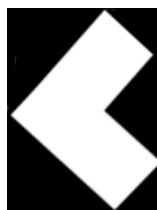


County of Southampton, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2017



***Creedle, Jones
& Alga, P.C.***
Certified Public Accountants

County of Southampton, Virginia

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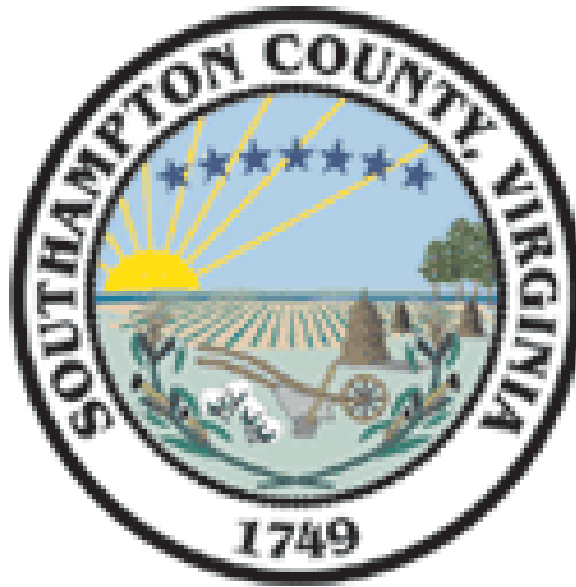
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FINANCIAL SECTION





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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Southampton, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Southampton, Virginia'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.

Auditor's 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 and specifications 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 auditor's 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-10 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer's share of net pension liability – VRS teacher retirement plan, schedule of employer contributions, and notes to required supplementary information on pages 66-76 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Southampton, Virginia's basic financial statements. The combining nonmajor fund and component unit financial statements, jail canteen and other revenues and expense information, and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund and component unit financial statements, jail canteen and other revenues and expense 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 combining nonmajor fund and component unit financial statements, jail canteen and other revenues and expense 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 other information section 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017, on our consideration of the County of Southampton, 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 the County of Southampton, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Southampton, Virginia presents the following discussion and analysis as an overview of the County of Southampton, Virginia's financial activities for the fiscal year ending June 30, 2017. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the County, excluding its Component Unit, exceeded its liabilities and deferred inflows of resources by \$23,392,199.
- For the fiscal year, general and program revenues and net transfers of the County's governmental activities were \$33,405,810 and expenses amounted to \$31,215,973. The County's total net position increased \$2,189,837.
- For business-type activities, revenues and net transfers were \$4,270,582 and expenses were \$4,625,011. The net position decreased by \$354,429.

Highlights for Fund Financial Statements

- As of June 30, 2017, the County's Governmental Funds reported combined fund balances of \$8,204,695, an increase of \$1,135,748 in comparison with the prior year. Approximately 83.60 percent of the combined fund balances, \$6,859,482, is unrestricted and available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$6,154,109, an increase of \$803,022 from June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Furthermore, the government-wide financial statements include a legally separate entity, the school board, for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported.

The County has three types of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Public Assistance Fund, and the Capital Projects Utility Tax Building Fund, all of which are considered to be major funds. Data from the other County non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

Proprietary Funds – The County uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Fiduciary Funds – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position								
As of June 30, 2017 and 2016								
	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Current and other assets	\$ 10,559,238	\$ 10,088,912	\$ (74,897)	\$ 615,733	\$ 10,484,341	\$ 10,704,645	\$ 4,351,119	\$ 6,750,228
Capital assets (net)	<u>49,115,433</u>	<u>49,657,861</u>	<u>34,818,903</u>	<u>35,646,887</u>	<u>83,934,336</u>	<u>85,304,748</u>	<u>13,761,151</u>	<u>11,603,749</u>
Total Assets	59,674,671	59,746,773	34,744,006	36,262,620	94,418,677	96,009,393	18,112,270	18,353,977
Deferred Outflows of Resources	<u>1,517,844</u>	<u>962,237</u>	<u>135,808</u>	<u>87,165</u>	<u>1,653,652</u>	<u>1,049,402</u>	<u>3,714,818</u>	<u>2,440,544</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 61,192,515</u>	<u>\$ 60,709,010</u>	<u>\$ 34,879,814</u>	<u>\$ 36,349,785</u>	<u>\$ 96,072,329</u>	<u>\$ 97,058,795</u>	<u>\$ 21,827,088</u>	<u>\$ 20,794,521</u>
Liabilities								
Other liabilities	\$ 664,935	\$ 642,062	\$ 408,326	\$ 818,052	\$ 1,073,261	\$ 1,460,114	\$ 4,057,869	\$ 4,089,126
Long-term liabilities	<u>37,530,524</u>	<u>39,036,175</u>	<u>33,596,460</u>	<u>34,251,240</u>	<u>71,126,984</u>	<u>73,287,415</u>	<u>24,380,373</u>	<u>23,115,904</u>
Total Liabilities	38,195,459	39,678,237	34,004,786	35,069,292	72,200,245	74,747,529	28,438,242	27,205,030
Deferred Inflows of Resources								
Unexpended grants payable	-	-	-	-	-	-	389,384	239,514
Deferred inflows - pension	118,597	695,860	7,579	58,615	126,176	754,475	2,112,911	2,163,573
Deferred inflows - gain on refunding	<u>353,709</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353,709</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position								
Net investment in capital assets	18,822,562	16,819,809	1,860,005	1,924,900	20,682,567	18,744,709	12,822,073	10,909,018
Restricted for capital projects	1,112,580	1,217,573	348,763	348,690	1,461,343	1,566,263	-	2,458,371
Unrestricted	<u>2,589,608</u>	<u>2,297,531</u>	<u>(1,341,319)</u>	<u>(1,051,712)</u>	<u>1,248,289</u>	<u>1,245,819</u>	<u>(21,935,522)</u>	<u>(22,180,985)</u>
Total Net Position (Deficit)	<u>22,524,750</u>	<u>20,334,913</u>	<u>867,449</u>	<u>1,221,878</u>	<u>23,392,199</u>	<u>21,556,791</u>	<u>(9,113,449)</u>	<u>(8,813,596)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 61,192,515</u>	<u>\$ 60,709,010</u>	<u>\$ 34,879,814</u>	<u>\$ 36,349,785</u>	<u>\$ 96,072,329</u>	<u>\$ 97,058,795</u>	<u>\$ 21,827,088</u>	<u>\$ 20,794,521</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion thereof) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,392,199 at June 30, 2017. The portion of the reporting entity's net position, \$20,682,567, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues								
Program Revenues								
Charges for services	\$ 2,527,977	\$ 2,690,724	\$ 1,182,500	\$ 1,227,559	\$ 3,710,477	\$ 3,918,283	\$ 421,352	\$ 383,471
Operating grants and contributions	6,581,218	6,822,086	68,479	14,628	6,649,697	6,836,714	20,609,670	19,507,158
General Revenues								
General property taxes, real and personal	20,768,188	19,344,004	-	-	20,768,188	19,344,004	-	-
Other taxes	2,176,962	2,213,218	-	-	2,176,962	2,213,218	-	-
Payment from County of Southampton, VA								
Education	-	-	-	-	-	-	9,569,412	16,623,452
Noncategorical aid from state	2,992,846	3,038,734	-	-	2,992,846	3,038,734	-	-
Use of property	213,619	218,546	-	-	213,619	218,546	-	-
Investment earnings	2,507	584	73	37	2,580	621	643	832
Miscellaneous	1,097,562	1,160,888	64,461	31,743	1,162,023	1,192,631	140,944	127,304
Transfers	(2,955,069)	(2,959,487)	2,955,069	2,959,487	-	-	-	-
Total Revenues and Transfers	33,405,810	32,529,297	4,270,582	4,233,454	37,676,392	36,762,751	30,742,021	36,642,217
Expenses								
General government administration	2,956,635	2,455,958	-	-	2,956,635	2,455,958	-	-
Judicial administration	1,806,925	1,707,821	-	-	1,806,925	1,707,821	-	-
Public safety	9,501,214	8,637,502	-	-	9,501,214	8,637,502	-	-
Public works	2,097,264	2,698,888	-	-	2,097,264	2,698,888	-	-
Health and welfare	2,929,314	2,997,440	-	-	2,929,314	2,997,440	-	-
Education	9,569,412	16,623,452	-	-	9,569,412	16,623,452	31,041,874	28,958,984
Parks, recreation, and cultural	287,326	335,704	-	-	287,326	335,704	-	-
Community development	1,158,357	1,107,003	-	-	1,158,357	1,107,003	-	-
Water and sewer	-	-	2,953,639	2,953,080	2,953,639	2,953,080	-	-
Interest on long-term debt	909,526	1,070,159	1,671,372	1,691,129	2,580,898	2,761,288	-	-
Total Expenses	31,215,973	37,633,927	4,625,011	4,644,209	35,840,984	42,278,136	31,041,874	28,958,984
Increase (Decrease) in Net Position	2,189,837	(5,104,630)	(354,429)	(410,755)	1,835,408	(5,515,385)	(299,853)	7,683,233
Beginning Net Position (Deficit)	20,334,913	25,439,543	1,221,878	1,632,633	21,556,791	27,072,176	(8,813,596)	(16,496,829)
Ending Net Position (Deficit)	\$ 22,524,750	\$ 20,334,913	\$ 867,449	\$ 1,221,878	\$ 23,392,199	\$ 21,556,791	\$ (9,113,449)	\$ (8,813,596)

Governmental activities increased the County's net position by \$2,189,837 for fiscal year 2017. General property taxes comprise the largest source of these revenues, totaling \$20,768,188 or 62.17 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$31,215,973. Education was the County's largest program with expenses totaling \$9,569,412. Public safety, which totals \$9,501,214, represents the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>		<u>2016</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,956,635	\$ (2,201,186)	\$ 2,455,958	\$ (1,915,433)
Judicial administration	1,806,925	(954,993)	1,707,821	(866,312)
Public safety	9,501,214	(5,110,378)	8,637,502	(3,777,435)
Public works	2,097,264	(1,091,862)	2,698,888	(1,588,825)
Health and welfare	2,929,314	(828,738)	2,997,440	(876,033)
Education	9,569,412	(9,569,412)	16,623,452	(16,623,452)
Parks, recreation, and cultural	287,326	(282,326)	335,704	(331,065)
Community development	1,158,357	(1,158,357)	1,107,003	(1,072,403)
Interest on long-term debt	<u>909,526</u>	<u>(909,526)</u>	<u>1,070,159</u>	<u>(1,070,159)</u>
Total	<u>\$ 31,215,973</u>	<u>\$ (22,106,778)</u>	<u>\$ 37,633,927</u>	<u>\$ (28,121,117)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2017, the County's Governmental Funds reported a combined ending fund balance of \$8,204,695, an increase of \$1,135,748 in comparison with the prior year. Approximately 83.60 percent, or \$6,859,482, is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$6,154,109. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20.77 percent of total fund expenditures.

- The General Fund contributed \$11,881,112 in operating funds to finance the Schools' operations.

The Capital Projects Fund which has a total fund balance of \$1,817,953; \$1,112,580 is restricted and assigned for ongoing and future capital projects, \$705,373 represents an unassigned fund balance.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 22,168,561	\$ 22,882,436	\$ 20,530,429	\$ 21,076,972	\$ 21,704,476	\$ 19,205,365
Other	4,812,763	5,557,086	6,632,275	4,603,689	5,403,178	5,683,217
Intergovernmental	<u>5,164,464</u>	<u>5,350,772</u>	<u>7,428,392</u>	<u>4,947,669</u>	<u>5,529,170</u>	<u>7,937,361</u>
Total	32,145,788	33,790,294	34,591,096	30,628,330	32,636,824	32,825,943
Expenditures	<u>28,313,670</u>	<u>30,434,231</u>	<u>29,630,763</u>	<u>27,356,184</u>	<u>29,521,818</u>	<u>28,461,561</u>
Excess (Deficiency) of Revenues Over Expenditures	3,832,118	3,356,063	4,960,333	3,272,146	3,115,006	4,364,382
Other Financing Sources (Uses)						
Proceeds of long-term debt/leases	-	-	-	-	-	139,890
Transfers in	100,000	100,000	100,000	108,000	110,007	108,000
Transfers out	<u>(4,117,059)</u>	<u>(4,292,756)</u>	<u>(4,257,311)</u>	<u>(3,624,146)</u>	<u>(4,010,321)</u>	<u>(3,962,601)</u>
Total	<u>(4,017,059)</u>	<u>(4,192,756)</u>	<u>(4,157,311)</u>	<u>(3,516,146)</u>	<u>(3,900,314)</u>	<u>(3,714,711)</u>
Change in Fund Balance	(184,941)	(836,693)	803,022	(244,000)	(785,308)	649,671
Transfer from Reserve	<u>184,941</u>	<u>836,693</u>	-	<u>244,000</u>	<u>785,308</u>	-
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 803,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649,671</u>

Final amended budget revenues were more than the original budget by \$1,644,506.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,120,561.

Actual revenues were more than final budget amounts by \$800,802, or 2.37 percent, while actual expenditures were \$803,468, or 2.64 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2017, the County's net investment in capital assets, which is net capital assets less related debt for governmental activities totals \$18,822,562 and \$1,860,005 for business-type activities.

During fiscal year 2017, the County's net capital assets (including additions, decreases, and depreciation) decreased \$542,428 for governmental activities and decreased \$827,984 for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 2,389,757	\$ -	\$ 2,389,757
Construction in progress	194,282	(194,282)	-
Buildings and improvements	65,984,741	624,805	66,609,546
Furniture, equipment, and vehicles	7,750,637	976,243	8,726,880
Total Capital Assets	76,319,417	1,406,766	77,726,183
Less: Accumulated depreciation	(26,661,556)	(1,949,194)	(28,610,750)
Total Capital Assets, Net	<u>\$ 49,657,861</u>	<u>\$ (542,428)</u>	<u>\$ 49,115,433</u>

Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 343,785	\$ -	\$ 343,785
Construction in progress	41,890	(47,513)	(5,623)
Buildings and improvements	1,053,937	-	1,053,937
Infrastructure and equipment	52,692,392	547,284	53,239,676
Vehicles	262,162	-	262,162
Total Capital Assets	54,394,166	499,771	54,893,937
Less: Accumulated depreciation	(18,747,279)	(1,327,755)	(20,075,034)
Total Capital Assets, Net	<u>\$ 35,646,887</u>	<u>\$ (827,984)</u>	<u>\$ 34,818,903</u>

Component Unit School Board

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 1,362,200	\$ -	\$ 1,362,200
Construction in progress	4,710,767	(4,710,767)	-
Buildings and improvements	2,432,108	320,357	2,752,465
Furniture, equipment, and vehicles	15,303,124	7,375,808	22,678,932
Total Capital Assets	23,808,199	2,985,398	26,793,597
Less: Accumulated depreciation	(12,204,450)	(827,996)	(13,032,446)
Total Capital Assets, Net	<u>\$ 11,603,749</u>	<u>\$ 2,157,402</u>	<u>\$ 13,761,151</u>

Note: School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off.

