

# COUNTY OF SUSSEX, VIRGINIA



## ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015



COUNTY OF SUSSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR  
ENDED JUNE 30, 2015

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## COUNTY OF SUSSEX, VIRGINIA

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### Board of Supervisors

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Robert E. Hamlin, Chairperson  
Charlie E. Caple, Jr., Vice Chairperson  
John A. Stringfield

Alfred G. Futrell  
C. Eric Fly, Sr.  
Raymond L. Warren

### Department of Social Services

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Norfleet Givens, Chairperson  
Delores Spain, Vice Chairperson  
Mae Mason  
Cynthia Pegram-Wyche

William Bain  
Alfred G. Futrell  
Miriam D. Edwards

### County School Board

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Marvin Morris, Jr., Chairperson  
Rodney T. Garrette  
Doris C. Hamlin

Laurie S. Latham  
Roderick N. Curley, Vice Chairperson  
Gloria S. Holloman

### Other Officials

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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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FINANCIAL REPORT  
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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of and for the year ended June 30, 2015, 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, 2015, 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 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 72* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. 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, 73, and 74-79 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 December 17, 2015, 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.

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

Richmond, Virginia  
December 17, 2015

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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, 2015. 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 \$36,969,307 (net position).

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other financing uses of \$850,217 (Exhibit 5) after making contributions totaling \$7,958,711 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$14,919,114, a decrease of \$850,217 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,757,380, or 25% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$2,758,778 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 \$36,969,307 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Sussex, Virginia's Net Position			
	Governmental Activities		
	2015	2014	
Current and other assets	\$ 14,114,909	\$ 16,963,599	
Restricted assets	1,550,661	1,348,239	
Capital assets	45,246,392	43,459,178	
Total assets	\$ 60,911,962	\$ 61,771,016	
Deferred outflows of resources	\$ 508,804	\$ -	
Current liabilities	\$ 654,053	\$ 2,160,144	
Long-term liabilities outstanding	22,467,071	23,082,437	
Total liabilities	\$ 23,121,124	\$ 25,242,581	
Deferred inflows of resources	\$ 1,330,335	\$ 28,896	
Net investment in capital assets	\$ 26,693,995	\$ 23,758,863	
Restricted for debt service bond covenants	1,550,661	1,348,239	
Unrestricted	8,724,651	11,392,437	
Total net position	\$ 36,969,307	\$ 36,499,539	

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

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

The County's net position increased by \$1,324,650 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Sussex, Virginia's Changes in Net Position			
	Governmental Activities		
	2015	2014	
Charges for services	\$ 6,337,137	\$ 5,887,063	
Operating grants and contributions	4,344,775	5,024,468	
Capital grants and contributions	1,620,358	3,044,363	
General property taxes	8,976,562	8,871,846	
Other local taxes	1,192,279	1,089,346	
Grants and other contributions not restricted	1,423,849	1,492,747	
Other general revenues	377,847	321,476	
Total revenues	\$ 24,272,807	\$ 25,731,309	
General government administration	\$ 1,627,776	\$ 1,819,420	
Judicial administration	1,233,272	1,183,650	
Public safety	5,360,555	5,209,793	
Public works	671,447	742,468	
Health and welfare	2,859,243	3,281,566	
Education	9,310,556	10,770,100	
Parks, recreation, and cultural	203,681	194,874	
Community development	450,369	624,780	
Interest and other fiscal charges	518,091	580,008	
Total expenses	\$ 22,234,990	\$ 24,406,659	
Change in net position	\$ 2,037,817	\$ 1,324,650	
Net position, beginning of year	34,931,490	35,174,889	
Net position, end of year	\$ 36,969,307	\$ 36,499,539	

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations. Therefore, beginning net position for 2015 as displayed above does not agree to ending net position for 2014.

## **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 \$14,919,114, a decrease of \$850,217 in comparison with the prior year. Approximately 37% 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 \$9,027,769. \$1,550,661 of this was restricted for debt, while \$7,477,108 was committed to current or future capital projects.

## **General Fund Budgetary Highlights**

During the year, budgetary estimates exceeded revenues and other financing sources by \$327,794. Budgetary estimates exceeded expenditures and other financing uses by \$1,147,324. The combination of the two resulted in a positive variance of \$819,530.

## **Capital Asset and Debt Administration**

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2015 amounts to \$45,246,392 (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 \$17,767,042, 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.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

The fiscal year 2016 budget decreased by approximately eleven percent. All tax rates remained the same as in 2015.

### **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, 2015

	Primary Government Governmental <u>Activities</u>	Component Unit <u>School Board</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,573,120	\$ 1,768,184
Receivables (net of allowance for uncollectibles):		
Taxes receivable	405,377	-
Accounts receivable	631,801	1,022
Due from other governmental units	1,504,611	524,985
Prepaid items	-	125,726
Restricted assets:		
Temporarily restricted:		
Bond sinking funds	1,550,661	-
Net pension asset	-	86,073
Capital assets (net of accumulated depreciation):		
Land	10,445,596	111,236
Buildings and improvements	22,951,392	17,237,963
Machinery and equipment	1,669,546	466,622
Construction in progress	10,179,858	-
Total assets	<u>\$ 60,911,962</u>	<u>\$ 20,321,811</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions subsequent to measurement date	508,804	1,127,992
Total deferred outflows of resources	<u>\$ 508,804</u>	<u>\$ 1,127,992</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 280,786	\$ 61,258
Accrued liabilities	-	1,408,182
Accrued interest payable	288,497	-
Due to other governmental units	-	678,478
Unearned revenue	84,770	-
Long-term liabilities:		
Due within one year	1,455,477	133,168
Due in more than one year	21,011,594	14,182,469
Total liabilities	<u>\$ 23,121,124</u>	<u>\$ 16,463,555</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue - property taxes	\$ 35,524	\$ -
Items related to measurement of net pension liability/asset	1,294,811	2,482,714
Total deferred inflows of resources	<u>\$ 1,330,335</u>	<u>\$ 2,482,714</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 26,693,995	\$ 17,815,821
Restricted for:		
Debt service and bond covenants	1,550,661	-
Unrestricted (deficit)	8,724,651	(15,312,287)
Total net position	<u>\$ 36,969,307</u>	<u>\$ 2,503,534</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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	Capital Grants and <u>Contributions</u>	Primary	Component	<u>School Board</u>
					Governmental	Unit	
					<u>Activities</u>		
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,627,776	\$ -	\$ 193,413	\$ -	\$ (1,434,363)	\$ -	-
Judicial administration	1,233,272	831,169	495,594	-	93,491	-	-
Public safety	5,360,555	233,116	1,498,239	-	(3,629,200)	-	-
Public works	671,447	5,248,105	6,357	-	4,583,015	-	-
Health and welfare	2,859,243	-	2,045,604	-	(813,639)	-	-
Education	9,310,556	-	-	-	(9,310,556)	-	-
Parks, recreation, and cultural	203,681	-	5,000	-	(198,681)	-	-
Community development	450,369	24,747	100,568	1,620,358	1,295,304	-	-
Interest on long-term debt	518,091	-	-	-	(518,091)	-	-
Total governmental activities	\$ 22,234,990	\$ 6,337,137	\$ 4,344,775	\$ 1,620,358	\$ (9,932,720)	\$ -	-
Total primary government	\$ 22,234,990	\$ 6,337,137	\$ 4,344,775	\$ 1,620,358	\$ (9,932,720)	\$ -	-
<b>COMPONENT UNIT:</b>							
School Board	\$ 18,964,204	\$ 210,004	\$ 9,393,772	\$ -	\$ -	\$ (9,360,428)	-
Total component unit	\$ 18,964,204	\$ 210,004	\$ 9,393,772	\$ -	\$ -	\$ (9,360,428)	-
General revenues:							
General property taxes					\$ 8,976,562	\$ -	-
Local sales tax					751,559	-	-
Motor vehicle licenses					219,923	-	-
Other local taxes					220,797	-	-
Unrestricted revenues from use of money and property					133,395	396	-
Miscellaneous					244,452	249,257	-
Grants and contributions not restricted to specific programs					1,423,849	-	-
Payment from Sussex County					-	9,304,656	-
Total general revenues					\$ 11,970,537	\$ 9,554,309	-
Change in net position					\$ 2,037,817	\$ 193,881	-
Net position - beginning, as restated					34,931,490	2,309,653	-
Net position - ending					\$ 36,969,307	\$ 2,503,534	-

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, 2015

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,017,215	\$ 7,512,664	\$ 43,241	\$ 11,573,120
Receivables (net of allowance for uncollectibles):				
Taxes receivable	405,377	-	-	405,377
Accounts receivable	622,974	8,790	37	631,801
Due from other governmental units	1,504,611	-	-	1,504,611
Restricted assets:				
Temporarily restricted:				
Bond sinking funds	-	1,550,661	-	1,550,661
Total assets	<u>\$ 6,550,177</u>	<u>\$ 9,072,115</u>	<u>\$ 43,278</u>	<u>\$ 15,665,570</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 236,356	\$ 44,346	\$ 84	\$ 280,786
Unearned revenue	84,770	-	-	84,770
Total liabilities	<u>\$ 321,126</u>	<u>\$ 44,346</u>	<u>\$ 84</u>	<u>\$ 365,556</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	\$ 380,900	\$ -	\$ -	\$ 380,900
Total deferred inflows of resources	<u>\$ 380,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,900</u>
<b>Fund balances:</b>				
Restricted	\$ -	\$ 1,550,661	\$ -	\$ 1,550,661
Committed	90,771	7,477,108	43,194	7,611,073
Unassigned	5,757,380	-	-	5,757,380
Total fund balances	<u>\$ 5,848,151</u>	<u>\$ 9,027,769</u>	<u>\$ 43,194</u>	<u>\$ 14,919,114</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,550,177</u>	<u>\$ 9,072,115</u>	<u>\$ 43,278</u>	<u>\$ 15,665,570</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, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 14,919,114
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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	\$ 59,405,994	
Accumulated depreciation	<u>(14,159,602)</u>	45,246,392

