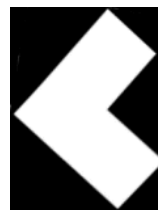


*County of Southampton, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2016*



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

## County of Southampton, Virginia

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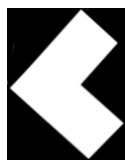
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# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

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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, 2016, 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, 2016, 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 65-76 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The 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 January 16, 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  
January 16, 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, 2016. We encourage readers to read this discussion and analysis in conjunction with the County's 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 \$20,334,913.
- For the fiscal year, general and program revenues and net transfers of the County's governmental activities were \$32,529,297 and expenses amounted to \$37,633,927. The County's total net position decreased \$5,104,630.
- For business-type activities, revenues and net transfers were \$4,233,454 and expenses were \$4,644,209. The net position decreased by \$410,755.

#### Highlights for Fund Financial Statements

- As of June 30, 2016, the County's Governmental Funds reported combined fund balances of \$7,068,947, an increase of \$1,766,984 in comparison with the prior year. Approximately 75.66 percent of the combined fund balances, \$5,348,172, is unrestricted and available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$5,351,087, an increase of \$649,671 from June 30, 2015.

## 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, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>								
Current and other assets	\$ 10,088,912	\$ 8,228,350	\$ 615,733	\$ 267,259	\$ 10,704,645	\$ 8,495,609	\$ 6,750,228	\$ 3,852,498
Capital assets (net)	49,657,861	50,919,793	35,646,887	36,918,550	85,304,748	87,838,343	11,603,749	6,680,833
<b>Deferred Outflows of Resources</b>	<u>962,237</u>	<u>989,350</u>	<u>87,165</u>	<u>89,765</u>	<u>1,049,402</u>	<u>1,079,115</u>	<u>2,440,544</u>	<u>2,084,388</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 60,709,010</u>	<u>\$ 60,137,493</u>	<u>\$ 36,349,785</u>	<u>\$ 37,275,574</u>	<u>\$ 97,058,795</u>	<u>\$ 97,413,067</u>	<u>\$ 20,794,521</u>	<u>\$ 12,617,719</u>
<b>Liabilities</b>								
Other liabilities	\$ 642,062	\$ 792,267	\$ 818,052	\$ 759,427	\$ 1,460,114	\$ 1,551,694	\$ 4,089,126	\$ 3,720,212
Long-term liabilities	<u>39,036,175</u>	<u>32,312,447</u>	<u>34,251,240</u>	<u>34,738,957</u>	<u>73,287,415</u>	<u>67,051,404</u>	<u>23,115,904</u>	<u>21,466,115</u>
Total Liabilities	39,678,237	33,104,714	35,069,292	35,498,384	74,747,529	68,603,098	27,205,030	25,186,327
<b>Deferred Inflows of Resources</b>								
Unexpended grants payable	-	-	-	-	-	-	239,514	121,963
Deferred inflows - pension liability	695,860	1,593,236	58,615	144,557	754,475	1,737,793	2,163,573	3,806,258
<b>Net Position</b>								
Net investment in capital assets	16,819,809	24,373,239	1,924,900	2,674,028	18,744,709	27,047,267	10,909,018	6,322,613
Restricted for capital projects	1,217,573	413,008	348,690	48,598	1,566,263	461,606	2,458,371	-
Unrestricted	<u>2,297,531</u>	<u>653,296</u>	<u>(1,051,712)</u>	<u>(1,089,993)</u>	<u>1,245,819</u>	<u>(436,697)</u>	<u>(22,180,985)</u>	<u>(22,819,442)</u>