Long-Term Debt

As of June 30, 2017, the County's long-term obligations, excluding the Component Unit, total \$64,765,803.

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Governmental Activities			
Long-term debt	\$ 32,452,188	\$ (2,159,317)	\$ 30,292,871
Net OPEB obligation	910,724	(128,589)	782,135
<i>Compensated absences</i>			
General Fund	377,477	11,465	388,942
Welfare Fund	<u>214,577</u>	<u>20,100</u>	<u>234,677</u>
Total Long-Term Indebtedness - Primary Government	33,954,966	(2,256,341)	31,698,625
Business-Type Activities			
Long-term debt	33,721,987	(763,089)	32,958,898
<i>Compensated absences</i>			
Water and Sewer Fund	<u>100,446</u>	<u>7,834</u>	<u>108,280</u>
Total Business-Type Activities	<u>33,822,433</u>	<u>(755,255)</u>	<u>33,067,178</u>
Total Primary Government	<u>\$ 67,777,399</u>	<u>\$ (3,011,596)</u>	<u>\$ 64,765,803</u>
Component Unit School Board			
Long-term debt	\$ 694,731	\$ 244,347	\$ 939,078
Compensated absences	252,949	3,126	256,075
Net OPEB obligation	<u>1,142,139</u>	<u>(159,589)</u>	<u>982,550</u>
Total Component Unit School Board	<u>\$ 2,089,819</u>	<u>\$ 87,884</u>	<u>\$ 2,177,703</u>

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

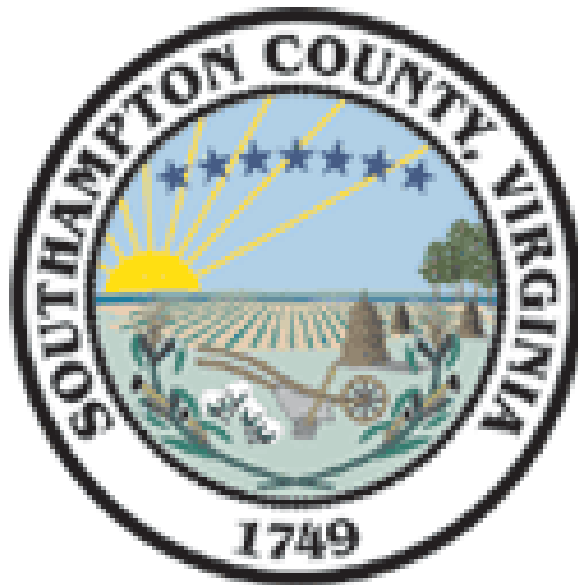
- The average unemployment rate for the County of Southampton, Virginia in June 2017 was 3.8 percent, an increase of .1 percent from June 2016. This compares favorably to the state's rate of 3.9 percent and the national rate of 4.5 percent.
- According to the Weldon Cooper Center for Public Service at the University of Virginia, the provisional 2010 population was 18,570, an increase of 6.2 percent since the 2000 U. S. Census.
- The median adjusted gross income for individual tax returns in Southampton County in 2007 was \$19,953, compared to \$22,993 for the state, according to the Weldon Cooper Center for Public Service at the University of Virginia.

The fiscal year 2018 Adopted Budget anticipates General Fund revenues and expenditures to be \$32,791,902, a 2.01 percent increase over the fiscal year 2017 original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Michael W. Johnson, County Administrator, or Lynette C. Lowe, Deputy County Administrator/Chief Financial Officer, County of Southampton, Virginia, 26022 Administration Center Drive, Courtland, Virginia 23837, telephone 757-653-3015, or visit the County's website at www.southamptoncounty.org.

BASIC FINANCIAL STATEMENTS



County of Southampton, Virginia

Statement of Net Position

At June 30, 2017

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash, cash equivalents, and investments	\$ 5,787,833	\$ -	\$ 5,787,833	\$ 2,989,474
Restricted cash	1,112,580	348,763	1,461,343	-
Receivables, net	2,215,499	146,310	2,361,809	143,795
Internal balances	569,970	(569,970)	-	-
Due from other governments	873,356	-	873,356	1,217,850
Capital Assets				
Land and construction in progress	2,389,757	338,162	2,727,919	1,362,200
Other capital assets, net of accumulated depreciation	46,725,676	34,480,741	81,206,417	12,398,951
Capital Assets, Net	49,115,433	34,818,903	83,934,336	13,761,151
Total Assets	59,674,671	34,744,006	94,418,677	18,112,270
Deferred Outflows of Resources				
Deferred outflows - pension	1,517,844	135,808	1,653,652	3,714,818
Total Assets and Deferred Outflows of Resources	<u>\$ 61,192,515</u>	<u>\$ 34,879,814</u>	<u>\$ 96,072,329</u>	<u>\$ 21,827,088</u>
Liabilities				
Pooled cash deficit	\$ -	\$ 254,877	\$ 254,877	\$ -
Accounts payable and accrued expenses	664,935	66,615	731,550	3,887,657
Customer deposits	-	86,834	86,834	-
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	2,691,465	884,825	3,576,290	170,212
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	27,601,406	32,074,073	59,675,479	768,866
Net pension	5,831,899	529,282	6,361,181	22,372,882
Compensated absences	623,619	108,280	731,899	256,075
Net OPEB obligation	782,135	-	782,135	982,550
Total Liabilities	38,195,459	34,004,786	72,200,245	28,438,242
Deferred Inflows of Resources				
Unexpended grants payable	-	-	-	389,384
Deferred inflows - pension	118,597	7,579	126,176	2,112,911
Deferred inflows - gain on refunding	353,709	-	353,709	-
Net Position				
Net investment in capital assets	18,822,562	1,860,005	20,682,567	12,822,073
Restricted for capital projects	1,112,580	348,763	1,461,343	-
Unrestricted	2,589,608	(1,341,319)	1,248,289	(21,935,522)
Total Net Position (Deficit)	<u>22,524,750</u>	<u>867,449</u>	<u>23,392,199</u>	<u>(9,113,449)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 61,192,515</u>	<u>\$ 34,879,814</u>	<u>\$ 96,072,329</u>	<u>\$ 21,827,088</u>

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

County of Southampton, Virginia

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Unit School Board
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Primary Government						
Governmental Activities						
General government administration	\$ 2,956,635	\$ 273,679	\$ 481,770	\$ (2,201,186)		\$ (2,201,186)
Judicial administration	1,806,925	53,847	798,085	(954,993)		(954,993)
Public safety	9,501,214	1,210,858	3,179,978	(5,110,378)		(5,110,378)
Public works	2,097,264	989,593	15,809	(1,091,862)		(1,091,862)
Health and welfare	2,929,314	-	2,100,576	(828,738)		(828,738)
Education - local school system	9,569,412	-	-	(9,569,412)		(9,569,412)
Parks, recreation, and cultural	287,326	-	5,000	(282,326)		(282,326)
Community development	1,158,357	-	-	(1,158,357)		(1,158,357)
Interest	909,526	-	-	(909,526)		(909,526)
Total Governmental Activities	31,215,973	2,527,977	6,581,218	(22,106,778)		(22,106,778)
Business-Type Activities						
Regional Water and Sewer Fund	4,625,011	1,182,500	68,479		\$ (3,374,032)	(3,374,032)
Total Business-Type Activities	4,625,011	1,182,500	68,479		(3,374,032)	(3,374,032)
Total Primary Government	\$ 35,840,984	\$ 3,710,477	\$ 6,649,697			(25,480,810)
Component Unit						
Southampton County School Board	\$ 31,041,874	\$ 421,352	\$ 20,609,670			\$ (10,010,852)
General Revenues						
Taxes						
General property taxes, real and personal				20,768,188	-	20,768,188
Other local taxes				2,176,962	-	2,176,962
Payment from County of Southampton, VA						
Education				-	-	-
Noncategorical aid from state				2,992,846	-	2,992,846
Use of property				213,619	-	213,619
Investment earnings				2,507	73	2,580
Miscellaneous				1,097,562	64,461	1,162,023
Transfers				(2,955,069)	2,955,069	-
Total General Revenues and Transfers				24,296,615	3,019,603	27,316,218
Change in Net Position				2,189,837	(354,429)	1,835,408
Net Position (Deficit) - Beginning of Year				20,334,913	1,221,878	21,556,791
Net Position (Deficit) - End of Year				\$ 22,524,750	\$ 867,449	\$ 23,392,199
						\$ (9,113,449)

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

County of Southampton, Virginia

Balance Sheet

Governmental Funds

At June 30, 2017

	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and investments	\$ 5,308,054	\$ -	\$ 407,934	\$ 241,857	\$ 5,957,845
Restricted cash	-	-	1,112,580	-	1,112,580
Property taxes receivable, net	983,732	-	-	-	983,732
Accounts receivable	885,399	-	346,368	-	1,231,767
Due from other funds	569,970	-	-	-	569,970
Due from other governments	<u>732,804</u>	<u>140,395</u>	<u>-</u>	<u>157</u>	<u>873,356</u>
Total Assets	<u>\$ 8,479,959</u>	<u>\$ 140,395</u>	<u>\$ 1,866,882</u>	<u>\$ 242,014</u>	<u>\$ 10,729,250</u>
Liabilities					
Pooled cash deficit	\$ -	\$ 122,058	\$ 47,954	\$ -	\$ 170,012
Accounts payable and accrued liabilities	<u>636,242</u>	<u>18,337</u>	<u>975</u>	<u>9,381</u>	<u>664,935</u>
Total Liabilities	636,242	140,395	48,929	9,381	834,947
Deferred Inflows of Resources					
Unavailable revenue - taxes and landfill fees	<u>1,689,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689,608</u>
Total Deferred Inflows of Resources	1,689,608	-	-	-	1,689,608
Fund Balance					
Restricted	-	-	1,112,580	232,633	1,345,213
Unassigned	<u>6,154,109</u>	<u>-</u>	<u>705,373</u>	<u>-</u>	<u>6,859,482</u>
Total Fund Balance	<u>6,154,109</u>	<u>-</u>	<u>1,817,953</u>	<u>232,633</u>	<u>8,204,695</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 8,479,959</u>	<u>\$ 140,395</u>	<u>\$ 1,866,882</u>	<u>\$ 242,014</u>	<u>\$ 10,729,250</u>

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

County of Southampton, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2017

Total Fund Balances for Governmental Funds	\$ 8,204,695
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Unavailable revenue - taxes and landfill fees	1,689,608
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 2,389,757
Buildings and improvements, net of accumulated depreciation	43,122,230
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,603,446</u>

Total Capital Assets	49,115,433
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,517,844
Deferred inflows of resources related to pensions	(118,597)
Deferred inflows of resources related to debt refunding	<u>(353,709)</u>

Total Deferred Outflows and Inflows of Resources	1,045,538
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Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(30,292,871)
Net pension liability	(5,831,899)
Net OPEB obligation	(782,135)
Compensated absences	<u>(623,619)</u>

Total	<u>(37,530,524)</u>
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Total Net Position of Governmental Activities	<u>\$ 22,524,750</u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Southampton, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 20,530,429	\$ -	\$ -	\$ -	\$ 20,530,429
Other local taxes	1,487,790	-	689,172	-	2,176,962
Permits, privilege fees, and regulatory licenses	230,676	-	-	-	230,676
Fines and forfeitures	841,367	-	-	-	841,367
Use of money and property	927,246	-	214,403	530	1,142,179
Charges for services	1,615,793	-	-	70,817	1,686,610
Miscellaneous	927,951	-	3,400	166,211	1,097,562
Recovered costs	601,452	-	-	-	601,452
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	7,397,659	580,764	-	13,741	7,992,164
Revenue from the Federal Government	30,733	1,295,788	-	24,703	1,351,224
Total Revenues	34,591,096	1,876,552	906,975	276,002	37,650,625
Expenditures					
Current					
General government administration	2,541,644	-	-	-	2,541,644
Judicial administration	1,798,812	-	166,871	7,504	1,973,187
Public safety	8,409,968	-	134,472	439,067	8,983,507
Public works	2,775,050	-	625,477	-	3,400,527
Health and welfare	757,755	2,180,876	-	-	2,938,631
Education - public school system	11,881,112	-	-	-	11,881,112
Parks, recreation, and cultural	274,604	-	-	-	274,604
Community development	1,162,431	-	1,326	-	1,163,757
Debt service	29,387	-	969,973	-	999,360
Total Expenditures	29,630,763	2,180,876	1,898,119	446,571	34,156,329
Excess (Deficiency) of Revenues Over Expenditures	4,960,333	(304,324)	(991,144)	(170,569)	3,494,296
Other Financing Sources (Uses)					
Issuance of debt	-	-	596,520	-	596,520
Transfers in	100,000	304,324	997,919	-	1,402,243
Transfers out	(4,257,311)	-	-	(100,000)	(4,357,311)
Total Other Financing Sources (Uses)	(4,157,311)	304,324	1,594,439	(100,000)	(2,358,548)
Net Change in Fund Balance	803,022	-	603,295	(270,569)	1,135,748
Fund Balance - Beginning of Year	5,351,087	-	1,214,658	503,202	7,068,947
Fund Balance - End of Year	\$ 6,154,109	\$ -	\$ 1,817,953	\$ 232,633	\$ 8,204,695

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

County of Southampton, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 1,135,748

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

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 as depreciation expense.

Capitalized assets	\$ 1,406,766	
Depreciation	(1,949,194)	(542,428)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities.