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

Unavailable revenue - property taxes	\$ 345,376	
Items related to measurement of net pension liability	<u>(1,294,811)</u>	(949,435)

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.	508,804
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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	\$ (470,079)	
Net OPEB obligation	(170,500)	
Landfill postclosure costs	(2,842,805)	
Capital leases	(198,027)	
Net pension liability	(431,290)	
Literary fund loans	(8,525,614)	
General obligation bonds	(5,950,000)	
Bond premium	(587,328)	
QZAB bonds	(3,291,428)	
Accrued interest payable	<u>(288,497)</u>	(22,755,568)

Net position of governmental activities	<u><u>\$ 36,969,307</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, 2015

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 9,297,759	\$ -	\$ -	\$ 9,297,759
Other local taxes	1,192,279	-	-	1,192,279
Permits, privilege fees, and regulatory licenses	69,190	-	-	69,190
Fines and forfeitures	796,132	-	-	796,132
Revenue from the use of money and property	91,362	42,007	26	133,395
Charges for services	5,441,204	29,834	777	5,471,815
Miscellaneous	244,452	-	-	244,452
Recovered costs	432,205	-	-	432,205
Intergovernmental:				
Commonwealth	4,699,322	1,620,358	5,987	6,325,667
Federal	1,063,315	-	-	1,063,315
Total revenues	<u>\$ 23,327,220</u>	<u>\$ 1,692,199</u>	<u>\$ 6,790</u>	<u>\$ 25,026,209</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,596,323	\$ -	\$ -	\$ 1,596,323
Judicial administration	1,087,937	-	120	1,088,057
Public safety	5,345,964	-	10,682	5,356,646
Public works	769,943	-	-	769,943
Health and welfare	2,932,392	-	-	2,932,392
Education	7,964,611	-	-	7,964,611
Parks, recreation, and cultural	197,983	-	-	197,983
Community development	622,978	-	-	622,978
Capital projects	-	3,656,875	-	3,656,875
Debt service:				
Principal retirement	-	1,452,615	-	1,452,615
Interest and other fiscal charges	-	577,248	-	577,248
Total expenditures	<u>\$ 20,518,131</u>	<u>\$ 5,686,738</u>	<u>\$ 10,802</u>	<u>\$ 26,215,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,809,089</u>	<u>\$ (3,994,539)</u>	<u>\$ (4,012)</u>	<u>\$ (1,189,462)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 2,423,240	\$ -	\$ 2,423,240
Transfers out	(2,423,240)	-	-	(2,423,240)
Issuance of capital leases	-	339,245	-	339,245
Total other financing sources (uses)	<u>\$ (2,423,240)</u>	<u>\$ 2,762,485</u>	<u>\$ -</u>	<u>\$ 339,245</u>
Net change in fund balances	\$ 385,849	\$ (1,232,054)	\$ (4,012)	\$ (850,217)
Fund balances - beginning	5,462,302	10,259,823	47,206	15,769,331
Fund balances - ending	<u>\$ 5,848,151</u>	<u>\$ 9,027,769</u>	<u>\$ 43,194</u>	<u>\$ 14,919,114</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, 2015

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

Net change in fund balances - total governmental funds \$ (850,217)

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	\$ 3,741,325	
Jointly owned asset allocation	(758,496)	
Depreciation expense	<u>(1,195,615)</u>	1,787,214

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

Property taxes	\$ (321,197)	
Decrease (increase) in items related to measurement of net pension liability	<u>(1,294,811)</u>	(1,616,008)

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	141,218	
Issuance of capital leases	(339,245)	
Decrease in landfill postclosure liability	<u>42,902</u>	1,156,272

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	(117,164)	
(Increase) decrease in net OPEB obligation	(27,000)	
(Increase) decrease in net pension liability	1,712,122	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	(66,559)	
(Increase) decrease in accrued interest payable	<u>24,609</u>	1,560,556

Change in net position of governmental activities	\$	<u><u>2,037,817</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 Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

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	Private-Purpose <u>Trusts</u>	Agency <u>Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 152,451	\$ 14,695
Total assets	<u>\$ 152,451</u>	<u>\$ 14,695</u>
<b>LIABILITIES</b>		
Amounts held for social services clients	\$ -	\$ 4,429
Amounts held for others	-	3,025
Amounts held for inmates	-	7,241
Total liabilities	<u>\$ -</u>	<u>\$ 14,695</u>
<b>NET POSITION</b>		
Amounts held in trust for scholarships	\$ 152,451	\$ -
Total net position	<u>\$ 152,451</u>	<u>\$ -</u>
Total liabilities and net position	<u>\$ 152,451</u>	<u>\$ 14,695</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, 2015

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	Private Purpose Trusts <u>Funds</u>
<b>ADDITIONS</b>	
Investment earnings (losses)	\$ 744
Private donations	9,775
Total additions	<u>\$ 10,519</u>
<b>DEDUCTIONS</b>	
Scholarships	\$ 8,000
Total deductions	<u>\$ 8,000</u>
Change in net position	2,519
Net position - beginning	\$ 149,932
Net position - ending	<u><u>\$ 152,451</u></u>

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, 2015

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#### Note 1—Summary of Significant Accounting Policies:

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

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

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

#### Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

**A. Financial Reporting Entity**

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

## COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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

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#### **B. Individual Component Unit Disclosures**

*Blended Component Unit.* The County has no blended component units at June 30, 2015.

*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, 2015.

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

None

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

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

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

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

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

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

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

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

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

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

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



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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the following as major governmental funds.

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

Capital Projects Funds - The 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

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

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

## COUNTY OF SUSSEX, VIRGINIA

### Notes to Financial Statements (Continued) As of June 30, 2015

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

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##### 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 \$100,985 at June 30, 2015 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 as estimated fair market value at the date of donation.

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

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

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

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

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

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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.

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.

## COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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

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#### 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 contributions to the pension plan made during the current year and subsequent to the net pension liability (asset) measurement date, which will be recognized as an increase to or a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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

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**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.

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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

**Q. Fund Equity (Continued)**

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
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Bond sinking funds	\$ -	\$ 1,550,661	\$ -	\$ 1,550,661
Total Restricted Fund Balance	\$ -	\$ 1,550,661	\$ -	\$ 1,550,661
<b>Committed:</b>				
Indoor Plumbing	\$ 41,764	\$ -	\$ -	\$ 41,764
CDBG	49,007	-	-	49,007
Capital Improvements	-	7,477,108	-	7,477,108
Forfeited asset	-	-	16,354	16,354
Law library	-	-	26,840	26,840
Total Committed Fund Balance	\$ 90,771	\$ 7,477,108	\$ 43,194	\$ 7,611,073
<b>Unassigned</b>	\$ 5,757,380	\$ -	\$ -	\$ 5,757,380
Total Fund Balances	\$ 5,848,151	\$ 9,027,769	\$ 43,194	\$ 14,919,114

**R. Adoption of Accounting Policies:**

*Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68:*

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing assets, liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these Statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in a restatement of net position, reference Note 19.

## COUNTY OF SUSSEX, VIRGINIA

### Notes to Financial Statements (Continued) As of June 30, 2015

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

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

1. On or before March 30<sup>th</sup>, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. 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.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units.

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

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##### Deposits

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

##### Investments

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 3—Deposits and Investments:*

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Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2015 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	\$	3,563,702
Money Market Mutual Fund		<u>1,550,661</u>
Total	\$	<u><u>5,114,363</u></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 maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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

At June 30, 2015, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Sussex County School Board	\$ 678,478	\$ -
Commonwealth of Virginia:		
Local sales tax	141,352	-
Welfare	41,392	-
Rolling stock tax	90,144	-
State Sales Tax	-	245,198
Constitutional officer reimbursements	182,611	-
Recordation tax	3,406	-
Department of Forestry - timber sales	100,568	-
Mobile home titling tax	4,319	-
Motor vehicle rental tax	21	-
Communications tax	28,689	-
E-911 wireless	13,306	-
Comprehensive services	131,159	-
Federal Government:		
School fund grants	-	279,787
Welfare	89,166	-
Total due from other governments	\$ 1,504,611	\$ 524,985

At June 30, 2015, amounts due to other local governments are as follows:

Other Local Governments:		
County of Sussex	\$ -	\$ 678,478

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

Primary Government:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 8,304,190	\$ 2,141,406	\$ -	\$ 10,445,596
Construction in progress	10,345,640	1,077,447	1,243,229	10,179,858
Total capital assets not subject to depreciation	\$ 18,649,830	\$ 3,218,853	\$ 1,243,229	\$ 20,625,454
Capital assets subject to depreciation:				
Buildings and improvements	\$ 6,839,703	\$ 1,305,392	\$ -	\$ 8,145,095
Machinery and equipment	7,090,079	460,309	771,242	6,779,146
Jointly owned assets	24,811,588	-	955,289	23,856,299
Total capital assets being depreciated	\$ 38,741,370	\$ 1,765,701	\$ 1,726,531	\$ 38,780,540
Accumulated depreciation:				
Buildings and improvements	\$ 3,331,330	\$ 216,743	\$ -	\$ 3,548,073
Machinery and equipment	5,489,419	391,423	771,242	5,109,600
Jointly owned assets	5,111,273	587,449	196,793	5,501,929
Total accumulated depreciation	\$ 13,932,022	\$ 1,195,615	\$ 968,035	\$ 14,159,602
Total capital assets being depreciated, net	\$ 24,809,348	\$ 570,086	\$ 758,496	\$ 24,620,938
Governmental capital assets, net	\$ 43,459,178	\$ 3,788,939	\$ 2,001,725	\$ 45,246,392

