service	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 104,993</u>	<u>\$ 7</u>
Total County Capital Projects Fund	<u>\$ 270,000</u>	<u>\$ 5,164,895</u>	<u>\$ 3,596,484</u>	<u>\$ 1,568,411</u>
Total Primary Government	<u>\$ 23,667,110</u>	<u>\$ 28,984,004</u>	<u>\$ 25,799,331</u>	<u>\$ 3,184,673</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,007,346	\$ 1,074,530	\$ 1,157,080	\$ (82,550)
Instruction costs	12,241,351	12,251,868	12,037,630	214,238
Pupil transportation	1,564,231	1,564,231	1,651,098	(86,867)
Operation and maintenance of school plant	1,936,539	1,932,019	1,733,182	198,837
Total education	<u>\$ 16,749,467</u>	<u>\$ 16,822,648</u>	<u>\$ 16,578,990</u>	<u>\$ 243,658</u>
Debt service:				
Principal retirement	\$ 62,894	\$ 62,894	\$ 62,894	\$ -
Interest and other fiscal charges	62,832	62,832	62,832	-
Total debt service	<u>\$ 125,726</u>	<u>\$ 125,726</u>	<u>\$ 125,726</u>	<u>\$ -</u>
Total School Operating Fund	<u>\$ 16,875,193</u>	<u>\$ 16,948,374</u>	<u>\$ 16,704,716</u>	<u>\$ 243,658</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Education:				
Textbooks	\$ 85,582	\$ 85,582	\$ 59,567	\$ 26,015
Commodities	-	44,130	44,130	-
School food services	924,705	924,705	865,206	59,499
	<hr/>			
Total School Special Revenue Fund	\$ 1,010,287	\$ 1,054,417	\$ 968,903	\$ 85,514
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Total Discretely Presented Component Unit - School Board	\$ 17,885,480	\$ 18,002,791	\$ 17,673,619	\$ 329,172
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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 Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2007	\$ 1,714,597	\$ 959,376	\$ 4,961,173	\$ 818,400	\$ 3,010,045	\$ 8,894,187	\$ 202,177	\$ 1,319,723	\$ 398,784	\$ 22,278,462
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

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
2007	\$ 10,439,597	\$ 4,491,605	\$ 307,875	\$ 7,139,978	\$ 1,144,545	\$ 670,959	\$ 110,145	\$ 1,491,852	\$ 25,796,556	
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	

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
2007	\$ 1,520,901	\$ 830,161	\$ 4,991,684	\$ 913,695	\$ 3,028,519	\$ 19,622,909	\$ 166,566	\$ 943,953	\$ 3,353,526	\$ 35,371,914
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

(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
2007	\$ 7,050,851	\$ 1,144,545	\$ 119,255	\$ 760,953	\$ 490,996	\$ 9,868,990	\$ 475,353	\$ 377,086	\$ 18,689,800	\$ 38,977,829
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

(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		
2007	\$ 7,926,042	\$ 7,827,628	98.76%	\$ 100,868	\$ 7,928,496	100.03%	\$ 229,132	2.89%	
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%	

(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	
2007	\$ 759,517,159	\$ 64,742,170	\$ 21,332,385	\$ 7,087,015	\$ 70,531,378	\$ 754,449	\$ 923,964,556	
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	

(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
2006	\$ 0.48	\$ 0.48	\$ 4.85	\$ 4.85	\$ 1.00
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

(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	
				Debt Service Monies Available	Debt Assumed by Other Localities		Assessed Value	Net Bonded Debt per Capita
2007	12,504	\$ 923,964,556	\$ 11,674,133	\$ -	\$ -	\$ 11,674,133	1.26%	\$ 934
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

(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

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

To The Honorable Members of the Board of Supervisors
County of 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, 2016, 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 11, 2016.

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, Farnham, Cox Associates

Richmond, Virginia
November 11, 2016

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, 2016. 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, 2016.

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, Farner, Cox Associates

Richmond, Virginia
November 11, 2016

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 934
Temporary Assistance for Needy Families	93.558	0400115/0400116	207,378
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116	227
Low Income Home Energy Assistance	93.568	0600415/00600416	23,788
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760115/0760116	34,306
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/090116	1,132
Foster Care - Title IV-E	93.658	1100115/1100116	77,697
Adoption Assistance	93.659	1120115/1120116	49,668
Social Services Block Grant	93.667	1000115/1000116	161,317
Chafee Foster Care Independence Program	93.674	9150115/9150116	1,451
Children's Health Insurance Program	93.767	0540115/0540116	8,009
Medical Assistance Program	93.778	1200115/1200116	259,075
Total Department of Health and Human Services			<u>\$ 824,982</u>
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.559	17901	\$ 688
Department of Health:			
Summer Food Service Program for Children	10.559	17901	29,419
			<u>\$ 30,107</u>
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 43,442
Department of Education:			
National School Lunch Program	10.555	17901-40623	401,582
			<u>\$ 445,024</u>
School Breakfast Program	10.553	17901-40591	<u>182,830</u> \$ 657,961
Pass-Through Payments:			
Department of Education:			
Fresh Fruit and Vegetable Program	10.582	17901-40599	32,142

County of Sussex, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass-Through Payments: (Continued)			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010115/0010116	\$ 213,605
Total Department of Agriculture			<u>\$ 903,708</u>
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Victim witness	16.575	390001-10220	\$ 8,535
Total Department of Justice			<u>\$ 8,535</u>
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-53000	\$ 14,997
Total Department of Transportation			<u>\$ 14,997</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	\$ 8,235
Total Department of Housing and Urban Development			<u>\$ 8,235</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	\$ 26,062
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	425,655
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	\$ 283,093
Special Education - Preschool Grants	84.173	17901-62521	<u>13,582</u> 296,675
Career and Technical Education - Basic Grants to States	84.048	17901-61095	50,284
Advanced Placement Program	84.330	17901-60957	123
Rural Education	84.358	17901-43481	7,759
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)			
Teacher Quality State Grants	84.367	17901-61480	14,001
School improvement grants cluster:			
School improvement grant	84.377	17901-43040	
English Language Acquisition State Grants	84.365	17901-60512	1,900
Preschool Development Grants	84.419	17901-40002	<u>234,577</u>
Total Department of Education			<u>\$ 1,057,036</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 68,647
Total Expenditures of Federal Awards			<u>\$ 2,886,140</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, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Sussex, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations 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	\$ 1,070,354
Total primary government	\$ <u>1,070,354</u>
Component Unit School Board:	
School Operating Fund	\$ 1,125,683
School Special Revenue Fund	690,103
Total Component Unit School Board	\$ <u>1,815,786</u>
Total federal expenditures per basic financial statements	\$ <u><u>2,886,140</u></u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>2,886,140</u></u>

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

Section I-Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes ✓ no
 Significant deficiency(ies) identified? _____ yes ✓ none reported
 Type of auditors' report issued on compliance
 for major programs: *unmodified*
 Any findings disclosed that are required to be
 reported in accordance with 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, 2016

There were no prior year findings.

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