Property taxes	66,281
Landfill fees	171,478
Notes receivable - sale of land	(926,054)

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Proceeds of new debt or capital leases	(596,520)	
Repayments on debt	2,755,837	
Gain on refunding	32,155	
Net Adjustment		2,191,472

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	771,026	
Cost of benefits earned net of employee contributions	(774,710)	(3,684)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Net OPEB obligation	128,589	
Compensated absences	(31,565)	
Net Adjustment		97,024

Change in Net Position of Governmental Activities \$ 2,189,837

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

County of Southampton, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2017

**Business-Type
Activities -
Enterprise Fund
Water and Sewer
Fund**

Assets**Current Assets**

Restricted cash	\$ 348,763
Receivables, net	146,310

Total Current Assets	495,073
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Noncurrent Assets

Capital assets, net	34,818,903
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Total Noncurrent Assets	34,818,903
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Total Assets	35,313,976
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Deferred Outflows of Resources

Deferred outflows - pension	135,808
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Total Assets and Deferred Outflows of Resources	\$ 35,449,784
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Liabilities**Current Liabilities**

Pooled cash deficit	\$ 254,877
Accounts payable and accrued expenses	66,615
Due to General Fund	569,970
Short-term portion of debt	884,825

Total Current Liabilities	1,776,287
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Noncurrent Liabilities

Customer deposits	86,834
Net pension	529,282
Compensated absences	108,280
Long-term debt, net of unamortized discount	32,074,073

Total Noncurrent Liabilities	32,798,469
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Total Liabilities	34,574,756
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Deferred Inflows of Resources

Deferred inflows - pension	7,579
----------------------------	-------

Net Position

Net investment in capital assets	1,860,005
Restricted for construction	348,763
Unrestricted	(1,341,319)

Total Net Position	867,449
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Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 35,449,784
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The accompanying notes to the financial statements are an integral part of this statement.

County of Southampton, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2017

**Business-Type
Activities -
Enterprise Fund
Water and Sewer
Fund**

Operating Revenues

Charges for services, net	\$ 1,182,500
Operating grants	68,479
Miscellaneous	64,461

Total Operating Revenues 1,315,440

Operating Expenses

Personal services	664,094
Fringe benefits	288,045
Repairs and maintenance	173,642
Professional fees	7,612
Utilities	238,233
Chemicals, lab, permits	170,840
Vehicle and power equipment	20,953
Insurance	24,710
Other supplies	37,755
Depreciation	1,327,755

Total Operating Expenses 2,953,639

Operating Loss (1,638,199)

Nonoperating Revenues (Expenses)

Interest income	73
Interest expense	(1,671,372)

Total Nonoperating Revenues (Expenses) (1,671,299)

Loss Before Transfers (3,309,498)

Operating Transfers In 2,955,069

Net Operating Transfers 2,955,069

Change in Net Position (354,429)

Total Net Position - Beginning of Year 1,221,878

Total Net Position - End of Year \$ 867,449

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

County of Southampton, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

**Business-Type
Activities -
Enterprise Fund
Water and Sewer
Fund**

Cash Flows from Operating Activities

Receipts from customers	\$ 1,304,007
Other receipts	132,940
Payments for personnel and related costs	(943,509)
Payments to suppliers and other operating costs	<u>(649,836)</u>
Net Cash Used in Operating Activities	(156,398)

Cash Flows from Noncapital Financing Activities

Net transfers from other funds	<u>2,955,069</u>
Net Cash Provided by Noncapital Financing Activities	2,955,069

Cash Flows from Capital and Related Financing Activities

Purchase and construction of capital assets	(499,771)
Proceeds of debt	91,044
Principal paid on capital debt	(854,133)
Interest paid on capital debt	<u>(1,671,372)</u>
Net Cash Used in Capital and Related Financing Activities	(2,934,232)

Cash Flows from Investing Activities

Interest income	<u>73</u>
Net Cash Provided by Investing Activities	<u>73</u>

Net Decrease in Cash and Cash Equivalents	(135,488)
Cash and Cash Equivalents - Beginning of Year	<u>229,374</u>
Cash and Cash Equivalents - End of Year	<u>\$ 93,886</u>

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (1,638,199)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i>	
Depreciation expense	1,327,755
<i>Changes in assets and liabilities</i>	
Receivables, net	120,733
Accounts payable and accrued expenses	23,909
Compensated absences	7,834
Customer deposits	774
Deferred outflows - pension	(48,643)
Net pension liability	100,475
Deferred inflows - pension	<u>(51,036)</u>
Net Cash Used in Operating Activities	<u>\$ (156,398)</u>

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

County of Southampton, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2017

	Agency Funds
Assets	
Cash and investments	\$ 3,212,466
Total Assets	<u>\$ 3,212,466</u>
Liabilities	
Amounts held for others	\$ 3,212,466
Total Liabilities	<u>\$ 3,212,466</u>

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

County of Southampton, Virginia

Notes to the Financial Statements

Year Ended June 30, 2017

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Southampton, Virginia (the "County"), which was founded in 1749, has a population of approximately 18,570 living within an area of 599 square miles. The County is located in the Tidewater area in Southeastern Virginia. The County is governed by an appointed County Administrator and a seven-member Board of Supervisors with each serving administrative and legislative functions.

The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the County 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:

1-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 Southampton, Virginia (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.

Individual Component Unit Disclosures

Discretely Presented Component Unit

Southampton County School Board

The Southampton County School Board members are appointed for four-year terms. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are State and Federal grants and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget. The School Board does not issue separate financial statements.

Exclusions from the Reporting Entity

Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

Blackwater Regional Library

The Blackwater Regional Library provides library services to the County. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50 percent of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$239,522 in operating funds in fiscal year 2017. The County has no equity interest in the Library.

Western Tidewater Community Services Board

The Cities of Suffolk and Franklin and the Counties of Isle of Wight and Southampton jointly participate in the Western Tidewater Community Services Board (the "Board"). The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities.

Related Organization

Industrial Development Authority of Southampton County, Virginia

The Industrial Development Authority (the "Authority") of the County was created in 1969. The Authority is authorized to acquire, own, lease, and dispose of local properties which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member board appointed by the Southampton County Board of Supervisors. The County has no financial responsibility for the debt issued by the Authority.

1-B. Financial Reporting Model

The County's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component unit are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the County and its discretely presented component unit at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

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 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. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

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. The following is a brief description of the funds reported by the County in each of its fund types in the financial statements:

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Public Assistance Fund – This fund accounts for the administration of the County's social services program.
 - Forfeiture Fund – This fund accounts for County revenues and expenditures associated with the Sheriff's Department and Commonwealth's Attorney's Office related to asset and drug forfeitures.
 - Law Library Fund – This fund accounts for the operation and maintenance of the County's law library.
 - Canteen Fund – This fund accounts for the operations and maintenance of the general store of the jail.
 - Inmate Fund – This fund accounts for individual account balances for inmates within the jail.
 - *Capital Projects Funds* – The Capital Projects Fund consists of the Utility Tax Building Fund which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Agency Funds)** – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. 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 financial statements. Agency Funds consist of the following:
 - Special Welfare Fund – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
 - Cypress Escrow Fund – This fund accounts for funds held in escrow for a VDOT Roadway System. There is a twelve month waiting period for acceptance by VDOT.
 - Blackwater Regional Library Fund – This fund accounts for the operation and maintenance of the regional library of the County. The County acts as fiscal agent for the Library.

- Enviva Escrow Fund – This fund accounts for funds held in escrow for the Enviva gas line project.
- OPEB Trust Accounts – This fund accounts for monies held for retired employees covered for postretirement health insurance benefits.

Component Unit (Southampton County School Board)

The Southampton County School Board has the following funds:

School Operating Fund – This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from State and Federal grants and appropriations from the County. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Food Services Fund – This fund accounts for revenues derived from State and Federal grants and food and beverage sales.

School Endowment Fund – This fund consists of money donated by individuals to be used in the future at the schools' discretion.

1-D. Measurement Focus and Basis of Accounting

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 proprietary fund and 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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, judicial administration, public safety, public works, health and welfare, etc.) or a business-type activity.

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 expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The County operates a cash and investment pool which all funds utilize with the exception of some agency funds and some special purpose projects. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 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, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to all funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

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 amounts were as follows at June 30:

General Fund - taxes receivable	<u>\$ 635,949</u>
Water and Sewer Fund - receivables	<u>\$ 195,005</u>

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

The County bills and collects its own property taxes.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 - 50 years
Furniture and equipment	3 - 25 years
Infrastructure	25 years
Vehicles	5-10 years

1-E-6 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

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 until that time. Under a modified accrual basis of accounting, unavailable revenue, representing property taxes and landfill charges receivables, is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

1-E-7 *Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

The Component Unit School Board accrues compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

1-E-8 *Pensions*

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing plan. 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 Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's and VRS Teacher 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.

1-E-9 *Other Postemployment Benefit Plans*

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to financial statements present required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

1-E-10 *Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for water and sewer utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-12 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-13 Long-Term Obligations

The County reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-14 Adoption of New GASB Statement

During the fiscal year ended June 30, 2017, the County adopted the following GASB statement:

- Statement No. 82, "*Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73*"

The adoption of this statement had no effect on the current financial statements.

1-F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-G. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through November 28, 2017.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and Component Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

The business-type activities had an unrestricted net position deficit of \$(1,341,319).

3 Deposits and Investments

Deposits

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

Investments

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

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio. As of June 30, investments held in the portfolio can be liquidated daily.

Concentration of Credit Risk

The County places no limit on the amount the Treasurer may invest in any one issuer. More than 5 percent of the County's investments are in a repurchase agreement with a financial institution. This investment is 18.40 percent of the County's total cash and investments.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Petty cash	\$ 1,000	
Deposit accounts	10,766,846	
Investments		
Davenport and Company - Mutual Funds	<u>2,428,393</u>	<u>\$ 2,428,393</u>
Total Cash and Investments	<u>\$ 13,196,239</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government				
Cash and cash equivalents	\$ 5,787,833	\$ (254,877)	\$ 784,073	\$ 6,317,029
Restricted cash	1,112,580	348,763	-	1,461,343
Investments	<u>-</u>	<u>-</u>	<u>2,428,393</u>	<u>2,428,393</u>
Total Primary Government	6,900,413	93,886	3,212,466	10,206,765
Component Unit School Board				
Cash and cash equivalents	<u>2,989,474</u>	<u>-</u>	<u>-</u>	<u>2,989,474</u>
Grand Total	<u>\$ 9,889,887</u>	<u>\$ 93,886</u>	<u>\$ 3,212,466</u>	<u>\$ 13,196,239</u>

4 Receivables

Receivables at June 30, 2017 consist of the following:

Primary Government

	<u>Governmental Activities</u>						
	<u>Capital Projects</u>			<u>Total Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
	<u>General</u>	<u>Utility Tax Building Fund</u>	<u>Other Nonmajor</u>				
Property taxes	\$ 1,619,681	\$ -	\$ -	1,619,681	\$ -	\$ 1,619,681	\$ -
Landfill fees	751,011	-	-	751,011	-	751,011	-
Utility taxes	-	45,368	-	45,368	-	45,368	-
Other miscellaneous	134,388	301,000	-	435,388	-	435,388	143,795
Water and sewer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,315</u>	<u>341,315</u>	<u>-</u>
Total	2,505,080	346,368	-	2,851,448	341,315	3,192,763	143,795
Allowance for uncollectibles	<u>(635,949)</u>	<u>-</u>	<u>-</u>	<u>(635,949)</u>	<u>(195,005)</u>	<u>(830,954)</u>	<u>-</u>
Net Receivables	<u>\$ 1,869,131</u>	<u>\$ 346,368</u>	<u>\$ -</u>	<u>\$ 2,215,499</u>	<u>\$ 146,310</u>	<u>\$ 2,361,809</u>	<u>\$ 143,795</u>

The County sold land in its industrial park to a new business for \$1,543,422 through an interest free note receivable. The note was paid in full during FY17.

5 Interfund Transfers

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

Primary Government	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To Public Assistance	\$ 304,324	\$ -
To Enterprise Fund for operating costs and debt service	2,955,069	-
To Utility Tax Building Fund	997,919	-
From Inmate Fund	-	100,000
Total General Fund	4,257,312	100,000
Public Assistance Fund		
From General Fund	-	304,324
Inmate Fund		
To General Fund	100,000	-
Enterprise Fund		
From General Fund for operating costs and debt service	-	2,955,069
Utility Tax Building Fund		
From General Fund	-	997,919
Total	<u>\$ 4,357,312</u>	<u>\$ 4,357,312</u>

6 Transfer to Component Unit/Transfer from Primary Government

Details of the primary government transfers to component unit as of June 30, 2017 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To School Fund for local appropriation	\$ 11,881,112	\$ -
School Fund		
From General Fund for local appropriation	-	11,881,112
To School Food Fund for operating costs	70,000	-
School Food Fund		
From School Fund for operating costs	-	70,000
Total	<u>\$ 11,951,112</u>	<u>\$ 11,951,112</u>

7 Interfund Receivables and Payables

Details of the primary government interfund receivables and payables as of June 30, 2017 are as follows:

	<u>Due From All Funds</u>	<u>Due To All Funds</u>
General Fund		
Due from Enterprise Fund for operating costs and debt service	\$ 569,970	\$ -
Enterprise Fund		
Due to General Fund for operating costs and debt service	-	569,970
Total	<u>\$ 569,970</u>	<u>\$ 569,970</u>

8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2017, are as follows:

	<u>Governmental Activities</u>					
	<u>General Fund</u>	<u>Public Assistance Fund</u>	<u>Capital Projects Utility Tax Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia						
Local and State sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,285
Compensation board - salaries	84,501	-	-	-	84,501	-
EMS 4 life	16,646	-	-	-	16,646	-
Comprehensive services funds	50,963	-	-	-	50,963	-
Communication sales tax	43,781	-	-	-	43,781	-
Public assistance funds	-	140,395	-	-	140,395	-
Sheriffs reimbursements	260,209	-	-	-	260,209	-
PSAP grants	3,965	-	-	-	3,965	-
Victim witness	44,882	-	-	-	44,882	-
Local law enforcement block grant	2,136	-	-	-	2,136	-
Department of Transportation	1,536	-	-	-	1,536	-
Shared services - City of Franklin	179,338	-	-	-	179,338	-
Other	44,847	-	-	157	45,004	18,547
Technology Plan	-	-	-	-	-	353,706
Vocational education	-	-	-	-	-	33,504
Federal Government						
Title I	-	-	-	-	-	282,655
Opportunity fund	-	-	-	-	-	51,310
School lunch and breakfast program	-	-	-	-	-	55,190
Title VIB Flow-through	-	-	-	-	-	145,005
Title IV rural and low income	-	-	-	-	-	3,790
Title IVB 21st century	-	-	-	-	-	31,849
Title II Part A	-	-	-	-	-	25,009
Total	<u>\$732,804</u>	<u>\$ 140,395</u>	<u>\$ -</u>	<u>\$ 157</u>	<u>\$ 873,356</u>	<u>\$ 1,217,850</u>