Component Unit - School Board:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 111,236	\$ -	\$ -	\$ 111,236
Total capital assets not subject to depreciation	\$ 111,236	\$ -	\$ -	\$ 111,236
Capital assets subject to depreciation:				
Machinery and equipment	\$ 3,810,917	\$ 83,166	\$ -	\$ 3,894,083
Jointly owned assets	21,449,945	-	(955,289)	22,405,234
Total capital assets being depreciated	\$ 25,260,862	\$ 83,166	\$ (955,289)	\$ 26,299,317
Accumulated depreciation:				
Machinery and equipment	\$ 3,289,605	\$ 137,856	\$ -	\$ 3,427,461
Jointly owned assets	4,418,761	551,717	(196,793)	5,167,271
Total accumulated depreciation	\$ 7,708,366	\$ 689,573	\$ (196,793)	\$ 8,594,732
Total capital assets being depreciated, net	\$ 17,552,496	\$ (606,407)	\$ (758,496)	\$ 17,704,585
Governmental capital assets, net	\$ 17,663,732	\$ (606,407)	\$ (758,496)	\$ 17,815,821

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 5—Capital Assets: (Continued)*

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Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	71,219
Judicial administration		119,296
Public safety		366,805
Public works		10,615
Health and welfare		34,533
Education		587,449
Parks, recreation and cultural		<u>5,698</u>
Total Governmental activities	\$	<u><u>1,195,615</u></u>
Component Unit School Board	\$	<u><u>689,573</u></u>

*Note 6—Interfund Transfers:*

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Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 2,423,240
County Capital Projects	<u>2,423,240</u>	<u>-</u>
Total	\$ <u><u>2,423,240</u></u>	\$ <u><u>2,423,240</u></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, 2015

*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, 2015:

	Restated Balance at July 1, 2014	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2015	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 352,915	\$ 152,456	\$ 35,292	\$ 470,079	\$ 47,008
Capital leases (Note 8)	-	339,245	141,218	198,027	97,072
Landfill postclosure costs	2,885,707	-	42,902	2,842,805	-
Net pension liability	2,143,412	2,012,511	3,724,633	431,290	-
Net OPEB obligation	143,500	37,000	10,000	170,500	-
Total incurred by County	\$ 5,525,534	\$ 2,541,212	\$ 3,954,045	\$ 4,112,701	\$ 144,080
Incurred by School Board:					
Literary Fund Loans	\$ 9,237,011	\$ -	\$ 711,397	\$ 8,525,614	\$ 711,397
General obligation bonds	6,550,000	-	600,000	5,950,000	600,000
Bond premium	621,876	-	34,548	587,328	-
QZAB Bonds	3,291,428	-	-	3,291,428	-
Total incurred by School Board	\$ 19,700,315	\$ -	\$ 1,345,945	\$ 18,354,370	\$ 1,311,397
Total Governmental Obligations	\$ 25,225,849	\$ 2,541,212	\$ 5,299,990	\$ 22,467,071	\$ 1,455,477

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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		QZAB Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 600,000	\$ 271,307	\$ -	\$ -	\$ 711,397	\$ 255,768
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>\$ 5,950,000</u>	<u>\$ 1,890,967</u>	<u>\$ 3,291,428</u>	<u>\$ -</u>	<u>\$ 8,525,614</u>	<u>\$ 1,671,158</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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Note 7—Long-Term Obligations: (Continued)

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Primary Government: (Continued)

Details of long-term obligations:

General Obligations:

Incurred by County:

Landfill postclosure costs	\$	2,842,805
Net OPEB obligation	\$	170,500
Net Pension Liability	\$	431,290
Capital Leases	\$	198,027
Compensated absences (payable from the General Fund)	\$	470,079
Total incurred by County	\$	<u>4,112,701</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, interest payable semi-annually at coupon rates of 4.100% to 5.225% through July 15, 2019.	\$	1,850,000
\$4,560,000 VPSA bond issued May 10, 2015 due in annual installments, interest payable semi-annually at coupon rates of 2.55% to 5.05% through July 15, 2032.		<u>4,100,000</u>
Total General Obligation Bonds	\$	<u>5,950,000</u>
Bond Premium	\$	<u>587,328</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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%.	\$	3,973,973
\$7,002,530 Literary loan issued January 1, 2015, due in annual installments of \$350,127 through January 1, 2028, interest at 3%.		<u>4,551,641</u>
Total Literary Fund Loans	\$	<u>8,525,614</u>
Total incurred by School Board	\$	<u>18,354,370</u>
Total General Obligations, Primary Government	\$	<u><u>22,467,071</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, 2015:

	Restated Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015	Amounts Due Within One Year
Component Unit-School Board:					
VRS early retirement liability	\$ 843,629	\$ -	\$ 58,236	\$ 785,393	\$ 62,894
Net OPEB obligation	156,500	139,000	114,000	181,500	-
Net pension liability	15,091,383	1,243,223	3,688,606	12,646,000	-
Compensated absences	<u>446,491</u>	<u>300,902</u>	<u>44,649</u>	<u>702,744</u>	<u>70,274</u>
Total Component Unit-School Board	\$ <u><u>16,538,003</u></u>	\$ <u><u>1,683,125</u></u>	\$ <u><u>3,905,491</u></u>	\$ <u><u>14,315,637</u></u>	\$ <u><u>133,168</u></u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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
2016	\$ 62,894	\$ 62,832
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>\$ 785,393</u>	<u>\$ 346,141</u>

Details of long-term indebtedness:

General Obligations:

VRS early retirement liability, issued July 1, 1994 at 8% over 30 years	\$ 785,393
Net OPEB obligation	\$ 181,500
Net pension liability	\$ 12,646,000
Compensated absences (Payable from the School Fund)	\$ 702,744
Total General obligations, Component Unit - School Board	<u>\$ 14,315,637</u>



COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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:

	Primary Government
Asset:	
Equipment	\$ 324,898
Less: accumulated depreciation	(64,980)
Total	<u>\$ 259,918</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2015 are as follows:

Year Ended June 30	Primary Government
2016	\$ 104,993
2017	<u>104,993</u>
Total minimum lease payments	\$ 209,986
Less: amount representing interest	<u>(11,959)</u>
Present value of minimum lease payments	<u>\$ 198,027</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 \$2,842,805 reported as landfill closure and postclosure liability at June 30, 2015, 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 2015. 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, 2015

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*Note 9—Closure and Postclosure Costs: (Continued)*

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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.

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*Note 10—Unearned and Deferred/Unavailable Revenue:*

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

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$345,376 at June 30, 2015.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2015 but paid in advance by the taxpayers totaled \$35,524 at June 30, 2015.

Unearned Revenue - Other miscellaneous unearned revenue items totaled \$84,770 at June 30, 2015.

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*Note 11—Contingent Liabilities:*

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

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

The following construction contracts were outstanding at June 30, 2015:

Fund	Project	Contractor	Contract	
			Amount Of Contract	Outstanding At June 30, 2015
County Capital Projects	Radio Communication System	Harris Corporation	\$ 4,226,991	\$ 3,494,070

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 12—Litigation:*

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At June 30, 2015, 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:*

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

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

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

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

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# COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

## 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

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



COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p>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, 2015

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit (Cont.)</b> An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b> <u><b>Defined Contribution Component:</b></u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> 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><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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><b>Service Retirement Multiplier</b> 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><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></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><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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, 2015

*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, 2015

*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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 14—Pension Plan: (Continued)*

*Plan Description (Continued)*

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

## COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

### *Note 14—Pension Plan: (Continued)*

#### *Plan Description (Continued)*

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2013 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	61	26
Inactive members:		
Vested inactive members	13	3
Non-vested inactive members	11	10
Inactive members active elsewhere in VRS	55	12
Total inactive members	79	25
Active members	110	58
Total covered employees	250	109

#### *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, 2015 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.

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 \$508,804 and \$575,363 for the years ended June 30, 2015 and June 30, 2014, respectively.

## COUNTY OF SUSSEX, VIRGINIA

### Notes to Financial Statements (Continued) As of June 30, 2015

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#### *Note 14—Pension Plan: (Continued)*

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##### *Contributions (Continued)*

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 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 2015, 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 \$80,087 and \$100,515 for the years ended June 30, 2015 and June 30, 2014, 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, 2014. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

##### *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, 2013, 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, 2014.