Total Net Position	<u>20,334,913</u>	<u>25,439,543</u>	<u>1,221,878</u>	<u>1,632,633</u>	<u>21,556,791</u>	<u>27,072,176</u>	<u>(8,813,596)</u>	<u>(16,496,829)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 60,709,010</u>	<u>\$ 60,137,493</u>	<u>\$ 36,349,785</u>	<u>\$ 37,275,574</u>	<u>\$ 97,058,795</u>	<u>\$ 97,413,067</u>	<u>\$ 20,794,521</u>	<u>\$ 12,617,719</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 \$21,556,791 at June 30, 2016. The portion of the reporting entity's net position, \$18,744,709, 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, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>		<u>Component Unit School Board</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>								
<b>Program Revenues</b>								
Charges for services	\$ 2,690,724	\$ 2,722,133	\$ 1,227,559	\$ 1,280,108	\$ 3,918,283	\$ 4,002,241	\$ 383,471	\$ 398,879
Operating grants and contributions	6,822,086	8,633,288	14,628	8,734	6,836,714	8,642,022	19,507,158	19,592,104
<b>General Revenues</b>								
General property taxes, real and personal	19,344,004	19,177,317	-	-	19,344,004	19,177,317	-	-
Other taxes	2,213,218	2,088,425	-	-	2,213,218	2,088,425	-	-
Payment from County of Southampton, VA Education	-	-	-	-	-	-	16,623,452	9,613,817
Noncategorical aid from state	3,038,734	3,051,887	-	-	3,038,734	3,051,887	-	-
Use of property	218,546	173,056	-	-	218,546	173,056	-	-
Investment earnings	584	833	37	5	621	838	832	108
Miscellaneous	1,160,888	1,090,503	31,743	25,692	1,192,631	1,116,195	127,304	210,429
<b>Transfers</b>	<u>(2,959,487)</u>	<u>(2,652,211)</u>	<u>2,959,487</u>	<u>2,652,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	32,529,297	34,285,231	4,233,454	3,966,750	36,762,751	38,251,981	36,642,217	29,815,337
<b>Expenses</b>								
General government administration	2,455,958	2,517,404	-	-	2,455,958	2,517,404	-	-
Judicial administration	1,707,821	1,637,626	-	-	1,707,821	1,637,626	-	-
Public safety	8,637,502	8,229,350	-	-	8,637,502	8,229,350	-	-
Public works	2,698,888	2,355,049	-	-	2,698,888	2,355,049	-	-
Health and welfare	2,997,440	2,980,861	-	-	2,997,440	2,980,861	-	-
Education	16,623,452	9,613,817	-	-	16,623,452	9,613,817	28,958,984	29,462,306
Parks, recreation, and cultural	335,704	362,520	-	-	335,704	362,520	-	-
Community development	1,107,003	2,856,141	-	-	1,107,003	2,856,141	-	-
Water and sewer	-	-	2,953,080	2,922,945	2,953,080	2,922,945	-	-
Interest on long-term debt	1,070,159	1,107,606	1,691,129	1,706,159	2,761,288	2,813,765	-	-
Loss on sale of fixed asset	-	73,086	-	43,968	-	117,054	-	-
Total Expenses	<u>37,633,927</u>	<u>31,733,460</u>	<u>4,644,209</u>	<u>4,673,072</u>	<u>42,278,136</u>	<u>36,406,532</u>	<u>28,958,984</u>	<u>29,462,306</u>
Increase (Decrease) in Net Position	(5,104,630)	2,551,771	(410,755)	(706,322)	(5,515,385)	1,845,449	7,683,233	353,031
Beginning Net Position	<u>25,439,543</u>	<u>22,887,772</u>	<u>1,632,633</u>	<u>2,338,955</u>	<u>27,072,176</u>	<u>25,226,727</u>	<u>(16,496,829)</u>	<u>(16,849,860)</u>
Ending Net Position	<u>\$ 20,334,913</u>	<u>\$ 25,439,543</u>	<u>\$ 1,221,878</u>	<u>\$ 1,632,633</u>	<u>\$ 21,556,791</u>	<u>\$ 27,072,176</u>	<u>\$ (8,813,596)</u>	<u>\$ (16,496,829)</u>

Governmental activities decreased the County's net position by \$5,104,630 for fiscal year 2016. General property taxes comprise the largest source of these revenues, totaling \$19,344,004 or 59.47 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$37,633,927. Education was the County's largest program with expenses totaling \$16,623,452. Public safety, which totals \$8,637,502, 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, 2016 and 2015