9 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,389,757	\$ -	\$ -	\$ 2,389,757
Construction in progress	194,282	-	194,282	-
Total Capital Assets Not Being Depreciated	2,584,039	-	194,282	2,389,757
Other Capital Assets				
Buildings and improvements	65,984,741	624,805	-	66,609,546
Furniture, equipment, and vehicles	7,750,637	1,029,906	53,663	8,726,880
Total Other Capital Assets	73,735,378	1,654,711	53,663	75,336,426
Less: Accumulated depreciation for				
Buildings and improvements	21,989,713	1,497,603	-	23,487,316
Furniture, equipment, and vehicles	4,671,843	488,976	37,385	5,123,434
Total Accumulated Depreciation	26,661,556	1,986,579	37,385	28,610,750
Other Capital Assets, Net	47,073,822	(331,868)	16,278	46,725,676
Net Capital Assets	\$ 49,657,861	\$ (331,868)	\$ 210,560	\$ 49,115,433

Depreciation expense was allocated as follows:

General government administration	\$ 821,067
Public safety	440,779
Public works	84,314
Health and welfare	12,825
Education	386,458
Parks, recreation, and cultural	12,722
Community development	228,414
Total Depreciation Expense	\$ 1,986,579

Business-Type Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 338,162	\$ -	\$ -	\$ 338,162
Construction in progress	<u>47,513</u>	<u>-</u>	<u>47,513</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	385,675	-	47,513	338,162
Other Capital Assets				
Buildings and improvements	1,053,937	-	-	1,053,937
Infrastructure and equipment	52,692,392	547,284	-	53,239,676
Vehicles	<u>262,162</u>	<u>-</u>	<u>-</u>	<u>262,162</u>
Total Other Capital Assets	54,008,491	547,284	-	54,555,775
Less: Accumulated depreciation for				
Buildings and improvements	288,346	27,369	-	315,715
Infrastructure and equipment	18,277,334	1,290,386	-	19,567,720
Vehicles	<u>181,599</u>	<u>10,000</u>	<u>-</u>	<u>191,599</u>
Total Accumulated Depreciation	<u>18,747,279</u>	<u>1,327,755</u>	<u>-</u>	<u>20,075,034</u>
Other Capital Assets, Net	<u>35,261,212</u>	<u>(780,471)</u>	<u>-</u>	<u>34,480,741</u>
Net Capital Assets	<u>\$ 35,646,887</u>	<u>\$ (780,471)</u>	<u>\$ 47,513</u>	<u>\$ 34,818,903</u>
Depreciation expense was allocated as follows:				
Water and sewer expense	<u>\$ 1,327,755</u>			
Total Depreciation Expense	<u>\$ 1,327,755</u>			

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Component Unit School Board

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,362,200	\$ -	\$ -	\$ 1,362,200
Construction in progress	<u>4,710,767</u>	<u>-</u>	<u>4,710,767</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	6,072,967	-	4,710,767	1,362,200
Other Capital Assets				
Buildings and improvements	2,432,108	320,357	-	2,752,465
Furniture, equipment, and vehicles	<u>15,303,124</u>	<u>7,741,471</u>	<u>365,663</u>	<u>22,678,932</u>
Total Other Capital Assets	17,735,232	8,061,828	365,663	25,431,397
Less: Accumulated depreciation for				
Buildings and improvements	1,915,516	69,450	-	1,984,966
Furniture, equipment, and vehicles	<u>10,288,934</u>	<u>1,104,445</u>	<u>345,899</u>	<u>11,047,480</u>
Total Accumulated Depreciation	<u>12,204,450</u>	<u>1,173,895</u>	<u>345,899</u>	<u>13,032,446</u>
Other Capital Assets, Net	<u>5,530,782</u>	<u>6,887,933</u>	<u>19,764</u>	<u>12,398,951</u>
Net Capital Assets	<u>\$ 11,603,749</u>	<u>\$ 6,887,933</u>	<u>\$ 4,730,531</u>	<u>\$ 13,761,151</u>

Depreciation expense was allocated as follows:

Education	<u>\$ 1,173,895</u>
Total Depreciation Expense	<u>\$ 1,173,895</u>

10 Compensated Absences

Each County employee earns vacation at the rate of 1 day per month up to 1 ¾ days per month based on years of service. Sick leave is earned at the rate of 1 ¼ days per month. Sick leave is paid based on 25 percent of unused sick leave up to a maximum of \$5,000. Accumulated vacation up to thirty days is paid upon termination. The County has outstanding compensated absences totaling \$623,619 for the governmental activities, \$108,280 for the business-type activities, and \$256,075 for the Component Unit School Board.

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11 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Component Unit School Board</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,691,465	\$ 788,681	\$ 897,705	\$ 1,629,733	\$ 170,212	\$ 17,205
2019	2,725,551	701,211	1,016,621	1,594,830	173,454	13,962
2020	2,791,415	619,260	1,056,584	1,552,600	176,759	10,657
2021	2,757,748	535,556	1,101,708	1,504,610	180,128	7,288
2022	2,235,533	467,212	1,152,124	1,451,150	119,833	3,855
2023-2027	11,665,979	1,507,923	6,582,305	6,362,743	118,692	1,812
2028-2032	5,425,180	277,352	7,617,894	4,598,724	-	-
2033-2037	-	-	9,329,526	2,453,853	-	-
2038-2042	-	-	4,452,706	237,547	-	-
2043-2047	-	-	20,063	1,682	-	-
2048	-	-	2,147	27	-	-
Compensated absences	623,619	-	108,280	-	256,075	-
Net OPEB obligation	<u>782,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>982,550</u>	<u>-</u>
Total	31,698,625	4,897,195	33,337,663	21,387,499	2,177,703	54,779
Less						
Unamortized discount	<u>-</u>	<u>-</u>	<u>(270,485)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 31,698,625</u>	<u>\$ 4,897,195</u>	<u>\$ 33,067,178</u>	<u>\$ 21,387,499</u>	<u>\$ 2,177,703</u>	<u>\$ 54,779</u>

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Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the County:

	<u>Balance</u> <u>July 1, 2016</u>		<u>Increase</u>		<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Primary Government							
Governmental Activities							
General Fund							
Public Facility Lease Revenue Refunding Bond Series 2016 with interest payable semiannually at a rate of 2.19 percent. Principal is due annually for 12 years. The bond is payable to Regions Bank.	\$ 15,126,000	\$	-	\$	1,105,000	\$ 14,021,000	\$ 1,141,000
Capital lease with Ford Motor Credit for sheriff vehicles purchased over 4 years. Annual payments are made in November of 2013, 2014, 2015, and 2016. Interest is stated at a rate of 4.70 percent. Annual payments are \$73,680.43.	70,372		-		70,372	-	-
Information Technology server lease with US Bancorp due December 2018; payable in annual installments of \$6,248 with a rate of 1.478 percent.	18,200		-		5,977	12,223	6,066
Rollback trash truck lease with US Bancorp due December 2017; payable in annual installments of \$38,637 with a rate of 1.25 percent.	75,841		-		37,683	38,158	38,158
Voting machines lease with US Bankcorp due June 2020; payable in annual installments of \$29,387 with a rate of 1.807 percent.	112,909		-		27,470	85,439	27,969
Moral Obligation Bond, Series 2015, for courthouse project, due August 2025; payable in annual installments of \$92,650 with a rate of 3.35 percent.	746,800		-		67,800	679,000	70,200
Moral Obligation Bond, Series 2015, for jail farm kitchen, due August 2025; payable in annual installments of \$23,500 with a rate of 3.35 percent.	190,000		-		17,300	172,700	17,900
Administration energy equipment, Banc of America Public Capital Corp due February 2032; semi-annual payments are due in August and February. Interest is stated at a rate of 3.75 percent.	-		596,520		-	596,520	26,797
School Fund - School Bonds and School Related							
Literary Loan with the Virginia Department of Treasury, issued December 15, 2009, with interest payable annually at 2.00 percent. Principal is due annually for 20 years.	5,250,000		-		375,000	4,875,000	375,000
General Obligation Bonds (Virginia Public School Authority, Series 2000B) due in various installments ranging from \$218,266 to \$304,970; rate of 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank.	2,932,612		-		564,270	2,368,342	574,828

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds (Virginia Public School Authority, Series 2002B) due in various installments ranging from \$60,596 to \$74,322 and rates from 2.35 percent to 5.10 percent. Interest due semiannually, July 15 and January 15, with U.S. Bank.	493,998	-	66,864	427,134	68,054
Virginia School Bus Lease, Series 2013, Capital One purchased over 7 years. Annual payments are made in June with semi-annual interest payments in December and June. Interest is stated at a rate of 1.98 percent.	266,318	-	64,634	201,684	65,914
School energy equipment, Banc of America Public Capital Corp due January 2031; semi-annual payments are due in July and January. Interest is stated at a rate of 3.01 percent.	7,169,138	-	353,467	6,815,671	279,579
Net OPEB obligation	910,724	-	128,589	782,135	-
Compensated Absences - General Fund	377,477	11,465	-	388,942	-
Compensated Absences - Welfare Fund	214,577	20,100	-	234,677	-
Total Long-Term Indebtedness-Governmental Activities	33,954,966	628,085	2,884,426	31,698,625	2,691,465
Business-Type Activities					
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	402,237	-	201,119	201,118	201,118
Virginia Resources Authority, Wastewater Revolving Loan Fund issued March 2012 for \$880,502 at 0.00 percent interest. Payable over 20 years.	859,038	-	52,196	806,842	52,196
VRA Virginia Pooled Financing Program, Series 2008B issued November 2008 with US Bank due November 2038; payable annually beginning October 2012 in varying annual installments for 30 years with a rate of 5.44 percent.	31,090,000	-	480,000	30,610,000	505,000
Revenue Refunding Bond, Series 2007 issued June 18, 2007 with BB&T due June 30, 2028; payable annually beginning June 30, 2010 in annual installments of \$141,550 for 20 years with a rate of 4.12 percent; the proceeds of this note were used to pay off the outstanding Rural Development Bond.	1,334,780	-	87,780	1,247,000	91,480

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Utility truck lease, purchase of four trucks, with US Bancorp due December 2017; payable in annual installments of \$21,243 with a rate of 1.25 percent.	41,698	-	20,719	20,979	20,979
Moral Obligation Bond, Series 2015, for water tank project, due August 2025; payable in annual installments of \$34,400 with a rate of 3.35 percent.	277,600	-	25,200	252,400	26,100
Revenue Bond, Series 2016, for Drewryville Resiliency Improvements, due February 2047; payable in semi-annual installments of \$2,478 with a rate of 2.50 percent.	-	91,044	-	91,044	832
Compensated Absences - Water and Sewer Fund	<u>100,446</u>	<u>7,834</u>	<u>-</u>	<u>108,280</u>	<u>-</u>
Subtotal	34,105,799	98,878	867,014	33,337,663	897,705
Less: Unamortized Discount on Series 2008B Bonds	<u>(283,366)</u>	<u>-</u>	<u>(12,881)</u>	<u>(270,485)</u>	<u>(12,880)</u>
 Total Business-Type Activities	<u>33,822,433</u>	<u>98,878</u>	<u>854,133</u>	<u>33,067,178</u>	<u>884,825</u>
 Total Primary Government	<u>\$ 67,777,399</u>	<u>\$ 726,963</u>	<u>\$ 3,738,559</u>	<u>\$ 64,765,803</u>	<u>\$ 3,576,290</u>
Component Unit School Board					
School bus lease, purchase of five buses, with US Bancorp due December 2020; payable in annual installments of \$63,728 with a rate of 1.88 percent.	\$ 301,285	\$ -	\$ 58,015	\$ 243,270	\$ 59,115
School bus lease, purchase of five buses, with US Bancorp due August 2022; payable in annual installments of \$65,028 with a rate of 2.08 percent.	393,446	-	57,140	336,306	58,335
School bus lease, purchase of five buses, with US Bancorp due September 2023; payable in semi-annual installments of \$29,330 with a rate of 1.703 percent.	-	422,901	63,399	359,502	52,762
Compensated Absences - School Board	252,949	3,126	-	256,075	-
Net OPEB obligation	<u>1,142,139</u>	<u>-</u>	<u>159,589</u>	<u>982,550</u>	<u>-</u>
 Total Component Unit School Board	<u>\$ 2,089,819</u>	<u>\$ 426,027</u>	<u>\$ 338,143</u>	<u>\$ 2,177,703</u>	<u>\$ 170,212</u>

Advance Refunding – March 2016

The County issued \$15,126,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$17,380,150 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt of \$14,950,000. This amount is being netted against the new debt and amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$2,365,373 and resulted in an economic gain of \$1,758,258.

12 Net Investment in Capital Assets

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2017 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit School Board</u>
Net Investment in Capital Assets			
Cost of capital assets	\$ 77,726,183	\$ 54,893,937	\$ 26,793,597
Less: Accumulated depreciation	(28,610,750)	(20,075,034)	(13,032,446)
Book value	49,115,433	34,818,903	13,761,151
Less: Capital related debt	(30,292,871)	(33,229,383)	(939,078)
Add: Unamortized discount	-	270,485	-
Net Investment in Capital Assets	<u>\$ 18,822,562</u>	<u>\$ 1,860,005</u>	<u>\$ 12,822,073</u>

13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes, landfill fees, and school grants are comprised of the following:

	<u>Primary Government - General Fund</u>	<u>Component Unit School Board</u>
Delinquent taxes not collected within 60 days	\$ 874,710	\$ -
Unexpended grants	-	389,384
Prepaid property taxes - property taxes paid in advance	63,887	-
Delinquent landfill fees not collected within 60 days	<u>751,011</u>	<u>-</u>
Totals	<u>\$ 1,689,608</u>	<u>\$ 389,384</u>

14 Risk Management

The County and School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Both participate in VACo (Virginia Association of Counties). Also, see Note 18 for Surety Bond Information.