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, 2015

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*Note 14—Pension Plan: (Continued)*

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*Actuarial Assumptions - General Employees (Continued)*

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 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, 2015

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*Note 14—Pension Plan: (Continued)*

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*Actuarial Assumptions - Public Safety Employees*

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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, 2015

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*Note 14—Pension Plan: (Continued)*

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*Actuarial Assumptions - Public Safety Employees (Continued)*

The actuarial assumptions used in the June 30, 2013 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, 2015

*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, 2015

*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, 2013	\$ 20,445,181	\$ 18,301,769	\$ 2,143,412
Changes for the year:			
Service cost	\$ 590,927	\$ -	\$ 590,927
Interest	1,406,176	-	1,406,176
Contributions - employer	-	575,363	(575,363)
Contributions - employee	-	246,243	(246,243)
Net investment income	-	2,902,874	(2,902,874)
Benefit payments, including refunds of employee contributions	(713,892)	(713,892)	-
Administrative expenses	-	(15,408)	15,408
Other changes	-	153	(153)
Net changes	\$ 1,283,211	\$ 2,995,333	\$ (1,712,122)
Balances at June 30, 2014	\$ 21,728,392	\$ 21,297,102	\$ 431,290

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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, 2013	\$ 2,962,546	\$ 2,786,163	\$ 176,383
Changes for the year:			
Service cost	\$ 128,063	\$ -	\$ 128,063
Interest	202,821	-	202,821
Contributions - employer	-	100,515	(100,515)
Contributions - employee	-	53,467	(53,467)
Net investment income	-	441,674	(441,674)
Benefit payments, including refunds of employee contributions	(130,207)	(130,207)	-
Administrative expenses	-	(2,339)	2,339
Other changes	-	23	(23)
Net changes	\$ 200,677	\$ 463,133	\$ (262,456)
Balances at June 30, 2014	\$ 3,163,223	\$ 3,249,296	\$ (86,073)

*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		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 3,223,535	\$ 431,290	\$ (1,895,751)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 291,247	\$ (86,073)	\$ (402,627)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$158,052 and \$34,773, respectively. At June 30, 2015, 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
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,294,811	\$ -	\$ 196,714
Employer contributions subsequent to the measurement date	508,804	-	80,087	-
Total	<u>\$ 508,804</u>	<u>\$ 1,294,811</u>	<u>\$ 80,087</u>	<u>\$ 196,714</u>

\$508,804 and \$80,087 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2016	\$ (323,703)	\$ (49,178)
2017	(323,703)	(49,178)
2018	(323,703)	(49,178)
2019	(323,702)	(49,180)
Thereafter	-	-

## COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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### *Note 14—Pension Plan: (Continued)*

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#### Component Unit School Board (professional)

##### *Plan Description*

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

##### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to 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, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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, 2015. Contributions to the pension plan from the School Board were \$1,047,905 and \$893,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability \$12,646,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.10465% as compared to 0.10827% at June 30, 2013.



COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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, 2015, the school division recognized pension expense \$910,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, 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, 2015, 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>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,877,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	409,000
Employer contributions subsequent to the measurement date	<u>1,047,905</u>	<u>-</u>
Total	<u>\$ 1,047,905</u>	<u>\$ 2,286,000</u>

\$1,047,905 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 year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (559,000)
2017	(559,000)
2018	(559,000)
2019	(559,000)
Thereafter	(50,000)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 14—Pension Plan: (Continued)*

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Component Unit School Board (professional) (Continued)

*Actuarial Assumptions*

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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, 2013 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, 2015

*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:

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, 2015

*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		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	18,570,000 \$	12,646,000 \$	7,770,000

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2015

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#### *Note 15—Surety Bonds:*

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	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gary M. Williams, Clerk of the Circuit Court	\$ 210,000
Onnie L. Woodruff, Treasurer	400,000
Ellen G. Boone, Commissioner of the Revenue	20,000
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:*

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##### District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the cities of Colonial Heights, Emporia, Hopewell, and Petersburg, and the Counties of Sussex, Greensville, Surry, and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Sussex County contributed \$64,499 to the District 19 Community Services Board for the fiscal year ended June 30, 2015.

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

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##### A. Plan Description

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

##### B. Funding Policy

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

*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:

		COUNTY	SCHOOL BOARD
Annual required contribution	\$	42,000	\$ 145,000
Interest on net OPEB obligation		6,000	6,000
Adjustment to annual required contribution		(11,000)	(12,000)
Annual OPEB cost (expense)	\$	37,000	\$ 139,000
Contributions made		(10,000)	(114,000)
Increase in net OPEB obligation		27,000	25,000
Net OPEB obligation-beginning of year		143,500	156,500
Net OPEB obligation-end of year	\$	170,500	\$ 181,500

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 2015 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2013	\$ 22,000	40.91%	\$ 129,500
6/30/2014	21,000	33.33%	143,500
6/30/2015	37,000	27.03%	170,500
School Board:			
6/30/2013	\$ 136,000	42.65%	\$ 80,500
6/30/2014	138,000	44.93%	156,500
6/30/2015	139,000	82.01%	181,500

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

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**D. Funded Status and Funding Progress**

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

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

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

**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.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 18—Other Postemployment Benefits - Health Insurance Credit:*

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**A. Plan Description**

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

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

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, 2015, 2014, and 2013 were \$78,897, \$84,925, and \$86,790, respectively and equaled the required contributions for each year.

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*Note 19—Restatement of Net Position:*

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The following adjustments were made to beginning net position:

	<u>Governmental Activities</u>	<u>Component-Unit School Board</u>
Net position as previously reported	\$ 36,499,539	\$ 16,407,521
Implementation of GASB 68:		
Deferred outflows of resources	575,363	993,515
Net pension liability	<u>(2,143,412)</u>	<u>(15,091,383)</u>
Net position as restated	<u>\$ 34,931,490</u>	<u>\$ 2,309,653</u>



*Note 20—Upcoming Pronouncements:*

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Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement 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*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 20—Upcoming Pronouncements: (Continued)*

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Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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. No formal study or estimate of the impact of this standard has been performed.

*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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<b>REVENUES</b>				
General property taxes	\$ 8,884,587	\$ 8,884,587	\$ 9,297,759	\$ 413,172
Other local taxes	1,081,870	1,081,870	1,192,279	110,409
Permits, privilege fees, and regulatory licenses	64,925	64,925	69,190	4,265
Fines and forfeitures	750,000	750,000	796,132	46,132
Revenue from the use of money and property	96,050	96,050	91,362	(4,688)
Charges for services	5,643,365	5,643,365	5,441,204	(202,161)
Miscellaneous	180,088	325,756	244,452	(81,304)
Recovered costs	592,777	592,777	432,205	(160,572)
Intergovernmental:				
Commonwealth	4,782,544	4,984,445	4,699,322	(285,123)
Federal	1,231,239	1,231,239	1,063,315	(167,924)
Total revenues	<u>\$ 23,307,445</u>	<u>\$ 23,655,014</u>	<u>\$ 23,327,220</u>	<u>\$ (327,794)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,612,296	\$ 1,665,838	\$ 1,596,323	\$ 69,515
Judicial administration	1,085,017	1,104,697	1,087,937	16,760
Public safety	5,343,708	5,642,098	5,345,964	296,134
Public works	854,782	896,694	769,943	126,751
Health and welfare	3,192,226	3,205,891	2,932,392	273,499
Education	8,053,070	8,088,070	7,964,611	123,459
Parks, recreation, and cultural	212,663	212,663	197,983	14,680
Community development	736,365	758,449	622,978	135,471
Total expenditures	<u>\$ 21,090,127</u>	<u>\$ 21,574,400</u>	<u>\$ 20,518,131</u>	<u>\$ 1,056,269</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,217,318</u>	<u>\$ 2,080,614</u>	<u>\$ 2,809,089</u>	<u>\$ 728,475</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (2,392,895)	\$ (2,514,295)	\$ (2,423,240)	\$ 91,055
Total other financing sources (uses)	<u>\$ (2,392,895)</u>	<u>\$ (2,514,295)</u>	<u>\$ (2,423,240)</u>	<u>\$ 91,055</u>
Net change in fund balances	\$ (175,577)	\$ (433,681)	\$ 385,849	\$ 819,530
Fund balances - beginning	175,577	433,681	5,462,302	5,028,621
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,848,151</u>	<u>\$ 5,848,151</u>

County of Sussex, Virginia  
Schedule of OPEB Funding Progress - Retiree Healthcare Plan  
For the Year Ended June 30, 2015

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

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

	<u>2014</u>
Total pension liability	
Service cost	\$ 590,927
Interest	1,406,176
Benefit payments, including refunds of employee contributions	(713,892)
Net change in total pension liability	\$ 1,283,211
Total pension liability - beginning	20,445,181
Total pension liability - ending (a)	\$ 21,728,392
Plan fiduciary net position	
Contributions - employer	\$ 575,363
Contributions - employee	246,243
Net investment income	2,902,874
Benefit payments, including refunds of employee contributions	(713,892)
Administrative expense	(15,408)
Other	153
Net change in plan fiduciary net position	\$ 2,995,333
Plan fiduciary net position - beginning	18,301,769
Plan fiduciary net position - ending (b)	\$ 21,297,102
County's net pension liability - ending (a) - (b)	\$ 431,290
Plan fiduciary net position as a percentage of the total pension liability	98.02%
Covered-employee payroll	\$ 4,861,046
County's net pension liability as a percentage of covered-employee payroll	8.87%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is 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, 2015

	2014
Total pension liability	
Service cost	\$ 128,063
Interest	202,821
Benefit payments, including refunds of employee contributions	(130,207)
Net change in total pension liability	\$ 200,677
Total pension liability - beginning	2,962,546
Total pension liability - ending (a)	\$ 3,163,223
Plan fiduciary net position	
Contributions - employer	\$ 100,515
Contributions - employee	53,467
Net investment income	441,674
Benefit payments, including refunds of employee contributions	(130,207)
Administrative expense	(2,339)
Other	23
Net change in plan fiduciary net position	\$ 463,133
Plan fiduciary net position - beginning	2,786,163
Plan fiduciary net position - ending (b)	\$ 3,249,296
School Division's net pension liability (asset) - ending (a) - (b)	\$ (86,073)
Plan fiduciary net position as a percentage of the total pension liability	102.72%
Covered-employee payroll	\$ 1,069,192
School Division's net pension liability (asset) as a percentage of covered-employee payroll	-8.05%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is 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, 2015\*

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.10465%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 12,646,000
Employer's Covered-Employee Payroll	7,650,889
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	165.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is 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, 2015

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Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 508,804	\$ 508,804	\$ -	\$ 4,764,080	10.68%
Component Unit School Board (nonprofessional)					
2015	\$ 76,822	\$ 80,087	\$ (3,265)	\$ 1,020,209	7.85%
Component Unit School Board (professional)					
2015	\$ 1,047,905	\$ 1,047,905	\$ -	\$ 7,226,931	14.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