	<u>2016</u>		<u>2015</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	\$ 2,455,958	\$ (1,915,433)	\$ 2,517,404	\$ (2,026,930)
Judicial administration	1,707,821	(866,312)	1,637,626	(824,647)
Public safety	8,637,502	(3,777,435)	8,229,350	(3,696,407)
Public works	2,698,888	(1,588,825)	2,355,049	1,015,484
Health and welfare	2,997,440	(876,033)	2,980,861	(899,828)
Education	16,623,452	(16,623,452)	9,613,817	(9,613,817)
Parks, recreation, and cultural	335,704	(331,065)	362,520	(326,051)
Community development	1,107,003	(1,072,403)	2,856,141	(2,825,151)
Interest on long-term debt	<u>1,070,159</u>	<u>(1,070,159)</u>	<u>1,107,606</u>	<u>(1,107,606)</u>
Total	<u>\$ 37,633,927</u>	<u>\$ (28,121,117)</u>	<u>\$ 31,660,374</u>	<u>\$ (20,304,953)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2016, the County's Governmental Funds reported a combined ending fund balance of \$7,068,947, an increase of \$1,766,984 in comparison with the prior year. Approximately 75.66 percent, or \$5,348,172, 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 \$5,351,087. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.80 percent of total fund expenditures.

- The General Fund contributed \$11,238,756 in operating funds to finance the Schools' operations.

The Capital Projects Fund which has a total fund balance of \$1,214,658; \$1,217,573 is restricted and assigned for ongoing and future capital projects, \$2,915 represents an unassigned deficit.

### 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, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 21,076,972	\$ 21,704,476	\$ 19,205,365	\$ 18,263,680	\$ 18,894,338	\$ 19,190,845
Other	4,603,689	5,403,178	5,683,217	5,035,161	5,674,586	5,487,456
Intergovernmental	<u>4,947,669</u>	<u>5,529,170</u>	<u>7,937,361</u>	<u>7,287,232</u>	<u>7,500,030</u>	<u>7,550,409</u>
Total	30,628,330	32,636,824	32,825,943	30,586,073	32,068,954	32,228,710
<b>Expenditures</b>	<u>27,356,184</u>	<u>29,521,818</u>	<u>28,461,561</u>	<u>27,150,084</u>	<u>28,789,757</u>	<u>28,056,313</u>
Excess (Deficiency) of Revenues Over Expenditures	3,272,146	3,115,006	4,364,382	3,435,989	3,279,197	4,172,397
<b>Other Financing Sources (Uses)</b>						
Proceeds of long-term debt/leases	-	-	139,890	-	-	30,304
Transfers in	108,000	110,007	108,000	108,000	108,000	108,000
Transfers out	<u>(3,624,146)</u>	<u>(4,010,321)</u>	<u>(3,962,601)</u>	<u>(3,543,989)</u>	<u>(3,523,777)</u>	<u>(3,453,017)</u>
Total	<u>(3,516,146)</u>	<u>(3,900,314)</u>	<u>(3,714,711)</u>	<u>(3,435,989)</u>	<u>(3,415,777)</u>	<u>(3,314,713)</u>
Change in Fund Balance	(244,000)	(785,308)	649,671	-	(136,580)	857,684
Transfer from Reserve	<u>244,000</u>	<u>785,308</u>	-	-	<u>136,580</u>	-
Change in Fund Balance after Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 649,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 857,684</u>

Final amended budget revenues were more than the original budget by \$2,008,494.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,165,634.

Actual revenues were more than final budget amounts by \$189,119, or 0.58 percent, while actual expenditures were \$1,060,257, or 3.59 percent less than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2016, the County's net investment in capital assets, which is net capital assets less related debt for governmental activities totals \$16,819,809 and \$1,924,900 for business-type activities.

During fiscal year 2016, the County's net capital assets (including additions, decreases, and depreciation) decreased \$1,261,932 for governmental activities and decreased \$1,271,663 for business-type activities, as summarized in the following table:

## Change in Capital Assets

### Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 2,389,757	\$ -	\$ 2,389,757
Construction in progress	-	194,282	194,282
Buildings and improvements	65,984,741	-	65,984,741
Furniture, equipment, and vehicles	<u>7,407,781</u>	<u>342,856</u>	<u>7,750,637</u>
Total Capital Assets	75,782,279	537,138	76,319,417
Less: Accumulated depreciation	<u>(24,862,486)</u>	<u>(1,799,070)</u>	<u>(26,661,556)</u>
Total Capital Assets, Net	<u>\$ 50,919,793</u>	<u>\$ (1,261,932)</u>	<u>\$ 49,657,861</u>