15 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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.

16 Litigation

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

17 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 1,557,174,751</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 155,717,475
<i>Amount of Debt Applicable to Debt Limit</i>	
General Obligation Debt	<u>62,893,286</u>
Legal Debt Margin	<u>\$ 92,824,189</u>

18 Surety Bond Information

The following constitutional officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2017:

Division of Risk Management/AON

Richard L. Francis, Clerk of Circuit Court	\$ 500,000
David K. Britt, Treasurer	400,000
Amy B. Carr, Commissioner of Revenue	3,000
J. B. Stutts, Sheriff	30,000

The following are insured/bonded through policies purchased by the School Board and County, respectively:

VACORP - Crime/Bond/Faithful Performance of Duties Coverage

Dr. Gwendolyn Shannon, Superintendent of Schools and Clerk of School Board	\$ 250,000
Michael W. Johnson, County Administrator	250,000
Dallas O. Jones, Chairman	250,000
Dr. Alan Edwards, Supervisor	250,000
Randolph Cook, Supervisor	250,000
Carl J. Faison, Supervisor	250,000
Ronald M. West, Vice Chairman	250,000
Barry Porter, Supervisor	250,000
Bruce Phillips, Supervisor	250,000

19 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

Appropriation from General Fund	<u>\$ 11,881,112</u>
Total Appropriation per Fund Financial Statements	11,881,112
Depreciation on new school buildings	386,458
Debt on school buildings belonging to General Fund paid by School Fund	<u>(2,698,158)</u>
Appropriation to School Fund per Government-Wide Financial Statements	<u>\$ 9,569,412</u>

20 Tax Abatements

The County negotiates property tax abatement agreements on an individual basis. The County has tax abatements with three entities as of June 30, 2017.

<u>Type Business</u>	<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Enviva	Machinery and tools tax	41.987%	\$ 448,662
	Utility tax (local)	60%	11,295
AMAC	Machinery and tools tax	50%	\$ 24,092
	Utility (local tax)	60%	778
Hampton Farms	Machinery and tools tax	50%	\$ 182,846
	Utility (local tax)	100%	2,661

21 Pension Plan

Plan Description

All full-time, salaried permanent employees of the political subdivision are automatically covered by a VRS Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is 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 and employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

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RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS 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.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Political Subdivision Employees Only:

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.

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Political Subdivision Employees Only:

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.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- 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.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division employees
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

***Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Political Subdivision Employees Only:

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.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

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.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

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.

Defined Contributions Component:

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.

Members are always 100% vested in the contributions that they make.

PLAN 1

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.

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.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members and school division members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members and school division members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1

Normal Retirement Age

Age 65.

Political subdivisions hazardous duty employees:

Age 60.

Earliest Unreduced Retirement Eligibility

Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

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.

Earliest Reduced Retirement Eligibility

Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:

Age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

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%.

Eligibility:

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.

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.

PLAN 2

Normal Retirement Age

Normal Social Security retirement age.

Political subdivisions hazardous duty employees:

Same as Plan 1.

Earliest Unreduced Retirement Eligibility

Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:

Same as Plan 1.

Earliest Reduced Retirement Eligibility

Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:

Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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%.

Eligibility:

Same as Plan 1

HYBRID

RETIREMENT PLAN

Normal Retirement Age

Defined Benefit Component:

Same as Plan 2.

Political subdivisions hazardous duty employees:

Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:

Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:

Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The political subdivision member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

School division: N/A

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards 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.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

School division: N/A

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

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.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	123
Inactive members:	
Vested inactive members	16
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>78</u>
Total inactive members	123
Active members	<u>172</u>
Total covered employees	<u>418</u>

School Board

Inactive members or their beneficiaries currently receiving benefits	34
Inactive members:	
Vested inactive members	10
Non-vested inactive members	20
Inactive members active elsewhere in VRS	<u>13</u>
Total inactive members	43
Active members	<u>45</u>
Total covered employees	<u>122</u>

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 and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00%-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.

If the employer used the certified rate: The County's political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 11.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The school board – general employees' contribution rate was 0.13%.

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 political subdivision were \$838,697 and \$986,394 for the years ended June 30, 2017 and June 30, 2016, respectively.

For the school board – general employees, employee contributions were \$990 and \$41,386 for the years ended June 30, 2017 and June 30, 2016, respectively.

Each school division - teachers contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contribution to the pension plan from the school division - teachers were \$1,878,630 and \$1,851,158 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Net Pension Liability – Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

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

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

Actuarial Assumptions – General Employees and School Division –Teacher

The total pension liability for General Employees in the Political Subdivision's Retirement Plan and VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

	<u>General Employees</u>	<u>Teacher</u>
Inflation	2.5 percent	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*	7.0 percent, 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.

Political Subdivisions

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 were 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 were set back 2 years.

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

School Divisions

Mortality rates:

Pre-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30 2015 valuation were based on the results of an actuarial experience study for the four-year 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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, 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 – 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) – 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.

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

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

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

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 employer for the Political Subdivision Retirement Plan and 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, participating employers and school division - teacher 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

Political Subdivision

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 34,748,025	\$ 29,614,885	\$ 5,133,140
Changes for the Year			
Service cost	860,119	-	860,119
Interest	2,376,240	-	2,376,240
Differences between expected and actual experience	(182,505)	-	(182,505)
Contributions - employer	-	973,723	(973,723)
Contributions - employee	-	355,165	(355,165)
Net investment income	-	515,466	(515,466)
Benefit payments, including refunds employee contributions	(1,603,459)	(1,603,459)	-
Administrative expenses	-	(18,322)	18,322
Other changes	-	(218)	218
Net Changes	<u>1,450,395</u>	<u>222,355</u>	<u>1,228,040</u>
Balances at June 30, 2016	<u>\$ 36,198,420</u>	<u>\$ 29,837,240</u>	<u>\$ 6,361,180</u>

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	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 4,106,158	\$ 4,724,918	\$ (618,760)
Changes for the Year			
Service cost	91,354	-	91,354
Interest	277,238	-	277,238
Benefit changes	-	-	-
Differences between expected and actual experience	(279,435)	-	(279,435)
Contributions - employer	-	34,570	(34,570)
Contributions - employee	-	40,774	(40,774)
Net investment income	-	77,553	(77,553)
Benefit payments, including refunds of employee contributions	(291,241)	(291,241)	-
Administrative expenses	-	(2,979)	2,979
Other changes	-	597	(597)
Net Changes	(202,084)	(140,726)	(61,358)
Balances at June 30, 2016	<u>\$ 3,904,074</u>	<u>\$ 4,584,192</u>	<u>\$ (680,118)</u>

Sensitivity of the Political Subdivision's and School Division's - Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the political subdivision's and school division's – teacher proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the political subdivision's and 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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political Subdivision			
Net Pension Liability	\$ 10,760,288	\$ 6,361,180	\$ 2,680,533
School Board			
Net Pension Liability	(221,496)	(680,118)	(1,067,265)
School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ 32,862,000	\$ 23,053,000	\$ 14,972,000

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$820,333.

For the year ended June 30, 2017, the school board – general employees recognized pension expense of \$(125,077).

At June 30, 2017, the school division reported a liability of \$23,050,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.16450% as compared to 0.17289% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$1,775,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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

	<u>Political Subdivision</u>		<u>School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,189	\$ 126,176	\$ -	\$ 158,911
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	779,765	-	118,627	-
Employer contributions subsequent to the measurement date	<u>838,698</u>	<u>-</u>	<u>990</u>	<u>-</u>
Total	<u>\$ 1,653,652</u>	<u>\$ 126,176</u>	<u>\$ 119,617</u>	<u>\$ 158,911</u>

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

	<u>Teacher</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 747,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,317,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	425,000	1,207,000
Employer contributions subsequent to the measurement date	<u>1,853,201</u>	<u>-</u>
Total	<u>\$ 3,595,201</u>	<u>\$ 1,954,000</u>

\$838,697 and \$990 reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	Year Ended June 30,		
	<u>Political Subdivision</u>	<u>School Board</u>	<u>Teacher</u>
2018	\$ (16,646)	\$ (125,359)	\$ (361,000)
2019	(37,447)	(35,084)	(361,000)
2020	433,291	71,048	431,000
2021	309,472	49,111	219,000
2022	-	-	(140,000)
Thereafter	-	-	-

Payables to the Pension Plan

The political subdivision and school division – teacher recognize \$116,375 and \$251,042, respectively of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2017 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

Pension Plan Fiduciary Net Position

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

22 Other Postemployment Benefits (OPEB)–Healthcare

Plan Description

In addition to pension benefits offered by Virginia Retirement Services, the County provides postemployment healthcare benefits. These benefits are governed by the County and can be amended by the County and School Board. The County and School Board provide healthcare and prescription drug insurance to retirees and their dependents. The full cost of the insurance is paid by the retiree. All full-time active employees, who retire or are disabled directly from the County or School Board and meet the eligibility criteria, may participate.

Cash and Cash Equivalents

The County and School Board have established an OPEB Trust Fund for funding a portion of the costs for their OPEB plans. These funds are accounted for in an individual agency fund of the County. As of June 30, 2017, the balances in these accounts were \$1,092,393 and \$1,336,000 for the County and the School Board, respectively, giving a total of \$466,550.

Funding Policy

The County uses a partial funding approach using a discount rate of 7.00 percent with a 10-Year Phase In. Amortization of the Unfunded Actuarial Accrued Liability is a level of percentage of payroll.

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at July 1, 2016 and costs for the fiscal years through June 30, 2017, reflecting the partial funding approach, utilizing a discount rate of 7.25 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll. A summary of the net OPEB obligation is as follows:

	<u>County</u>	<u>Component Unit School Board</u>
Annual OPEB Cost (Expense)		
Annual Required Contribution (ARC)	\$ 118,229	\$ 265,981
Adjustments	<u>11,843</u>	<u>14,853</u>
Annual OPEB Cost (Expense)	130,072	280,834
Contributions Made		
To Trust Fund	(188,000)	(278,550)
Implicit rate subsidy	<u>(70,661)</u>	<u>(161,873)</u>
Decrease in Net OPEB Obligation	(128,589)	(159,589)
Net OPEB Obligation - Beginning of Year	<u>910,724</u>	<u>1,142,139</u>
Net OPEB Obligation - End of Year	<u>\$ 782,135</u>	<u>\$ 982,550</u>

Three-year trend information is as follows:

County

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/15	\$ 262,909	59.34%	\$ 1,043,361
6/30/16	163,742	111.15%	910,724
6/30/17	130,072	144.54%	782,135

Component Unit School Board

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/15	\$ 287,004	68.99%	\$ 1,254,695
06/30/16	264,544	84.30%	1,142,139
06/30/17	280,834	99.19%	982,550

Valuation information is as follows:

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
County						
7/1/2013	\$ 281,075	\$ 2,384,720	\$ 2,103,645	11.79%	\$ 6,840,978	30.75%
7/1/2015	630,159	2,136,322	1,506,163	29.50%	7,480,266	20.14%
7/1/2017	1,092,393	1,988,384	895,991	54.94%	7,783,279	11.51%

Component Unit School Board

7/1/2013	\$ 365,056	\$ 3,464,469	\$ 3,099,413	10.54%	\$ 12,047,846	25.73%
7/1/2015	755,997	3,337,762	2,581,765	22.65%	14,906,021	17.32%
7/1/2017	965,999	3,370,375	2,404,376	28.66%	15,981,786	15.04%

Virginia Retirement System (VRS)

Plan Description

County of Southampton, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses through the Virginia Retirement System (VRS) Health Insurance Credit Program.

Summary of Main Benefit Provisions as Interpreted for Valuation Purposes

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service; which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

REQUIRED SUPPLEMENTARY INFORMATION

Health Insurance Credit Program

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		Actuarial Accrued				
Actuarial Valuation Date	Actuarial Value of Assets	Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ 164,599	\$ 144,567	\$ (20,032)	113.86%	\$ 2,181,183	-0.92%
June 30, 2015	160,650	150,930	(9,720)	106.44%	2,272,514	-0.43%
June 30, 2016	149,580	155,489	5,909	96.20%	2,041,046	0.29%

Valuation Date June 30, 2016

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Pay, Closed

Remaining Amortization Period 20-29 Years

Asset Valuation Method Market Value of Assets

Actuarial Assumptions

Investment Rate of Return¹ 7.00%

Payroll Growth Rate 3.00%

¹Includes inflation at 2.5%

23 Fund Balances – Governmental Funds

As of June 30, 2017, fund balances are composed of the following:

Primary Government

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
Capital Projects Utility Tax Fund	Restricted for construction	\$ 1,112,580
Forfeiture Fund	Subsequent years' appropriations	104,583
Law Library Fund	Subsequent years' appropriations	12,408
Canteen Fund	Subsequent years' appropriations	1,844
Inmate Fund	Subsequent years' appropriations	113,798
Total Restricted Funds		<u>\$ 1,345,213</u>

Component Unit School Board

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
School Endowment Fund	School use only	\$ 23,995
Total Restricted Funds		<u>\$ 23,995</u>

<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
School Food Fund	School cafeteria operations	<u>\$ 50,083</u>