County of Sussex, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

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Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 12,000	\$ 12,000	\$ 42,007	\$ 30,007
Charges for services	35,500	35,500	29,834	(5,666)
Intergovernmental:				
Commonwealth	1,684,905	1,266,778	1,620,358	353,580
Total revenues	<u>\$ 1,732,405</u>	<u>\$ 1,314,278</u>	<u>\$ 1,692,199</u>	<u>\$ 377,921</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 5,473,978	\$ 8,504,583	\$ 3,656,875	\$ 4,847,708
Debt service:				
Principal retirement	1,452,615	1,452,615	1,452,615	-
Interest and other fiscal charges	701,016	743,622	577,248	166,374
Total expenditures	<u>\$ 7,627,609</u>	<u>\$ 10,700,820</u>	<u>\$ 5,686,738</u>	<u>\$ 5,014,082</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,895,204)</u>	<u>\$ (9,386,542)</u>	<u>\$ (3,994,539)</u>	<u>\$ 5,392,003</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 2,392,895	\$ 2,514,295	\$ 2,423,240	\$ (91,055)
Issuance of capital leases	-	-	339,245	339,245
Total other financing sources (uses)	<u>\$ 2,392,895</u>	<u>\$ 2,514,295</u>	<u>\$ 2,762,485</u>	<u>\$ 248,190</u>
Net change in fund balances	\$ (3,502,309)	\$ (6,872,247)	\$ (1,232,054)	\$ 5,640,193
Fund balances - beginning	3,502,309	6,872,247	10,259,823	3,387,576
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,027,769</u>	<u>\$ 9,027,769</u>

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, 2015

	County Special Revenue Fund				
	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
REVENUES					
Revenue from the use of money and property	\$ 25	\$ 25	\$ 26	\$	1
Charges for services	950	950	777		(173)
Intergovernmental:					
Commonwealth	-	5,176	5,987		811
Total revenues	\$ 975	\$ 6,151	\$ 6,790	\$	639
EXPENDITURES					
Current:					
Judicial administration	\$ 2,400	\$ 2,400	\$ 120	\$	2,280
Public safety	-	28,238	10,682		17,556
Total expenditures	\$ 2,400	\$ 30,638	\$ 10,802	\$	19,836
Excess (deficiency) of revenues over (under) expenditures	\$ (1,425)	\$ (24,487)	\$ (4,012)	\$	20,475
Net change in fund balances	\$ (1,425)	\$ (24,487)	\$ (4,012)	\$	20,475
Fund balances - beginning	1,425	24,487	47,206		22,719
Fund balances - ending	\$ -	\$ -	\$ 43,194	\$	43,194

County of Sussex, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	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
ASSETS									
Cash and cash equivalents	\$ 4,429	\$ 3,025	\$ 4,247	\$ 2,994	\$ 14,695	\$ 27,018	\$ 23,166	\$ 29,181	\$ 73,086
Total assets	\$ 4,429	\$ 3,025	\$ 4,247	\$ 2,994	\$ 14,695	\$ 27,018	\$ 23,166	\$ 29,181	\$ 73,086
LIABILITIES									
Amounts held for social services clients	\$ 4,429	\$ -	\$ -	\$ -	\$ 4,429	\$ -	\$ -	\$ -	\$ -
Amounts held for others	-	3,025	-	-	3,025	-	-	-	-
Amounts held for inmates	-	-	4,247	2,994	7,241	-	-	-	-
Total liabilities	\$ 4,429	\$ 3,025	\$ 4,247	\$ 2,994	\$ 14,695	\$ -	\$ -	\$ -	\$ -
NET POSITION									
Amounts held in trust for scholarships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,018	\$ 23,166	\$ 29,181	\$ 73,086
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,018	\$ 23,166	\$ 29,181	\$ 73,086
Total liabilities and net position	\$ 4,429	\$ 3,025	\$ 4,247	\$ 2,994	\$ 14,695	\$ 27,018	\$ 23,166	\$ 29,181	\$ 73,086

County of Sussex, Virginia  
Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare:</b>				
Assets:				
Cash and cash equivalents	\$ 2,287	\$ 10,513	\$ 8,371	\$ 4,429
Liabilities:				
Amounts held for social services clients	\$ 2,287	\$ 10,513	\$ 8,371	\$ 4,429
<b>Sheriff Information:</b>				
Assets:				
Cash and cash equivalents	\$ 4,525	\$ 6,019	\$ 7,519	\$ 3,025
Liabilities:				
Amounts held for others	\$ 4,525	\$ 6,019	\$ 7,519	\$ 3,025
<b>Canteen:</b>				
Assets:				
Cash and cash equivalents	\$ 4,095	\$ 4,174	\$ 4,022	\$ 4,247
Liabilities:				
Amounts held for inmates	\$ 4,095	\$ 4,174	\$ 4,022	\$ 4,247
<b>Jail Inmate:</b>				
Assets:				
Cash and cash equivalents	\$ 4,998	\$ 40,181	\$ 42,185	\$ 2,994
Liabilities:				
Amounts held for inmates	\$ 4,998	\$ 40,181	\$ 42,185	\$ 2,994
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 15,905	\$ 60,887	\$ 62,097	\$ 14,695
Total assets	\$ 15,905	\$ 60,887	\$ 62,097	\$ 14,695
Liabilities:				
Amounts held for inmates	\$ 9,093	\$ 44,355	\$ 46,207	\$ 7,241
Amounts held for others	4,525	6,019	7,519	3,025
Amounts held for social services clients	2,287	10,513	8,371	4,429
Total liabilities	\$ 15,905	\$ 60,887	\$ 62,097	\$ 14,695

*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, 2015

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,562,273	\$ 205,911	\$ 1,768,184
Receivables (net of allowance for uncollectibles):			
Accounts receivable	1,022	-	1,022
Due from other governmental units	524,985	-	524,985
Prepaid items	125,726	-	125,726
Total assets	<u>\$ 2,214,006</u>	<u>\$ 205,911</u>	<u>\$ 2,419,917</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 53,270	\$ 7,988	\$ 61,258
Accrued liabilities	1,356,532	51,650	1,408,182
Due to other governmental units	678,478	-	678,478
Total liabilities	<u>\$ 2,088,280</u>	<u>\$ 59,638</u>	<u>\$ 2,147,918</u>
<b>Fund balances:</b>			
Nonspendable	\$ 125,726	\$ -	\$ 125,726
<b>Committed:</b>			
School cafeteria fund	-	48,356	48,356
School textbook fund	-	97,917	97,917
Total fund balances	<u>\$ 125,726</u>	<u>\$ 146,273</u>	<u>\$ 271,999</u>
Total liabilities and fund balances	<u>\$ 2,214,006</u>	<u>\$ 205,911</u>	<u>\$ 2,419,917</u>

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

Total fund balances per above \$ 271,999

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	\$ 26,410,553	
Accumulated depreciation	<u>(8,594,732)</u>	17,815,821

The net pension asset is not an available resource and, therefore, is not reported in the funds. 86,073

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	(2,482,714)
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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. 1,127,992

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	\$ (785,393)	
Net OPEB obligation	(181,500)	
Net pension liability	(12,646,000)	
Compensated absences	<u>(702,744)</u>	(14,315,637)

Net position of governmental activities	<u>\$ 2,503,534</u>
---	---------------------

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, 2015

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 372	\$ 24	\$ 396
Charges for services	-	210,004	210,004
Miscellaneous	245,676	3,581	249,257
Intergovernmental:			
Local government	7,958,711	-	7,958,711
Commonwealth	7,631,968	78,358	7,710,326
Federal	1,024,770	658,676	1,683,446
Total revenues	<u>\$ 16,861,497</u>	<u>\$ 950,643</u>	<u>\$ 17,812,140</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 16,735,771	\$ 869,053	\$ 17,604,824
Debt service:			
Principal retirement	58,236	-	58,236
Interest and other fiscal charges	67,490	-	67,490
Total expenditures	<u>\$ 16,861,497</u>	<u>\$ 869,053</u>	<u>\$ 17,730,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 81,590</u>	<u>\$ 81,590</u>
Net change in fund balances	\$ -	\$ 81,590	\$ 81,590
Fund balances - beginning	125,726	64,683	190,409
Fund balances - ending	<u>\$ 125,726</u>	<u>\$ 146,273</u>	<u>\$ 271,999</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 \$ 81,590

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	\$ 758,496	
Capital outlays	83,166	
Depreciation expense	<u>(689,573)</u>	152,089

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 (2,482,714)

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 58,236

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	\$ (256,253)	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	134,477	
(Increase) decrease in net pension liability/asset	2,531,456	
(Increase) decrease in net OPEB obligation	<u>(25,000)</u>	2,384,680

Change in net position of governmental activities \$ 193,881



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, 2015

	School Operating Fund			Variance with
	Budgeted Amounts		Actual	Final Budget
	Original	Final		Positive
				(Negative)
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 372	\$ (628)
Miscellaneous	73,500	128,761	245,676	116,915
Intergovernmental:				
Local government	8,026,609	8,061,609	7,958,711	(102,898)
Commonwealth	7,672,098	7,821,286	7,631,968	(189,318)
Federal	865,850	865,850	1,024,770	158,920
Total revenues	\$ 16,639,057	\$ 16,878,506	\$ 16,861,497	\$ (17,009)
EXPENDITURES				
Current:				
Education	\$ 16,513,331	\$ 16,752,780	\$ 16,735,771	\$ 17,009
Debt service:				
Principal retirement	58,236	58,236	58,236	-
Interest and other fiscal charges	67,490	67,490	67,490	-
Total expenditures	\$ 16,639,057	\$ 16,878,506	\$ 16,861,497	\$ 17,009
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	125,726	125,726
Fund balances - ending	\$ -	\$ -	\$ 125,726	\$ 125,726