### Business-Type Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 343,785	\$ -	\$ 343,785
Construction in progress	14,137	27,753	41,890
Buildings and improvements	1,053,937	-	1,053,937
Infrastructure and equipment	52,681,763	10,629	52,692,392
Vehicles	<u>262,162</u>	<u>-</u>	<u>262,162</u>
Total Capital Assets	54,355,784	38,382	54,394,166
Less: Accumulated depreciation	<u>(17,437,234)</u>	<u>(1,310,045)</u>	<u>(18,747,279)</u>
Total Capital Assets, Net	<u>\$ 36,918,550</u>	<u>\$ (1,271,663)</u>	<u>\$ 35,646,887</u>

### Component Unit School Board

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</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	-	2,432,108
Furniture, equipment, and vehicles	<u>14,755,500</u>	<u>547,624</u>	<u>15,303,124</u>
Total Capital Assets	18,549,808	5,258,391	23,808,199
Less: Accumulated depreciation	<u>(11,868,975)</u>	<u>(335,475)</u>	<u>(12,204,450)</u>
Total Capital Assets, Net	<u>\$ 6,680,833</u>	<u>\$ 4,922,916</u>	<u>\$ 11,603,749</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, 2016, the County's long-term obligations, excluding the Component Unit, total \$68,163,263.

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
<b>Governmental Activities</b>			
Long-term debt	\$ 26,131,008	\$ 6,321,180	<b>\$ 32,452,188</b>
Net OPEB obligation	1,043,361	(132,637)	<b>910,724</b>
<i>Compensated absences</i>			
General Fund	383,353	(5,876)	<b>377,477</b>
Welfare Fund	<u>197,758</u>	<u>16,819</u>	<u><b>214,577</b></u>
Total Governmental Activities	27,755,480	6,199,486	<b>33,954,966</b>
<i>Add</i>			
Unamortized premium	<u>415,546</u>	<u>(29,682)</u>	<u><b>385,864</b></u>
Total Long-Term Indebtedness - Primary Government	28,171,026	6,169,804	<b>34,340,830</b>
<b>Business-Type Activities</b>			
Long-term debt	34,244,522	(522,535)	<b>33,721,987</b>
<i>Compensated absences</i>			
Water and Sewer Fund	<u>118,678</u>	<u>(18,232)</u>	<u><b>100,446</b></u>
Total Business-Type Activities	<u>34,363,200</u>	<u>(540,767)</u>	<u><b>33,822,433</b></u>
Total Primary Government	<u><b>\$ 62,534,226</b></u>	<u><b>\$ 5,629,037</b></u>	<u><b>\$ 68,163,263</b></u>
<b>Component Unit School Board</b>			
Long-term debt	\$ 358,220	\$ 336,511	<b>\$ 694,731</b>
Compensated absences	272,963	(20,014)	<b>252,949</b>
Net OPEB obligation	<u>1,254,695</u>	<u>(112,556)</u>	<u><b>1,142,139</b></u>
Total Component Unit School Board	<u><b>\$ 1,885,878</b></u>	<u><b>\$ 203,941</b></u>	<u><b>\$ 2,089,819</b></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 2016 was 3.7 percent, a decrease of .2 percent from June 2015. This compares favorably to the state's rate of 4.0 percent and the national rate of 5.1 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 2017 Adopted Budget anticipates General Fund revenues and expenditures to be \$32,430,729, a 4.68 percent increase over the fiscal year 2016 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](http://www.southamptoncounty.org).