REQUIRED SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2017

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 10,957,478	\$ 10,957,478	\$ 10,753,177	\$ (204,301)
Mobile home taxes	71,121	71,121	68,554	(2,567)
Personal property taxes	6,490,048	6,490,048	4,273,228	(2,216,820)
Public service corporation property taxes	1,534,081	1,534,081	1,535,724	1,643
Machinery and tools taxes	1,194,547	1,874,757	1,944,321	69,564
Farm implement/machinery seasonal taxes	575,426	575,426	575,078	(348)
Merchants' capital and contractors' equipment	294,810	294,810	307,774	12,964
Delinquent taxes	637,050	637,050	578,034	(59,016)
Interest on taxes	150,000	150,000	164,757	14,757
Penalties and fees on late taxes	264,000	297,665	329,782	32,117
Total General Property Taxes	22,168,561	22,882,436	20,530,429	(2,352,007)
Other Local Taxes				
Local sales and use taxes	635,000	635,000	589,264	(45,736)
Consumption tax	66,000	66,000	69,632	3,632
Bank stock tax	14,750	14,778	29,075	14,297
Transient occupancy tax	10,316	10,316	12,200	1,884
Business license taxes	181,969	181,969	164,864	(17,105)
Motor vehicle licenses	527,459	527,459	492,654	(34,805)
Tax on recordation and wills	138,500	138,500	130,101	(8,399)
Total Other Local Taxes	1,573,994	1,574,022	1,487,790	(86,232)
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	12,500	12,500	10,120	(2,380)
Building permits	-	-	209,707	209,707
Other permits, licenses, and fees	3,000	3,000	10,849	7,849
Total Permits, Privilege Fees, and Regulatory Licenses	15,500	15,500	230,676	215,176
Fines and Forfeitures				
	774,722	774,722	841,367	66,645
Revenue from Use of Money and Property				
	60	60	927,246	927,186
Charges for Services				
Miscellaneous	16,300	20,708	27,841	7,133
Service charges - tax exempt	6,500	6,500	7,135	635
School resource officer reimbursement	48,013	49,282	50,378	1,096
Reimbursements for utilities and salaries	60,000	193,717	197,078	3,361
Courthouse maintenance fees	31,862	31,862	27,675	(4,187)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Commonwealth's Attorney - City of Franklin	22,000	22,000	22,000	-
Solid waste management	1,027,500	1,027,500	989,593	(37,907)
Ambulance transfers	340,000	340,000	252,468	(87,532)
Collection fee account	4,650	25,361	41,625	16,264
Total Charges for Services	1,556,825	1,716,930	1,615,793	(101,137)
Recovered Costs				
City of Franklin shared costs	233,857	233,857	233,857	-
Expenditure refunds	-	281,234	328,481	47,247
Insurance claims	-	9,365	9,365	-
Miscellaneous recoveries	3,500	25,663	29,749	4,086
Total Recovered Costs	237,357	550,119	601,452	51,333
Miscellaneous				
Gifts, donations, contributions	-	100,000	100,000	-
Miscellaneous	2,000	4,538	7,869	3,331
Industrial corridor tax revenue	652,305	652,305	651,192	(1,113)
Franklin-Southampton charities	-	49,890	49,890	-
Camp Campbell Foundation	-	119,000	119,000	-
Total Miscellaneous	654,305	925,733	927,951	2,218
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	77,000	77,000	72,064	(4,936)
Communication sales tax	538,748	538,748	526,748	(12,000)
Personal property tax relief act	-	-	2,346,261	2,346,261
Mobile home titling tax	17,000	17,000	13,579	(3,421)
Recordation and grantors' tax	40,000	40,000	34,194	(5,806)
Total Noncategorical Aid	672,748	672,748	2,992,846	2,320,098
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	408,810	408,810	404,364	(4,446)
Sheriff and Sheriff's auto	2,803,550	2,817,075	2,770,757	(46,318)
Commissioner of the Revenue	99,603	99,603	98,740	(863)
Treasurer	83,720	83,720	81,517	(2,203)
Electoral Board and General Registrar	35,320	35,320	37,029	1,709
Clerk of Court	321,060	326,898	324,390	(2,508)
Jail operations	292,170	292,170	254,128	(38,042)
Miscellaneous State grants	-	33,786	33,808	22
PSAP grants	47,802	47,802	46,652	(1,150)
Litter Control Grant	-	13,980	13,980	-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Emergency Medical Services	-	16,646	16,646	-
Local Law Enforcement Block Grant	-	2,136	2,136	-
Fire program allocation	-	51,215	51,215	-
Victim Witness Grant	43,289	70,872	47,586	(23,286)
Virginia Commission for the Arts	-	5,000	5,000	-
Comprehensive Services Act	336,612	339,271	216,865	(122,406)
Total Categorical Aid	4,471,936	4,644,304	4,404,813	(239,491)
 Total Revenue from the Commonwealth of Virginia	 5,144,684	 5,317,052	 7,397,659	 2,080,607
Revenue from the Federal Government				
Victim witness	19,780	32,380	21,745	(10,635)
Comprehensive Services Act	-	-	7,159	7,159
Highway Safety Grant	-	1,340	1,829	489
Total Revenue from the Federal Government	19,780	33,720	30,733	(2,987)
 Total Intergovernmental Revenues	 5,164,464	 5,350,772	 7,428,392	 2,077,620
 Total Revenues	 32,145,788	 33,790,294	 34,591,096	 800,802
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	261,873	352,539	352,504	35
County Administrator	332,744	337,623	337,328	295
Commissioner of Revenue	336,235	337,868	302,975	34,893
Treasurer	305,975	340,421	338,464	1,957
Data processing	408,083	404,012	310,091	93,921
Insurance	397,360	292,609	292,538	71
Accounting	201,831	207,124	204,310	2,814
Delinquent taxes	21,550	21,588	12,973	8,615
Board of Assessors	229,600	229,600	220,992	8,608
Board of Elections	177,372	177,638	169,469	8,169
Total General Government Administration	2,672,623	2,701,022	2,541,644	159,378
 <i>Judicial Administration</i>				
Circuit Court	26,449	38,162	34,952	3,210
General District Court	27,350	29,463	25,322	4,141
Magistrate	658	686	686	-
Victim Witness Assistance Program	87,583	127,766	91,902	35,864
Clerk of the Circuit Court	523,601	564,172	557,875	6,297
Sheriff - Bailiff	421,575	397,735	394,013	3,722
Courthouse Security	120,222	120,222	94,345	25,877
Commonwealth's Attorney	576,006	606,410	599,717	6,693
Total Judicial Administration	1,783,444	1,884,616	1,798,812	85,804

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Sheriff's Department	2,054,986	2,264,892	2,241,355	23,537
Project Life Saver	-	11,473	12	11,461
School resource officer	49,109	50,378	50,378	-
Fire departments	326,620	382,243	381,036	1,207
Camp Campbell funds	-	119,000	119,000	-
Rescue squads	1,505,421	1,522,067	1,517,640	4,427
911	191,182	191,182	182,880	8,302
Wireless 911	56,190	56,190	54,217	1,973
Emergency services	149,880	250,939	239,783	11,156
Forestry	22,061	22,062	22,062	-
Detention	3,152,775	3,199,014	3,134,394	64,620
Probation	124,133	185,240	185,150	90
Inspections	267,000	206,000	168,939	37,061
Animal control	109,073	118,410	112,882	5,528
Medical Examiner	360	360	240	120
Total Public Safety	8,008,790	8,579,450	8,409,968	169,482
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	52,906	53,206	53,088	118
Refuse collection	743,906	783,254	774,569	8,685
Refuse disposal	1,094,500	1,094,500	1,053,858	40,642
Maintenance of buildings and grounds	471,820	941,256	893,535	47,721
Total Public Works	2,363,132	2,872,216	2,775,050	97,166
<i>Health and Welfare</i>				
Health Department	304,000	304,000	304,000	-
Mental health	69,947	69,947	69,947	-
Comprehensive services	528,000	541,328	374,569	166,759
Welfare and Social Services	9,239	9,239	9,239	-
Total Health and Welfare	911,186	924,514	757,755	166,759
<i>Education</i>				
Appropriation to public school system	11,886,743	11,886,743	11,881,112	5,631
Total Education	11,886,743	11,886,743	11,881,112	5,631
<i>Parks, Recreation, and Cultural</i>				
Regional library	239,522	239,522	239,522	-
Miscellaneous contributions	37,300	114,934	35,082	79,852
Total Parks, Recreation, and Cultural	276,822	354,456	274,604	79,852
<i>Community Development</i>				
Planning and community development	140,226	825,638	792,340	33,298
Economic development	125,000	125,000	125,000	-
Revenue sharing agreement	58,622	68,495	68,495	-
Soil and Water Conservation District and Chowan	10,415	133,556	133,556	-
Cooperative Extension Program	47,280	49,138	43,040	6,098
Total Community Development	381,543	1,201,827	1,162,431	39,396

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Debt Service</i>	<u>29,387</u>	<u>29,387</u>	<u>29,387</u>	<u>-</u>
Total Expenditures	<u>28,313,670</u>	<u>30,434,231</u>	<u>29,630,763</u>	<u>803,468</u>
Excess (Deficiency) of Revenues Over Expenditures	3,832,118	3,356,063	4,960,333	1,604,270
Other Financing Sources (Uses)				
Proceeds from long-term capital lease	-	-	-	-
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(4,117,059)</u>	<u>(4,292,756)</u>	<u>(4,257,311)</u>	<u>35,445</u>
Total Other Financing Sources (Uses)	<u>(4,017,059)</u>	<u>(4,192,756)</u>	<u>(4,157,311)</u>	<u>35,445</u>
Net Change in Fund Balance before Transfer from Surplus	(184,941)	(836,693)	803,022	1,639,715
Transfer from Surplus Funds	<u>184,941</u>	<u>836,693</u>	<u>-</u>	<u>(836,693)</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	803,022	<u>\$ 803,022</u>
Fund Balance - Beginning of Year			<u>5,351,087</u>	
Fund Balance - End of Year			<u>\$ 6,154,109</u>	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental				
Revenue from the Commonwealth of Virginia	\$ 639,674	\$ 659,908	\$ 580,764	\$ (79,144)
Revenue from the Federal Government	<u>1,392,326</u>	<u>1,436,369</u>	<u>1,295,788</u>	<u>(140,581)</u>
Total Intergovernmental Revenues	<u>2,032,000</u>	<u>2,096,277</u>	<u>1,876,552</u>	<u>(219,725)</u>
Total Revenues	2,032,000	2,096,277	1,876,552	(219,725)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,371,768</u>	<u>2,436,045</u>	<u>2,180,876</u>	<u>255,169</u>
Total Expenditures	<u>2,371,768</u>	<u>2,436,045</u>	<u>2,180,876</u>	<u>255,169</u>
Excess (Deficiency) of Revenues Over Expenditures	(339,768)	(339,768)	(304,324)	35,444
Other Financing Sources (Uses)				
Transfers in (out)	<u>339,768</u>	<u>339,768</u>	<u>304,324</u>	<u>(35,444)</u>
Total Other Financing Sources (Uses)	<u>339,768</u>	<u>339,768</u>	<u>304,324</u>	<u>(35,444)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

County of Southampton, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

Political Subdivision

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 860,119	\$ 848,777	\$ 838,854
Interest	2,376,240	2,257,442	2,153,662
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(182,505)	90,888	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,603,459)</u>	<u>(1,518,202)</u>	<u>(1,490,645)</u>
Net change in total pension liability	1,450,395	1,678,905	1,501,871
Total pension liability - beginning	34,748,025	33,008,272	31,506,401
Total pension liability - ending (a)	<u>\$ 36,198,420</u>	<u>\$ 34,687,177</u>	<u>\$ 33,008,272</u>
 Plan fiduciary net position			
Contributions - employer	\$ 973,723	\$ 964,986	\$ 939,439
Contributions - employee	355,165	340,481	325,312
Net investment income	515,466	1,300,962	3,902,466
Benefit Payments, including refunds of employee contributions	(1,603,459)	(1,518,202)	(1,490,645)
Administrative expense	(18,322)	(17,759)	(21,022)
Other	<u>(218)</u>	<u>(275)</u>	<u>(206)</u>
Net change in plan fiduciary net position	222,355	1,070,193	3,655,344
Plan fiduciary net position - beginning	29,614,885	28,492,832	24,837,488
Plan fiduciary net position - ending (b)	<u>\$ 29,837,240</u>	<u>\$ 29,563,025</u>	<u>\$ 28,492,832</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 6,361,180</u>	<u>\$ 5,124,152</u>	<u>\$ 4,515,440</u>
 Plan fiduciary net position as a percentage of the total Pension liability	82.43%	85.23%	86.32%
 Covered payroll	\$ 6,746,161	\$ 6,748,412	\$ 7,292,997
 Political subdivision's net pension liability as a percentage of covered payroll	94.29%	75.93%	61.91%

County of Southampton, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

School Board

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 91,354	\$ 91,346	\$ 97,716
Interest	277,238	269,920	258,784
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(279,435)	(19,733)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(291,241)</u>	<u>(182,762)</u>	<u>(212,055)</u>
Net change in total pension liability	(202,084)	158,771	144,445
Total pension liability - beginning	4,106,158	3,947,387	3,802,942
Total pension liability - ending (a)	\$ 3,904,074	\$ 4,106,158	\$ 3,947,387
 Plan fiduciary net position			
Contributions - employer	\$ 34,570	\$ 36,915	\$ 39,274
Contributions - employee	40,774	43,491	44,554
Net investment income	77,553	210,034	642,147
Benefit Payments, including refunds of employee contributions	(291,241)	(182,762)	(212,055)
Administrative expense	(2,979)	(2,931)	(3,538)
Other	<u>597</u>	<u>(44)</u>	<u>33</u>
Net change in plan fiduciary net position	(140,726)	104,703	510,415
Plan fiduciary net position - beginning	4,724,918	4,620,215	4,109,800
Plan fiduciary net position - ending (b)	\$ 4,584,192	\$ 4,724,918	\$ 4,620,215
 Political subdivision's net pension liability - ending (a) - (b)	\$ (680,118)	\$ (618,760)	\$ (672,828)
 Plan fiduciary net position as a percentage of the total Pension liability	117.42%	115.07%	117.04%
 Covered payroll	\$ 838,366	\$ 888,407	\$ 913,012
 Political subdivision's net pension liability as a percentage of covered payroll	-81.12%	-69.65%	-73.69%