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, 2015

	School Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 24	\$ 24
Charges for services	365,000	365,000	210,004	(154,996)
Miscellaneous	-	-	3,581	3,581
Intergovernmental:				
Local government	20,561	20,561	-	(20,561)
Commonwealth	83,010	83,657	78,358	(5,299)
Federal	590,000	624,596	658,676	34,080
Total revenues	\$ 1,058,571	\$ 1,093,814	\$ 950,643	\$ (143,171)
EXPENDITURES				
Current:				
Education	\$ 1,058,571	\$ 1,093,814	\$ 869,053	\$ 224,761
Total expenditures	\$ 1,058,571	\$ 1,093,814	\$ 869,053	\$ 224,761
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 81,590	\$ 81,590
Net change in fund balances	\$ -	\$ -	\$ 81,590	\$ 81,590
Fund balances - beginning	-	-	64,683	64,683
Fund balances - ending	\$ -	\$ -	\$ 146,273	\$ 146,273

## *SUPPORTING SCHEDULES*

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County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,646,551	\$ 4,649,000	\$ 4,752,655	\$ 103,655
Real and personal public service corporation taxes	585,000	585,000	564,219	(20,781)
Personal property taxes	2,172,848	2,172,849	2,240,910	68,061
Mobile home taxes	18,385	18,385	19,628	1,243
Machinery and tools taxes	1,148,915	1,146,465	1,389,298	242,833
Merchants capital taxes	167,888	167,888	120,847	(47,041)
Penalties	82,000	82,000	93,587	11,587
Interest	63,000	63,000	116,615	53,615
Total general property taxes	\$ 8,884,587	\$ 8,884,587	\$ 9,297,759	\$ 413,172
Other local taxes:				
Local sales and use taxes	\$ 681,070	\$ 681,070	\$ 751,559	\$ 70,489
Consumers' utility taxes	86,000	86,000	98,782	12,782
Consumption tax	40,800	40,800	38,681	(2,119)
Cable franchise taxes	-	-	1,330	1,330
Business license taxes	100	100	23,824	23,724
Motor vehicle licenses	226,500	226,500	219,923	(6,577)
Bank stock taxes	2,400	2,400	7,366	4,966
Transient occupancy taxes	45,000	45,000	50,814	5,814
Total other local taxes	\$ 1,081,870	\$ 1,081,870	\$ 1,192,279	\$ 110,409
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,300	\$ 8,300	\$ 7,514	\$ (786)
Transfer fees	325	325	351	26
Permits and other licenses	56,300	56,300	61,325	5,025
Total permits, privilege fees, and regulatory licenses	\$ 64,925	\$ 64,925	\$ 69,190	\$ 4,265
Fines and forfeitures:				
Court fines and forfeitures	\$ 750,000	\$ 750,000	\$ 796,132	\$ 46,132
Total fines and forfeitures	\$ 750,000	\$ 750,000	\$ 796,132	\$ 46,132
Revenue from use of money and property:				
Revenue from use of money	\$ 25,050	\$ 25,050	\$ 19,547	\$ (5,503)
Revenue from use of property	71,000	71,000	71,815	815
Total revenue from use of money and property	\$ 96,050	\$ 96,050	\$ 91,362	\$ (4,688)
Charges for services:				
Sheriff fees	\$ 665	\$ 665	\$ 665	\$ -
Charges for court costs	2,750	2,750	2,875	125
Charges for Commonwealth's Attorney	1,650	1,650	1,551	(99)
Courthouse security fees	180,000	180,000	158,898	(21,102)
Charges for correction and detention	3,800	3,800	2,962	(838)
Charges for other protection	1,500	1,500	1,401	(99)
Charges for sanitation and waste removal:				
Tipping fees	5,200,000	5,200,000	5,019,720	(180,280)
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, 2015

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<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: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for community development	\$ 25,000	\$ 25,000	\$ 24,747	\$ (253)
Other charges for services	3,000	3,000	3,385	385
Total charges for services	\$ 5,643,365	\$ 5,643,365	\$ 5,441,204	\$ (202,161)
Miscellaneous revenue:				
Miscellaneous	\$ 180,088	\$ 325,756	\$ 244,452	\$ (81,304)
Recovered costs:				
Wakefield sheriff patrol	\$ 68,000	\$ 68,000	\$ 68,283	\$ 283
Jurors	6,000	6,000	2,321	(3,679)
Jail clean up	19,500	19,500	18,436	(1,064)
Clerk of the circuit court	1,000	1,000	532	(468)
Indoor plumbing	3,725	3,725	3,753	28
CDBG housing loan payments	4,350	4,350	5,734	1,384
VHDA	83,202	83,202	83,893	691
Rescue squad vehicle purchase	145,000	145,000	-	(145,000)
Waverly rescue	200,000	200,000	200,000	-
Trash collections - school board	62,000	62,000	45,951	(16,049)
Other recovered costs	-	-	3,302	3,302
Total recovered costs	\$ 592,777	\$ 592,777	\$ 432,205	\$ (160,572)
Total revenue from local sources	\$ 17,293,662	\$ 17,439,330	\$ 17,564,583	\$ 125,253
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 92,180	\$ 92,180	\$ 90,144	\$ (2,036)
Mobile home titling tax	15,000	15,000	13,167	(1,833)
Taxes on deeds	62,000	62,000	65,834	3,834
Motor vehicle rental tax	-	-	21	21
Payment in lieu of taxes-prison	18,020	18,020	24,789	6,769
State recordation tax	16,000	16,000	17,866	1,866
Personal property tax relief funds	1,101,168	1,101,168	1,037,252	(63,916)
Communication taxes	180,000	180,000	174,776	(5,224)
Total noncategorical aid	\$ 1,484,368	\$ 1,484,368	\$ 1,423,849	\$ (60,519)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 225,000	\$ 231,480	\$ 235,258	\$ 3,778
Sheriff	1,280,000	1,280,000	1,285,784	5,784
Commissioner of revenue	73,806	73,806	73,016	(790)
Treasurer	84,000	84,000	83,988	(12)
Registrar/electoral board	38,000	38,000	36,271	(1,729)
Clerk of circuit court	186,000	186,000	197,446	11,446
Local jails	128,000	128,000	87,607	(40,393)
Total shared expenses	\$ 2,014,806	\$ 2,021,286	\$ 1,999,370	\$ (21,916)

County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<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: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 537,697	\$ 537,697	\$ 461,234	\$ (76,463)
Fire programs fund	25,363	25,363	27,921	2,558
Litter control	-	-	6,357	6,357
Comprehensive services act	542,000	542,000	526,940	(15,060)
Emergency medical services	9,900	9,900	9,562	(338)
Wireless funds	108,000	108,000	79,480	(28,520)
Art grant	5,000	5,000	5,000	-
Victim-witness grant	55,250	55,250	56,903	1,653
Animal friendly plates	160	160	138	(22)
Timber sale	-	50,316	100,568	50,252
PSAP grant	-	142,105	2,000	(140,105)
DHCD grant	-	3,000	-	(3,000)
Total other categorical aid	\$ 1,283,370	\$ 1,478,791	\$ 1,276,103	\$ (202,688)
Total categorical aid	\$ 3,298,176	\$ 3,500,077	\$ 3,275,473	\$ (224,604)
Total revenue from the Commonwealth	\$ 4,782,544	\$ 4,984,445	\$ 4,699,322	\$ (285,123)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,230,439	\$ 1,230,439	\$ 1,055,466	\$ (174,973)
Comprehensive services act	-	-	1,964	1,964
Public safety grants	800	800	5,885	5,085
Total categorical aid	\$ 1,231,239	\$ 1,231,239	\$ 1,063,315	\$ (167,924)
Total revenue from the federal government	\$ 1,231,239	\$ 1,231,239	\$ 1,063,315	\$ (167,924)
Total General Fund	\$ 23,307,445	\$ 23,655,014	\$ 23,327,220	\$ (327,794)
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	\$ 26	\$ 1
Total revenue from use of money and property	\$ 25	\$ 25	\$ 26	\$ 1
Charges for services:				
Law library fees	\$ 950	\$ 950	\$ 777	\$ (173)
Total charges for services	\$ 950	\$ 950	\$ 777	\$ (173)
Total revenue from local sources	\$ 975	\$ 975	\$ 803	\$ (172)

County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<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	\$ -	\$ 5,176	\$ 5,987	\$ 811
Total categorical aid	\$ -	\$ 5,176	\$ 5,987	\$ 811
Total revenue from the Commonwealth	\$ -	\$ 5,176	\$ 5,987	\$ 811
Total County Special Revenue Fund	\$ 975	\$ 6,151	\$ 6,790	\$ 639
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 12,000	\$ 12,000	\$ 42,007	\$ 30,007
Charges for services:				
Courthouse maintenance fees	\$ 35,500	\$ 35,500	\$ 29,834	\$ (5,666)
Total charges for services	\$ 35,500	\$ 35,500	\$ 29,834	\$ (5,666)
Total revenue from local sources	\$ 47,500	\$ 47,500	\$ 71,841	\$ 24,341
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grants	\$ 1,684,905	\$ 1,266,778	\$ 1,620,358	\$ 353,580
Total revenue from the Commonwealth	\$ 1,684,905	\$ 1,266,778	\$ 1,620,358	\$ 353,580
Total County Capital Projects Fund	\$ 1,732,405	\$ 1,314,278	\$ 1,692,199	\$ 377,921
Total Primary Government	\$ 25,040,825	\$ 24,975,443	\$ 25,026,209	\$ 50,766
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	\$ 372	\$ (628)
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 372	\$ (628)
Miscellaneous revenue:				
Miscellaneous	\$ 73,500	\$ 128,761	\$ 245,676	\$ 116,915
Total miscellaneous revenue	\$ 73,500	\$ 128,761	\$ 245,676	\$ 116,915
Total revenue from local sources	\$ 74,500	\$ 129,761	\$ 246,048	\$ 116,287