# BASIC FINANCIAL STATEMENTS



## County of Southampton, Virginia

## Statement of Net Position

At June 30, 2016

	<u>Primary Government</u>			<u>Component Unit School Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Assets</b>				
Cash, cash equivalents, and investments	\$ 4,450,006	\$ -	\$ 4,450,006	\$ 3,268,008
Restricted cash	1,217,573	348,690	1,566,263	2,458,371
Receivables, net	1,827,113	267,043	2,094,156	11,124
Long-term notes receivable	926,054	-	926,054	-
Due from other funds	569,970	-	569,970	-
Due from other governments	1,098,196	-	1,098,196	1,012,725
<b>Capital Assets</b>				
Land and construction in progress	2,584,039	385,675	2,969,714	6,072,967
Other capital assets, net of accumulated depreciation	<u>47,073,822</u>	<u>35,261,212</u>	<u>82,335,034</u>	<u>5,530,782</u>
Capital Assets, Net	49,657,861	35,646,887	85,304,748	11,603,749
<b>Deferred Outflows of Resources</b>				
Deferred outflows - pension liability	<u>962,237</u>	<u>87,165</u>	<u>1,049,402</u>	<u>2,440,544</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 60,709,010</u>	<u>\$ 36,349,785</u>	<u>\$ 97,058,795</u>	<u>\$ 20,794,521</u>
<b>Liabilities</b>				
Pooled cash deficit	\$ -	\$ 119,316	\$ 119,316	\$ -
Accounts payable and accrued expenses	642,062	42,706	684,768	3,973,971
Due to other funds	-	569,970	569,970	-
Customer deposits	-	86,060	86,060	-
<b>Long-Term Liabilities</b>				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	2,785,519	854,132	3,639,651	115,155
<i>Due in more than one year</i>				
Bonds, loans, and capital leases payable	30,052,533	32,867,855	62,920,388	579,576
Net pension liability	4,695,345	428,807	5,124,152	21,141,240
Compensated absences	592,054	100,446	692,500	252,949
Net OPEB obligation	<u>910,724</u>	<u>-</u>	<u>910,724</u>	<u>1,142,139</u>
Total Liabilities	39,678,237	35,069,292	74,747,529	27,205,030
<b>Deferred Inflows of Resources</b>				
Unexpended grants payable	-	-	-	239,514
Deferred inflows - pension liability	695,860	58,615	754,475	2,163,573
<b>Net Position</b>				
Net investment in capital assets	16,819,809	1,924,900	18,744,709	10,909,018
Restricted for capital projects	1,217,573	348,690	1,566,263	2,458,371
Unrestricted	<u>2,297,531</u>	<u>(1,051,712)</u>	<u>1,245,819</u>	<u>(22,180,985)</u>
Total Net Position	<u>20,334,913</u>	<u>1,221,878</u>	<u>21,556,791</u>	<u>(8,813,596)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 60,709,010</u>	<u>\$ 36,349,785</u>	<u>\$ 97,058,795</u>	<u>\$ 20,794,521</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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>	<u>Primary Government</u>	<u>Component</u>
		<u>Services</u>	<u>Grants and</u>	<u>Activities</u>	<u>Business-Type</u>	<u>Unit</u>
			<u>Contributions</u>		<u>Activities</u>	<u>School Board</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government administration	\$ 2,455,958	\$ 271,189	\$ 269,336	\$ (1,915,433)		\$ (1,915,433)
Judicial administration	1,707,821	60,450	781,059	(866,312)		(866,312)
Public safety	8,637,502	1,263,428	3,596,639	(3,777,435)		(3,777,435)
Public works	2,698,888	1,095,657	14,406	(1,588,825)		(1,588,825)
Health and welfare	2,997,440	-	2,121,407	(876,033)		(876,033)
Education - local school system	16,623,452	-	-	(16,623,452)		(16,623,452)
Parks, recreation, and cultural	335,704	-	4,639	(331,065)		(331,065)
Community development	1,107,003	-	34,600	(1,072,403)		(1,072,403)
Interest and bond issue costs	<u>1,070,159</u>	<u>-</u>	<u>-</u>	<u>(1,070,159)</u>		<u>(1,070,159)</u>
Total Governmental Activities	37,633,927	2,690,724	6,822,086	(28,121,117)		(28,121,117)
<b>Business-Type Activities</b>						
Regional Water and Sewer Fund	<u>4,644,209</u>	<u>1,227,559</u>	<u>14,628</u>		\$ (3,402,022)	(3,402,022)
Total Business-Type Activities	<u>4,644,209</u>	<u>1,227,559</u>	<u>14,628</u>		(3,402,022)	(3,402,022)
Total Primary Government	<u>\$ 42,278,136</u>	<u>\$ 3,918,283</u>	<u>\$ 6,836,714</u>			(31,523,139)
<b>Component Unit</b>						
Southampton County School Board	<u>\$ 28,958,984</u>	<u>\$ 383,471</u>	<u>\$ 19,507,158</u>			\$ (9,068,355)
<b>General Revenues</b>						
<b>Taxes</b>						
General property taxes, real and personal				19,344,004	-	19,344,004
Other local taxes				2,213,218	-	2,213,218
<b>Payment from County of Southampton, VA</b>						
Education				-	-	16,623,452
Noncategorical aid from state				3,038,734	-	3,038,734
Use of property				218,546	-	218,546
Investment earnings				584	37	621
Miscellaneous				1,160,888	31,743	1,192,631
<b>Transfers</b>				<u>(2,959,487)</u>	<u>2,959,487</u>	<u>-</u>
Total General Revenues and Transfers				<u>23,016,487</u>	<u>2,991,267</u>	<u>26,007,754</u>
Change in Net Position				(5,104,630)	(410,755)	(5,515,385)
Net Position - Beginning of Year				<u>25,439,543</u>	<u>1,632,633</u>	<u>27,072,176</u>
Net Position - End of Year				<u>\$ 20,334,913</u>	<u>\$ 1,221,878</u>	<u>\$ 21,556,791</u>
						<u>\$ (8,813,596)</u>