County of Southampton, Virginia

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan

For the Years Ended June 30, 2017, 2016, and 2015*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.16%	0.17%	0.16%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$23,053,000	\$21,760,000	\$20,310,000
Employer's Covered Payroll	12,814,668	12,540,977	12,853,492
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	180%	174%	158%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only one additional year of 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 Southampton, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Political Subdivision					
2017	\$ 840,872	\$ 838,698	\$ 2,174	\$ 7,101,956	11.81%
2016	968,074	986,394	(18,320)	6,746,161	14.62%
2015	968,397	1,079,115	(110,718)	6,748,412	15.99%
2014	1,056,755	1,033,858	22,897	7,292,997	14.18%
2013	999,037	1,024,662	(25,625)	6,894,663	14.86%
2012	796,614	799,277	(2,663)	7,099,949	11.26%
2011	774,681	780,913	(6,232)	6,904,468	11.31%
2010	725,104	567,035	158,069	6,958,770	8.15%
2009	676,442	713,042	(36,600)	6,973,628	10.22%
2008	412,893	475,672	(62,779)	6,962,783	6.83%
Component Unit School Board - General Employees					
2017	\$ 1,186	\$ 990	\$ 196	\$ 912,137	0.11%
2016	35,714	41,386	(5,672)	838,366	4.94%
2015	37,846	49,949	(12,103)	888,407	5.62%
2014	40,264	39,383	881	913,012	4.31%
2013	40,738	40,697	41	923,755	4.41%
2012	24,925	24,811	114	993,045	2.50%
2011	24,699	25,461	(762)	984,012	2.59%
2010	23,035	23,367	(332)	1,042,326	2.24%
2009	23,489	23,347	142	1,062,865	2.20%
2008	35,010	35,589	(579)	991,797	3.59%
Component Unit School Board - Teachers					
2017	\$ 1,878,630	\$ 1,853,201	\$ 25,429	\$ 12,814,668	14.46%
2016	1,763,261	1,851,158	(87,897)	12,540,977	14.76%
2015	1,863,756	2,034,439	(170,683)	12,853,492	15.83%
2014	1,431,833	1,434,122	(2,289)	12,279,870	11.68%
2013	1,443,897	1,994,731	(550,834)	12,383,337	16.11%
2012	868,395	869,940	(1,545)	13,718,714	6.34%
2011	536,731	548,211	(11,480)	13,657,281	4.01%
2010	1,253,096	1,027,942	225,154	14,223,559	7.23%
2009	1,258,148	1,258,148	-	14,280,912	8.81%
2008	1,397,481	1,408,425	(10,944)	13,567,775	10.38%

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

County of Southampton, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2015 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2015 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2014 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

School Division – VRS Teacher Retirement Plan:

- 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

OTHER SUPPLEMENTARY INFORMATION



County of Southampton, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2017

	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 109,473	\$ 13,010	\$ 5,125	\$ 114,249	\$ 241,857
Due from other governments	-	157	-	-	157
Total Assets	<u>\$ 109,473</u>	<u>\$ 13,167</u>	<u>\$ 5,125</u>	<u>\$ 114,249</u>	<u>\$ 242,014</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 4,890	\$ 759	\$ 3,281	\$ 451	\$ 9,381
Total Liabilities	4,890	759	3,281	451	9,381
Fund Balance					
Restricted fund balance	<u>104,583</u>	<u>12,408</u>	<u>1,844</u>	<u>113,798</u>	<u>232,633</u>
Total Fund Balance	<u>104,583</u>	<u>12,408</u>	<u>1,844</u>	<u>113,798</u>	<u>232,633</u>
Total Liabilities and Fund Balance	<u>\$ 109,473</u>	<u>\$ 13,167</u>	<u>\$ 5,125</u>	<u>\$ 114,249</u>	<u>\$ 242,014</u>

County of Southampton, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Other Governmental Funds

At June 30, 2017

	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
Revenues					
Use of money and property	\$ 515	\$ 15	\$ -	\$ -	\$ 530
Charges for services	-	4,172	66,645	-	70,817
Miscellaneous	-	-	-	166,211	166,211
Intergovernmental					
From the Commonwealth of Virginia	13,741	-	-	-	13,741
From the Federal Government	<u>24,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,703</u>
Total Revenues	38,959	4,187	66,645	166,211	276,002
Expenditures					
Current					
Judicial administration	-	7,504	-	-	7,504
Public safety	<u>107,100</u>	<u>-</u>	<u>93,694</u>	<u>238,273</u>	<u>439,067</u>
Total Expenditures	<u>107,100</u>	<u>7,504</u>	<u>93,694</u>	<u>238,273</u>	<u>446,571</u>
Excess (Deficiency) of Revenues Over Expenditures	(68,141)	(3,317)	(27,049)	(72,062)	(170,569)
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Net Change in Fund Balances	(68,141)	(3,317)	(27,049)	(172,062)	(270,569)
Fund Balance - Beginning of Year	<u>172,724</u>	<u>15,725</u>	<u>28,893</u>	<u>285,860</u>	<u>503,202</u>
Fund Balance - End of Year	<u>\$ 104,583</u>	<u>\$ 12,408</u>	<u>\$ 1,844</u>	<u>\$ 113,798</u>	<u>\$ 232,633</u>

County of Southampton, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2017

	<u>Special Welfare Fund</u>	<u>Cypress Escrow Fund</u>	<u>Enviva Escrow Fund</u>	<u>Blackwater Regional Library Fund</u>	<u>OPEB Trust Accounts</u>	<u>Totals</u>
Assets						
Cash	\$ 70,264	\$ 8,076	\$ 427,012	\$ 278,721	\$ 2,428,393	\$ 3,212,466
Total Assets	<u>\$ 70,264</u>	<u>\$ 8,076</u>	<u>\$ 427,012</u>	<u>\$ 278,721</u>	<u>\$ 2,428,393</u>	<u>\$ 3,212,466</u>
Liabilities						
Amounts held for others	\$ 70,264	\$ 8,076	\$ 427,012	\$ 278,721	\$ 2,428,393	\$ 3,212,466
Total Liabilities	<u>\$ 70,264</u>	<u>\$ 8,076</u>	<u>\$ 427,012</u>	<u>\$ 278,721</u>	<u>\$ 2,428,393</u>	<u>\$ 3,212,466</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2017

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 2,969,220	\$ 48,415	\$ 23,995	\$ 3,041,630
Accounts receivable	133,225	10,570	-	143,795
Due from other governments	1,162,660	55,190	-	1,217,850
Due from other funds	-	70,000	-	70,000
Total Assets	<u>\$ 4,265,105</u>	<u>\$ 184,175</u>	<u>\$ 23,995</u>	<u>\$ 4,473,275</u>
Liabilities				
Pooled cash deficit	\$ -	\$ 52,156	\$ -	\$ 52,156
Accounts payable	1,233,890	-	-	1,233,890
Accrued liabilities	2,571,831	81,936	-	2,653,767
Due to other funds	70,000	-	-	70,000
Total Liabilities	3,875,721	134,092	-	4,009,813
Deferred Inflows of Resources				
Unexpended grants payable	<u>389,384</u>	<u>-</u>	<u>-</u>	<u>389,384</u>
Total Deferred Inflows of Resources	389,384	-	-	389,384
Fund Balance				
Restricted Fund Balance				
Endowment	-	-	23,995	23,995
Assigned Fund Balance				
Food services	<u>-</u>	<u>50,083</u>	<u>-</u>	<u>50,083</u>
Total Fund Balance	<u>-</u>	<u>50,083</u>	<u>23,995</u>	<u>74,078</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 4,265,105</u>	<u>\$ 184,175</u>	<u>\$ 23,995</u>	<u>\$ 4,473,275</u>

County of Southampton, Virginia

Component Unit School Board

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2017

Total Fund Balances for Governmental Funds	\$ 74,078
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,362,200
Buildings and improvements, net of depreciation	767,499
Furniture, equipment, and vehicles, net of depreciation	<u>11,631,452</u>

Total Capital Assets	13,761,151
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	3,714,818
Deferred inflows of resources related to pensions	<u>(2,112,911)</u>

Total Deferred Outflows and Inflows of Resources	1,601,907
--	-----------

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Capital leases payable	(939,078)
Net pension liability	(22,372,882)
Net OPEB obligation	(982,550)
Compensated absences	<u>(256,075)</u>

Total Liabilities	<u>(24,550,585)</u>
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Total Net Position of Governmental Activities	<u>\$ (9,113,449)</u>
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County of Southampton, Virginia

Component Unit School Board

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances

Year Ended June 30, 2017

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Endowment Fund</u>	<u>Total School Funds</u>
Revenues				
Use of money and property	\$ -	\$ 583	\$ 60	\$ 643
Charges for services	134,670	286,682	-	421,352
Miscellaneous	140,944	-	-	140,944
Recovered costs	750,144	-	-	750,144
Intergovernmental				
From County of Southampton, Virginia	11,881,112	-	-	11,881,112
From the Commonwealth of Virginia	18,101,481	27,171	-	18,128,652
From the Federal Government	<u>1,705,328</u>	<u>775,690</u>	<u>-</u>	<u>2,481,018</u>
 Total Revenues	 32,713,679	 1,090,126	 60	 33,803,865
Expenditures				
Education	32,631,037	1,164,480	-	33,795,517
Debt service	<u>2,893,914</u>	<u>-</u>	<u>-</u>	<u>2,893,914</u>
 Total Expenditures	 <u>35,524,951</u>	 <u>1,164,480</u>	 <u>-</u>	 <u>36,689,431</u>
 Excess of Revenues over Expenditures before Other Financing Sources (Uses)	 <u>(2,811,272)</u>	 <u>(74,354)</u>	 <u>60</u>	 <u>(2,885,566)</u>
Other Financing Sources (Uses)				
Issuance of debt	422,901	-	-	422,901
Transfers	<u>(70,000)</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>352,901</u>	 <u>70,000</u>	 <u>-</u>	 <u>422,901</u>
 Net Change in Fund Balances	 (2,458,371)	 (4,354)	 60	 (2,462,665)
 Fund Balances - Beginning of Year	 <u>2,458,371</u>	 <u>54,437</u>	 <u>23,935</u>	 <u>2,536,743</u>
 Fund Balances - End of Year	 <u>\$ -</u>	 <u>\$ 50,083</u>	 <u>\$ 23,995</u>	 <u>\$ 74,078</u>

County of Southampton, Virginia

Component Unit School Board

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017

Net Change in Fund Balances \$ (2,462,665)

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 capital outlays and dispositions exceeded depreciation expense in the current period.

2,157,402

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Proceeds of new debt or capital leases	\$ (422,901)	
Repayments on debt	<u>178,554</u>	
Net Adjustment		(244,347)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	1,854,191	
Cost of benefits earned net of employee contributions	<u>(1,760,897)</u>	
		93,294

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Net OPEB obligation	159,589	
Compensated absences	<u>(3,126)</u>	

Change in Net Position of Governmental Activities \$ (299,853)

County of Southampton, Virginia

Component Unit School Board

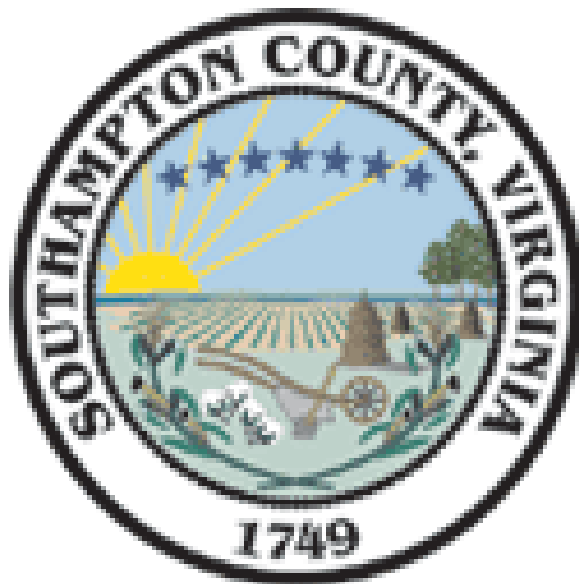
Budgetary Comparison Schedule

Year Ended June 30, 2017

School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 60,000	\$ 134,670	\$ 134,670	\$ -
Miscellaneous	-	298,064	140,944	(157,120)
Recovered costs	-	734,815	750,144	15,329
Intergovernmental				
From County of Southampton, Virginia	11,886,743	11,886,743	11,881,112	(5,631)
From the Commonwealth of Virginia	18,230,490	18,512,451	18,101,481	(410,970)
From the Federal Government	1,669,440	2,054,985	1,705,328	(349,657)
Total Revenues	31,846,673	33,621,728	32,713,679	(908,049)
Expenditures				
Current				
<i>Education</i>				
Instruction	20,905,735	21,984,990	21,359,082	625,908
Administration, attendance, and health	1,234,857	1,276,877	1,262,348	14,529
Transportation	2,872,545	2,564,680	2,984,461	(419,781)
Operation and maintenance	2,801,384	2,673,535	2,612,149	61,386
School food services	173,543	421,966	407,346	14,620
Facilities	129,609	2,701,006	2,676,006	25,000
Technology	834,683	1,492,728	1,329,645	163,083
Debt service	2,894,317	2,894,317	2,893,914	403
Total Expenditures	31,846,673	36,010,099	35,524,951	485,148
Excess of Revenues over Expenditures before Other Financing Sources (Uses)	-	(2,388,371)	(2,811,272)	(422,901)
Other Financing Sources (Uses)				
Proceeds of long-term capital lease	-	-	422,901	422,901
Transfer out	-	(70,000)	(70,000)	-
Surplus/contingency	-	2,458,371	-	(2,458,371)
Total Other Financing Sources (Uses)	-	2,388,371	352,901	(2,035,470)
Net Change in Fund Balance	\$ -	\$ -	(2,458,371)	\$ (2,458,371)
Fund Balance - Beginning of Year			2,458,371	
Fund Balance - End of Year			<u>\$ -</u>	

OTHER INFORMATION SECTION



County of Southampton, Virginia

Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2017

	<u>Inmate Canteen</u>		<u>Jail Telephone</u>		<u>Inmate Medical</u>		<u>Other Inmate</u>		<u>Totals</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>
Canteen Fund #736	\$ 66,645	\$ 93,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,645	\$ 93,694
Inmate Enterprise Fund #737	-	-	4,536	129,959	4,163	-	157,512	108,313	166,211	238,272
Total	<u>\$ 66,645</u>	<u>\$ 93,694</u>	<u>\$ 4,536</u>	<u>\$ 129,959</u>	<u>\$ 4,163</u>	<u>\$ -</u>	<u>\$ 157,512</u>	<u>\$ 108,313</u>	<u>\$ 232,856</u>	<u>\$ 331,966</u>

Table 1

County of Southampton, Virginia

General Governmental Revenues by Source⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2008	\$ 15,579,133	\$2,345,943	\$ 129,129	\$ 656,971	\$ 1,407,587	\$ 1,147,654	\$ 1,077,308	\$ 970,097	\$ 27,211,900	\$50,525,722
2009	16,382,810	2,266,221	99,283	603,927	226,354	1,237,198	1,043,920	1,129,624	28,546,566	51,535,903
2010	16,321,948	2,249,072	128,209	625,133	99,322	1,267,856	951,159	947,657	28,363,955	50,954,311
2011	17,880,160	2,466,909	121,723	640,231	129,008	1,193,571	1,055,396	1,232,737	25,872,866	50,592,601
2012	18,300,902	2,413,080	139,286	632,501	78,918	1,290,027	1,006,612	1,091,047	25,556,713	50,509,086
2013	16,032,974	2,076,676	130,959	719,987	123,004	2,133,770	1,037,313	1,870,729	28,533,347	52,658,759
2014	16,497,857	2,019,368	25,358	738,640	138,431	2,453,943	1,227,949	916,951	28,999,302	53,017,799
2015	19,190,845	2,092,934	18,412	873,841	173,997	2,228,759	1,300,932	1,081,706	31,267,836	58,229,262
2016	19,205,365	2,108,074	17,413	843,525	219,962	2,213,257	1,288,192	1,363,838	29,367,981	56,627,607
2017	20,530,429	2,176,962	230,676	841,367	1,142,822	2,107,962	1,238,506	1,351,596	29,953,058	59,573,378

⁽¹⁾ Includes All Governmental Funds and Discretely Presented Component Unit School Board. Does not include Primary Government appropriations to School Board.