County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<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)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 8,026,609	\$ 8,061,609	\$ 7,958,711	\$ (102,898)
Total revenues from local governments	<u>\$ 8,026,609</u>	<u>\$ 8,061,609</u>	<u>\$ 7,958,711</u>	<u>\$ (102,898)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,381,708	\$ 1,386,590	\$ 1,393,063	\$ 6,473
Basic school aid	3,419,807	3,415,609	3,413,620	(1,989)
Remedial summer education	53,000	52,983	51,434	(1,549)
Regular foster care	35,208	35,208	15,200	(20,008)
Gifted and talented	31,434	31,424	31,427	3
Remedial education	239,855	239,780	239,800	20
Special education	656,696	656,491	656,547	56
GED funding	7,859	7,859	8,859	1,000
Vocational education	122,847	122,811	120,529	(2,282)
School fringes	705,214	700,212	700,271	59
Mentor teacher program	1,226	1,226	452	(774)
Early reading intervention	28,485	28,485	24,408	(4,077)
English as a second language	9,606	9,606	9,590	(16)
Special education - private tuition	10,336	10,336	-	(10,336)
At risk payments	350,576	350,431	350,467	36
Standards of Learning algebra readiness	27,166	27,166	27,055	(111)
Primary class size	303,769	303,769	330,501	26,732
Educational technology	168,800	322,800	196,000	(126,800)
Homebound	18,506	18,500	12,377	(6,123)
Other state funds	100,000	100,000	50,368	(49,632)
Total categorical aid	<u>\$ 7,672,098</u>	<u>\$ 7,821,286</u>	<u>\$ 7,631,968</u>	<u>\$ (189,318)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 352,930	\$ 352,930	\$ 431,405	\$ 78,475
Title VI-B, special education flow-through	294,598	294,598	320,326	25,728
Vocational education	23,500	23,500	30,730	7,230
Title VI-B, special education pre-school	8,825	8,825	4,989	(3,836)
Rural education	22,789	22,789	55,307	32,518
Title II Part A	87,208	87,208	116,184	28,976
Gear up	5,000	5,000	11,629	6,629
JROTC	\$ 56,000	\$ 56,000	\$ 54,052	\$ (1,948)
Other federal funds	15,000	15,000	148	(14,852)
Total categorical aid	<u>\$ 865,850</u>	<u>\$ 865,850</u>	<u>\$ 1,024,770</u>	<u>\$ 158,920</u>
Total School Operating Fund	<u><u>\$ 16,639,057</u></u>	<u><u>\$ 16,878,506</u></u>	<u><u>\$ 16,861,497</u></u>	<u><u>\$ (17,009)</u></u>

County of Sussex, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

Schedule 1  
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<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)
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	\$ -	\$ -	\$ 24	\$ 24
Total revenue from use of money and property	\$ -	\$ -	\$ 24	\$ 24
Charges for services:				
Cafeteria sales	\$ 365,000	\$ 365,000	\$ 210,004	\$ (154,996)
Total charges for services	\$ 365,000	\$ 365,000	\$ 210,004	\$ (154,996)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 3,581	\$ 3,581
Total miscellaneous revenue	\$ -	\$ -	\$ 3,581	\$ 3,581
Total revenue from local sources	\$ 365,000	\$ 365,000	\$ 213,609	\$ (151,391)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 20,561	\$ 20,561	\$ -	\$ (20,561)
Total revenues from local governments	\$ 20,561	\$ 20,561	\$ -	\$ (20,561)
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 17,258	\$ 17,926	\$ 12,621	\$ (5,305)
Textbook payment	65,752	65,731	65,737	6
Total categorical aid	\$ 83,010	\$ 83,657	\$ 78,358	\$ (5,299)
Total revenue from the Commonwealth	\$ 83,010	\$ 83,657	\$ 78,358	\$ (5,299)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 590,000	\$ 590,000	\$ 606,034	\$ 16,034
Commodities	-	34,596	34,596	-
Summer feeding	-	-	18,046	18,046
Total categorical aid	\$ 590,000	\$ 624,596	\$ 658,676	\$ 34,080
Total revenue from the federal government	\$ 590,000	\$ 624,596	\$ 658,676	\$ 34,080
Total School Special Revenue Fund	\$ 1,058,571	\$ 1,093,814	\$ 950,643	\$ (143,171)
Total Discretely Presented Component Unit - School Board	\$ 17,697,628	\$ 17,972,320	\$ 17,812,140	\$ (160,180)

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<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	\$ 121,373	\$ 121,373	\$ 114,313	\$ 7,060
General and financial administration:				
County administrator	\$ 573,997	\$ 577,497	\$ 535,826	\$ 41,671
Legal services	75,449	75,449	92,410	(16,961)
Commissioner of revenue	226,372	226,372	218,024	8,348
Treasurer	371,306	371,306	384,010	(12,704)
Central accounting	42,660	42,660	32,901	9,759
Other general and financial administration	31,830	81,872	75,691	6,181
Total general and financial administration	\$ 1,321,614	\$ 1,375,156	\$ 1,338,862	\$ 36,294
Board of elections:				
Electoral board and officials	\$ 169,309	\$ 169,309	\$ 143,148	\$ 26,161
Total general government administration	\$ 1,612,296	\$ 1,665,838	\$ 1,596,323	\$ 69,515
Judicial administration:				
Courts:				
Circuit court	\$ 49,290	\$ 49,290	\$ 37,472	\$ 11,818
General district court	23,975	23,975	23,106	869
Special magistrates	7,125	7,125	7,514	(389)
Juvenile and domestic relations court	8,941	8,941	8,941	-
Sheriff	178,738	178,738	204,914	(26,176)
Victim witness	67,218	67,218	66,945	273
Clerk of the circuit court	329,946	329,946	312,890	17,056
Total courts	\$ 665,233	\$ 665,233	\$ 661,782	\$ 3,451
Commonwealth's attorney:				
Commonwealth's attorney	\$ 419,784	\$ 439,464	\$ 426,155	\$ 13,309
Total commonwealth's attorney	\$ 419,784	\$ 439,464	\$ 426,155	\$ 13,309
Total judicial administration	\$ 1,085,017	\$ 1,104,697	\$ 1,087,937	\$ 16,760
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,638,951	\$ 1,738,657	\$ 1,777,725	\$ (39,068)
School resource officer grant	102,251	102,251	96,188	6,063
911 services	243,599	385,704	248,364	137,340
Wakefield operations	59,438	59,438	48,291	11,147
Total law enforcement and traffic control	\$ 2,044,239	\$ 2,286,050	\$ 2,170,568	\$ 115,482
Fire and rescue services:				
Fire department	\$ 153,729	\$ 154,393	\$ 129,191	\$ 25,202
Ambulance and rescue services	748,596	748,596	734,074	14,522
Forest fire extinction services	24,000	24,000	23,837	163
Emergency services	216,763	216,763	200,945	15,818
Total fire and rescue services	\$ 1,143,088	\$ 1,143,752	\$ 1,088,047	\$ 55,705

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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<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	\$ 1,765,908	\$ 1,765,908	\$ 1,675,917	\$ 89,991
Total correction and detention	\$ 1,765,908	\$ 1,765,908	\$ 1,675,917	\$ 89,991
Inspections:				
Building	\$ 171,389	\$ 227,304	\$ 217,478	\$ 9,826
Total inspections	\$ 171,389	\$ 227,304	\$ 217,478	\$ 9,826
Other protection:				
Animal control	\$ 219,084	\$ 219,084	\$ 193,954	\$ 25,130
Total other protection	\$ 219,084	\$ 219,084	\$ 193,954	\$ 25,130
Total public safety	\$ 5,343,708	\$ 5,642,098	\$ 5,345,964	\$ 296,134
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 235,360	\$ 235,360	\$ 160,365	\$ 74,995
Total sanitation and waste removal	\$ 235,360	\$ 235,360	\$ 160,365	\$ 74,995
Maintenance of general buildings and grounds:				
General properties	\$ 557,422	\$ 599,334	\$ 536,305	\$ 63,029
General works	62,000	62,000	73,273	(11,273)
Total maintenance of general buildings and grounds	\$ 619,422	\$ 661,334	\$ 609,578	\$ 51,756
Total public works	\$ 854,782	\$ 896,694	\$ 769,943	\$ 126,751
Health and welfare:				
Health:				
Supplement of local health department	\$ 178,131	\$ 178,131	\$ 176,489	\$ 1,642
Total health	\$ 178,131	\$ 178,131	\$ 176,489	\$ 1,642
Mental health and mental retardation:				
Community services board	\$ 64,499	\$ 64,499	\$ 64,499	\$ -
Total mental health and mental retardation	\$ 64,499	\$ 64,499	\$ 64,499	\$ -
Welfare:				
Public assistance and welfare administration	\$ 2,168,136	\$ 2,181,801	\$ 1,872,684	\$ 309,117
Area agency on aging	10,000	10,000	10,000	-
Other social services	71,460	71,460	68,960	2,500
Comprehensive services act	700,000	700,000	739,760	(39,760)
Total welfare	\$ 2,949,596	\$ 2,963,261	\$ 2,691,404	\$ 271,857
Total health and welfare	\$ 3,192,226	\$ 3,205,891	\$ 2,932,392	\$ 273,499
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 5,900	\$ 5,900	\$ 5,900	\$ -
Contribution to County School Board	8,047,170	8,082,170	7,958,711	123,459
Total education	\$ 8,053,070	\$ 8,088,070	\$ 7,964,611	\$ 123,459

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

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	\$ 40,000	\$ 40,000	\$ 25,320	\$ 14,680
Total parks and recreation	\$ 40,000	\$ 40,000	\$ 25,320	\$ 14,680
Cultural enrichment:				
Wakefield foundation	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Carpenter museum	10,000	10,000	10,000	-
Total cultural enrichment	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Library:				
Contribution to regional library	\$ 152,663	\$ 152,663	\$ 152,663	\$ -
Total library	\$ 152,663	\$ 152,663	\$ 152,663	\$ -
Total parks, recreation, and cultural	\$ 212,663	\$ 212,663	\$ 197,983	\$ 14,680
Community development:				
Planning and community development:				
Planning and zoning	\$ 189,482	\$ 189,482	\$ 159,208	\$ 30,274
Industrial development authority	500	500	-	500
Planning district commission	9,790	9,790	9,790	-
Indoor plumbing	-	45,000	7,670	37,330
Housing assistance and other	211,048	214,048	197,240	16,808
Total planning and community development	\$ 410,820	\$ 458,820	\$ 373,908	\$ 84,912
Environmental management:				
Contribution to soil and water conservation district	\$ 3,355	\$ 3,355	\$ 3,355	\$ -
Environmental inspection	242,166	216,250	169,925	46,325
Other environmental management	14,050	14,050	14,050	-
Total environmental management	\$ 259,571	\$ 233,655	\$ 187,330	\$ 46,325
Cooperative extension program:				
Extension office	\$ 65,974	\$ 65,974	\$ 61,740	\$ 4,234
Total cooperative extension program	\$ 65,974	\$ 65,974	\$ 61,740	\$ 4,234
Total community development	\$ 736,365	\$ 758,449	\$ 622,978	\$ 135,471
Total General Fund	\$ 21,090,127	\$ 21,574,400	\$ 20,518,131	\$ 1,056,269

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

**Schedule 2**  
**Page 4 of 5**

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial administration:				
Courts:				
Law library	\$ 2,400	\$ 2,400	\$ 120	\$ 2,280
Total judicial administration	\$ 2,400	\$ 2,400	\$ 120	\$ 2,280
Public Safety:				
Other Protection:				
Forfeited assets	\$ -	\$ 28,238	\$ 10,682	\$ 17,556
Total other protection	\$ -	\$ 28,238	\$ 10,682	\$ 17,556
Total public safety	\$ -	\$ 28,238	\$ 10,682	\$ 17,556
Total County Special Revenue Fund	\$ 2,400	\$ 30,638	\$ 10,802	\$ 19,836
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ 4,808,978	\$ 7,839,583	\$ 3,286,294	\$ 4,553,289
Vehicle replacement	665,000	665,000	370,581	294,419
Total capital projects	\$ 5,473,978	\$ 8,504,583	\$ 3,656,875	\$ 4,847,708
Debt service:				
Principal retirement	\$ 1,452,615	\$ 1,452,615	\$ 1,452,615	\$ -
Interest and other fiscal charges	701,016	743,622	577,248	166,374
Total debt service	\$ 2,153,631	\$ 2,196,237	\$ 2,029,863	\$ 166,374
Total County Capital Projects Fund	\$ 7,627,609	\$ 10,700,820	\$ 5,686,738	\$ 5,014,082
Total Primary Government	\$ 28,720,136	\$ 32,305,858	\$ 26,215,671	\$ 6,090,187
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 915,378	\$ 915,378	\$ 922,060	\$ (6,682)
Instruction costs	12,094,705	12,334,154	12,307,857	26,297
Pupil transportation	1,574,085	1,574,085	1,766,855	(192,770)
Operation and maintenance of school plant	1,929,163	1,929,163	1,738,999	190,164
Total education	\$ 16,513,331	\$ 16,752,780	\$ 16,735,771	\$ 17,009
Debt service:				
Principal retirement	\$ 58,236	\$ 58,236	\$ 58,236	\$ -
Interest and other fiscal charges	67,490	67,490	67,490	-
Total debt service	\$ 125,726	\$ 125,726	\$ 125,726	\$ -
Total School Operating Fund	\$ 16,639,057	\$ 16,878,506	\$ 16,861,497	\$ 17,009

County of Sussex, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2015

**Schedule 2**  
**Page 5 of 5**

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Education:				
Textbooks	\$ 86,313	\$ 86,292	\$ 2,409	\$ 83,883
Commodities	-	34,596	34,596	-
School food services	972,258	972,926	832,048	140,878
	<hr/>	<hr/>	<hr/>	<hr/>
Total School Special Revenue Fund	\$ 1,058,571	\$ 1,093,814	\$ 869,053	\$ 224,761
	<hr/>	<hr/>	<hr/>	<hr/>
Total Discretely Presented Component Unit - School Board	\$ 17,697,628	\$ 17,972,320	\$ 17,730,550	\$ 241,770
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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			Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural			Community Development	Interest on Long-Term Debt		Total
	Administration	Judicial Administration					Education				Term Debt		
2006	\$ 1,418,612	\$ 914,681	\$ 4,357,806	\$ 931,467	\$ 3,052,246	\$ 14,602,012	\$ 147,446	\$ 908,138	\$ 1,167,092	\$ 27,499,500			
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			

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	Contributions Not Restricted to Specific Programs	Total	
2006	\$ 10,155,481	\$ 4,330,399	\$ 438,841	\$	\$ 6,107,518	\$ 1,044,356	\$ 592,247	\$ 114,820	\$ 1,654,751	\$ 24,438,413	
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	

Table 3

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
2006	\$ 1,495,299	\$ 791,107	\$ 4,204,936	\$ 979,719	\$ 3,035,962	\$ 17,944,854	\$ 144,824	\$ 946,128	\$ 6,057,294	\$ 35,600,123
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

(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.

Table 4

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
2006	\$ 6,152,665	\$ 1,044,356	\$ 102,960	\$ 780,269	\$ 429,023	\$ 9,560,050	\$ 227,692	\$ 226,664	\$ 16,577,463	\$ 35,101,142
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

(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 Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2006	\$ 7,090,204	\$ 7,031,524	99.17%	\$ 131,955	\$ 7,163,479	101.03%	\$ 250,359	3.53%
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%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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)		
					Real Estate	Personal Property	Total
2006	\$ 452,285,903	\$ 70,462,922	\$ 18,971,705	\$ 6,691,430	\$ 45,099,041	\$ 430,978	\$ 593,941,979
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

(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 Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools	Merchants Capital
2006	\$ 0.65	\$ 0.65	\$ 4.85	\$ 4.85	\$ 1.00
2007	0.48	0.48	4.85	4.85	1.00
2008	0.48	0.48	4.85	4.85	1.00
2009	0.54	0.54	4.85	4.85	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 Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities			
2006	12,504	\$ 593,941,979	\$ 12,405,403	\$ -	-	\$ 12,405,403	2.09%	\$ 992
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

(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, 2015, 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 December 17, 2015.

### 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.

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

Richmond, Virginia  
December 17, 2015

# 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 OMB Circular A-133

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 Circular A-133 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, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

## 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a long horizontal line.

Richmond, Virginia  
December 17, 2015



County of Sussex, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

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	0950113/0950114	\$ 963
Temporary Assistance for Needy Families	93.558	0400113/0400114	209,953
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113/0500114	330
Low Income Home Energy Assistance	93.568	0600413/00600414	23,924
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760113/0760114	33,686
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113/090114	1,512
Foster Care - Title IV-E	93.658	1100113/1100114	75,002
Adoption Assistance	93.659	1120113/11201114	50,494
Social Services Block Grant	93.667	1000113/1000114	176,800
Chafee Foster Care Independence Program	93.674	9150113/9150114	1,232
Children's Health Insurance Program	93.767	0540113/0540114	6,860
Medical Assistance Program	93.778	1200113/1200114	248,630
Total Department of Health and Human Services			<u>\$ 829,386</u>
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.559	17901	\$ 1,169
Department of Health:			
Summer Food Service Program for Children	10.559	17901	<u>18,046</u> \$ 19,215
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 33,427
Department of Education:			
National School Lunch Program	10.555	17901-40623	<u>389,123</u> \$ 422,550
School Breakfast Program	10.553	17901-40591	187,335
Pass-Through Payments:			
Department of Education:			
Fresh Fruit and Vegetable Program	10.582	17901-40599	29,576

County of Sussex, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2015

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	0010113/0010114	\$ 228,044
Total Department of Agriculture			\$ 886,720
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-54389	\$ 5,885
Total Department of Transportation			\$ 5,885
Department of Education:			
Pass-Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 431,405
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	320,326
Special Education - Preschool Grants	84.173	17901-62521	4,989
Career and Technical Education - Basic Grants to States	84.048	17901-61095	30,730
Advanced Placement Program	84.330	17901-60957	148
Rural Education	84.358	17901-43481	55,307
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	17117	11,629
Improving Teacher Quality State Grants	84.367	17901-61480	116,184
Total Department of Education			\$ 970,718
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 54,052
Total Expenditures of Federal Awards			\$ 2,746,761

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, 2015

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Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Sussex, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Sussex, Virginia, it is not intended to 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of 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	\$ 1,063,315
Total primary government	\$ <u>1,063,315</u>

Component Unit School Board:

School Operating Fund	\$ 1,024,770
School Special Revenue Fund	658,676
Total Component Unit School Board	\$ <u>1,683,446</u>
Total federal expenditures per basic financial statements	\$ <u><u>2,746,761</u></u>

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 2,746,761

County of Sussex, Virginia  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes ✓ no

Significant deficiency(ies) identified? \_\_\_\_\_ yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the
	Supplemental Nutrition Assistance Program
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A  
and type B programs:

\$300,000

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

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Sussex, Virginia

Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended June 30, 2015

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There were no prior year findings and questioned costs.

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