Note: Personal Property Tax Relief Act (PPTRA) is being reported as Intergovernmental Revenue instead of General Property Taxes.

Table 2

County of Southampton, Virginia

General Governmental Expenditures by Function⁽¹⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
2008	\$ 1,723,732	\$ 1,485,902	\$ 6,920,199	\$ 2,604,289	\$ 2,708,076	\$ 29,393,059	\$ 265,910	\$ 2,630,318	\$ 10,982,958	\$ 3,424,807	\$ 62,139,250
2009	2,001,505	1,621,781	6,889,435	2,545,408	3,070,897	30,595,432	337,016	734,563	3,309,622	4,093,102	55,198,761
2010	1,924,123	1,583,442	6,789,787	3,056,131	3,241,370	29,369,532	322,963	779,305	680,140	3,907,127	51,653,920
2011	1,953,705	1,538,605	7,116,500	2,624,589	3,172,496	29,290,655	290,107	523,419	3,188,048	4,187,328	53,885,452
2012	2,292,723	1,559,984	6,934,012	2,636,254	3,004,826	29,927,233	292,862	565,563	340,642	3,812,796	51,366,895
2013	2,197,482	1,678,682	7,019,697	2,443,846	2,860,107	29,015,475	380,000	3,313,891	-	3,581,984	52,491,164
2014	2,080,836	1,733,218	7,834,258	2,425,049	2,882,650	29,382,887	383,634	2,495,582	-	3,495,265	52,713,379
2015	2,213,965	1,735,718	8,072,419	2,508,572	2,960,965	30,277,727	341,393	1,116,145	3,517,878	3,550,194	56,294,976
2016	2,289,805	1,796,953	8,961,775	2,646,468	3,069,595	34,769,988	322,982	1,114,870	5,931	18,333,388	73,311,755
2017	2,541,644	1,806,316	8,983,507	3,400,527	2,938,631	33,795,517	274,604	1,163,757	-	3,893,274	58,797,777

⁽¹⁾ Includes All Governmental Funds and Discretely Presented Component Unit School Board. Does not include Primary Government appropriations to School Board.

County of Southampton, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools⁽¹⁾</u>	<u>Merchant's Capital</u>	<u>Public Service Corporation</u>		<u>Total</u>
						<u>Real Estate</u>	<u>Personal Property</u>	
2008	\$ 1,262,490,400	\$ 139,460,957	\$ 10,772,297	\$ 46,134,347	\$ 5,659,225	\$ 98,111,716	\$ 66,449	\$ 1,562,695,391
2009	1,285,434,300	142,850,802	10,685,985	43,374,015	6,100,633	88,019,964	43,363	1,576,509,062
2010	1,282,273,000	127,448,482	10,837,391	43,918,406	9,864,305	101,407,727	85,981	1,575,835,292
2011	1,293,700,800	131,828,952	10,675,953	44,052,047	11,198,575	113,116,206	68,031	1,604,640,564
2012	1,299,862,900	132,534,753	10,495,150	43,893,776	10,199,919	112,595,293	61,432	1,609,643,223
2013	1,337,723,000	137,133,629	7,658,626	43,576,110	10,234,997	134,364,168	87,128	1,670,777,658
2014	1,343,689,600	136,417,586	7,793,192	48,160,345	10,617,374	141,762,740	258,152	1,688,698,989
2015	1,356,870,800	140,646,148	8,312,106	113,489,487	11,788,932	179,163,642	124,196	1,810,395,311
2016	1,361,590,000	147,143,891	9,252,160	113,646,088	15,609,656	187,432,972	57,907	1,834,732,674
2017	1,369,659,700	153,711,284	9,584,120	123,619,261	16,135,365	187,515,051	49,254	1,860,274,035

⁽¹⁾ Includes farm machinery and contractor's equipment.

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Farm Machinery and Seasonal</u>	<u>Merchant's Capital</u>	<u>Public Service Corporation</u>	
							<u>Real Estate</u>	<u>Personal Property</u>
2008	.68	4.00	.68	2.40	1.95/1.25	.50	.68	4.00
2009	.72	4.00	.72	2.40	1.95/1.25	.50	.72	4.00
2010	.72	4.50	.72	2.40	1.95/1.25	.50	.72	4.50
2011	.76	5.00	.76	2.40	1.95/1.25	.50	.76	5.00
2012	.77	5.00	.77	2.40	1.95/1.25	.50	.77	5.00
2013	.75	5.00	.75	2.40	1.95/1.25	.50	.75	5.00
2014	.75	5.00	.75	2.40	1.95/1.25	.50	.75	5.00
2015	.77	5.00	.77	2.40	1.95/1.25	.50	.77	5.00
2016	.77	5.00	.77	2.40	1.95/1.25	.50	.77	5.00
2017	.82	5.00	.82	2.40	1.95/1.25	.50	.82	5.00

County of Southampton, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u> ⁽¹⁾	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2008	\$ 15,476,133	\$ 15,062,780	97.33%	\$ 270,553	\$ 15,333,333	99.08%	\$ 1,028,548	6.65%
2009	16,084,440	15,692,945	97.57%	449,877	16,142,822	100.36%	1,123,198	6.98%
2010	16,143,974	15,492,497	95.96%	536,310	16,028,807	99.29%	1,436,610	8.90%
2011	17,709,212	16,778,761	94.75%	701,801	17,480,562	98.71%	1,433,684	8.10%
2012	17,932,688	17,318,765	96.58%	579,172	17,897,937	99.81%	1,410,615	7.87%
2013	18,221,824	17,572,558	96.44%	164,117	17,736,675	97.34%	1,352,238	7.42%
2014	18,441,331	17,769,823	96.36%	658,912	18,428,735	99.93%	1,500,452	8.14%
2015	20,873,870	20,298,649	97.24%	768,988	21,067,637	100.93%	1,501,685	7.19%
2016	21,164,666	20,577,367	97.23%	464,868	21,042,235	99.42%	1,453,738	6.87%
2017	23,308,170	21,804,117	93.55%	578,034	22,382,151	96.03%	1,619,681	6.95%

⁽¹⁾ Included PPTRA (Personal Property Tax Relief Act) money from the state.

County of Southampton, Virginia

Ratio of Net General Obligation Bonded Debt
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (in thousands)</u>	<u>Net Bonded Debt</u>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2008	17,482	\$ 1,562,695	\$ 46,178,356	.0296	\$ 2,641
2009	17,482	1,576,510	75,287,113	.0478	4,307
2010	18,570	1,575,836	72,726,353	.0462	3,916
2011	18,570	1,604,641	69,913,304	.0436	3,765
2012	18,570	1,609,643	67,354,628	.0418	3,627
2013	18,570	1,670,778	65,503,771	.0392	3,527
2014	18,570	1,688,699	63,313,329	.0375	3,409
2015	18,570	1,810,395	60,472,471	.0334	3,256
2016	18,570	1,834,733	65,974,701	.0360	3,553
2017	18,570	1,860,274	62,893,286	.0338	3,387

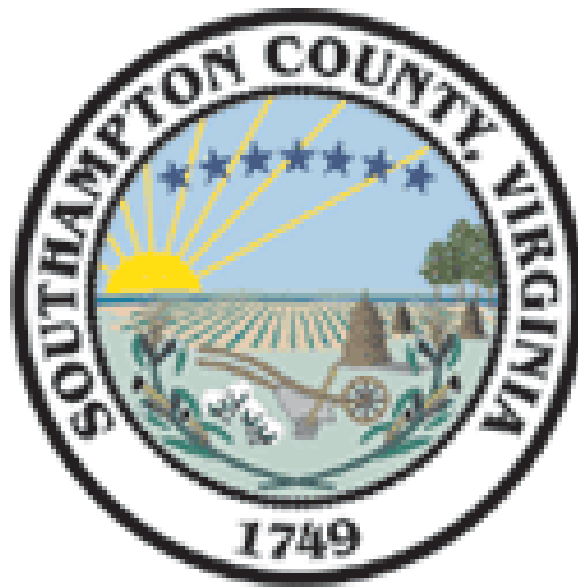
County of Southampton, Virginia

Special Assessment Billings and Collections

Last Ten Fiscal Years

Special assessments of property taxes have not been made and, accordingly, are not presented. The County has not utilized special assessments for public works improvements or other purposes.

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

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**INDEPENDENT AUDITOR'S 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 Board of Supervisors
County of Southampton, 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 *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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Southampton, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Southampton, Virginia's basic financial statements and have issued our report thereon dated November 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Southampton, 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 the County of Southampton, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Southampton, 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 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 the County of Southampton, 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*.

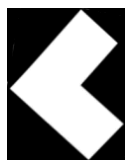
Purpose of this Report

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.



Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 28, 2017



**Creedle
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& Alga**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors
County of Southampton, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Southampton, 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Southampton, 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 the County of Southampton, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the County of Southampton, 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 the County of Southampton, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Southampton, Virginia's internal control over compliance.

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

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

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

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 28, 2017



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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Board of Supervisors
County of Southampton, Virginia

We have audited the financial statements of the County of Southampton, Virginia, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 28, 2017.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Southampton, Virginia, is the responsibility of the County of Southampton, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Southampton, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Southampton, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Southampton, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
November 28, 2017

County of Southampton, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Social Services</i>			
SNAP Cluster			
State Administrative Matching Grants for SNAP	10.561	765	\$ 241,839
Total SNAP Cluster			241,839
<i>State Department of Agriculture</i>			
National School Lunch Program - Food Distribution - Schools	10.555	N/A	\$ 72,136
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	532,617
School Breakfast Program	10.553	197	243,073
Total Food Distribution - Schools and Child Nutrition Cluster			847,826
Subtotal - U. S. Department of Agriculture			1,089,665
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
CCDF Cluster			
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	765	43,333
Child Care and Development Block Grant	93.575	765	(2,140)
Total CCDF Cluster			41,193
TANF Cluster			
Temporary Assistance for Needy Families (TANF)	93.558	765	259,118
Medicaid Cluster			
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	308,039
Promoting Safe and Stable Families	93.556	765	10,889
Refugee and Entrant Assistance - State Administered Programs	93.566	765	867
Low-Income Home Energy Assistance	93.568	765	28,772
Stephanie Tubbs Jones Child Welfare Services Program	93.645	765	456
Foster Care - Title IV-E	93.658	765	112,560
Adoption Assistance	93.659	765	95,972
Chafee Foster Care Independence Program	93.674	765	2,047
Social Services Block Grant	93.667	765	191,515
Children's Health Insurance Program (CHIP)	93.767	765	9,680
Subtotal - U. S. Department of Health and Human Services			1,061,108

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Highway Safety Cluster			
Occupant Protection Incentive Grants	20.602	530	<u>1,829</u>
Subtotal - U. S. Department of Transportation			1,829
U. S. Department of Treasury			
Direct Payments			
Treasury Forfeiture Fund	21.000	N/A	<u>24,703</u>
Subtotal - U. S. Department of Treasury			24,703
U. S. Department of Criminal Justice Services			
Pass-Through Payments			
<i>Virginia Department of Criminal Justice Services</i>			
Victims of Crime Assistance Grant Program	16.575	140	<u>21,745</u>
Subtotal - U. S. Department of Criminal Justice Services			21,745
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	197	622,294
Special Education - Preschool Grants (IDEA Preschool)	84.173	197	<u>12,303</u>
Total Special Education Cluster (IDEA)			634,597
Title I Grants to Local Educational Agencies	84.010	197	524,202
Advanced Placement Program	84.330	197	342
Title VI Rural and Low Income	84.358	197	29,491
Twenty-First Century Community Learning Centers	84.287	197	147,247
Career and Technical Education Basic Grants to States (Perkins IV)	84.048	197	44,533
Supporting Effective Instruction State Grant	84.367	197	125,574
Adult Education - Basic Grants to States	84.002	197	<u>25,749</u>
Subtotal - U. S. Department of Education - School			1,531,735
U. S. Department of Labor			
Direct Payments - School			
WIOA Cluster			
WIA/WIOA Youth Activities	17.259	N/A	<u>173,593</u>
Subtotal - U. S. Department of Labor			<u>173,593</u>
Grand Totals			<u>\$ 3,904,378</u>

NOTE: There were no awards passed through to subrecipients.

See accompanying notes to schedule of expenditures of federal awards.

County of Southampton, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

County of Southampton, Virginia has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$72,136 at the time received were consumed during the year ended June 30, 2017. These commodities were included in the determination of federal awards expended during the year ended June 30, 2017.

5. 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	\$	30,733
<i>Special Revenue Funds</i>		
Virginia Public Assistance Fund		1,295,788
Forfeiture Fund		<u>24,703</u>
Total Primary Government		1,351,224

Component Unit School Board

School Operating Fund		1,705,328
School Cafeteria Fund		<u>775,690</u>
Total Component Unit School Board		2,481,018

Add: Amounts Not Reported in Financial Statements

U. S. Department of Agriculture - NSLP - Food Commodities	10.555	<u>72,136</u>
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Total Federal Expenditures per Basic Financial Statements	\$	<u>3,904,378</u>
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	\$	<u>3,904,378</u>
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County of Southampton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553 and 10.555

Schools and Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

There are no federal award findings to report.