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, 2016

	<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>
<b>Assets</b>					
Cash and investments	\$ 4,415,013	\$ -	\$ 407,148	\$ 513,712	\$ 5,335,873
Restricted cash	-	-	1,217,573	-	1,217,573
Property taxes receivable, net	893,528	-	-	-	893,528
Accounts receivable	739,055	-	194,530	-	933,585
Due from other funds	569,970	-	-	-	569,970
Due from other governments	<u>797,749</u>	<u>152,214</u>	<u>137,470</u>	<u>10,763</u>	<u>1,098,196</u>
Total Assets	<u>\$ 7,415,315</u>	<u>\$ 152,214</u>	<u>\$ 1,956,721</u>	<u>\$ 524,475</u>	<u>\$ 10,048,725</u>
<b>Liabilities</b>					
Pooled cash deficit	\$ -	\$ 143,804	\$ 742,063	\$ -	\$ 885,867
Accounts payable and accrued liabilities	<u>612,379</u>	<u>8,410</u>	<u>-</u>	<u>21,273</u>	<u>642,062</u>
Total Liabilities	612,379	152,214	742,063	21,273	1,527,929
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes and landfill fees	<u>1,451,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,451,849</u>
Total Deferred Inflows of Resources	1,451,849	-	-	-	1,451,849
<b>Fund Balance</b>					
Restricted	-	-	1,217,573	503,202	1,720,775
Unassigned	<u>5,351,087</u>	<u>-</u>	<u>(2,915)</u>	<u>-</u>	<u>5,348,172</u>
Total Fund Balance	<u>5,351,087</u>	<u>-</u>	<u>1,214,658</u>	<u>503,202</u>	<u>7,068,947</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 7,415,315</u>	<u>\$ 152,214</u>	<u>\$ 1,956,721</u>	<u>\$ 524,475</u>	<u>\$ 10,048,725</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, 2016

Total Fund Balances for Governmental Funds	\$ 7,068,947
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Long-term notes receivable that are not available to pay for current-period expenditures and, therefore, are not reported in the funds:

Long-term note receivable	926,054
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and landfill fees	1,451,849
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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
Construction in progress	194,282
Buildings and improvements, net of accumulated depreciation	43,995,028
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,078,794</u>

Total Capital Assets	49,657,861
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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	962,237
Deferred inflows of resources related to pensions	<u>(695,860)</u>

Total Deferred Outflows and Inflows of Resources	266,377
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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	(32,838,052)
Net pension liability	(4,695,345)
Net OPEB obligation	(910,724)
Compensated absences	<u>(592,054)</u>

Total	<u>(39,036,175)</u>
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Total Net Position of Governmental Activities	<u>\$ 20,334,913</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, 2016

	<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>
<b>Revenues</b>					
Property taxes	\$ 19,205,365	\$ -	\$ -	\$ -	\$ 19,205,365
Other local taxes	1,416,560	-	691,514	-	2,108,074
Permits, privilege fees, and regulatory licenses	17,413	-	-	-	17,413
Fines and forfeitures	843,525	-	-	-	843,525
Use of money and property	81	-	218,617	432	219,130
Charges for services	1,759,747	-	-	70,039	1,829,786
Miscellaneous	940,390	-	3,400	217,098	1,160,888
Recovered costs	705,501	-	-	-	705,501
<i>Intergovernmental</i>					
Revenue from the Commonwealth of Virginia	7,886,133	585,520	-	1,937	8,473,590
Revenue from the Federal Government	<u>51,228</u>	<u>1,313,547</u>	<u>-</u>	<u>22,458</u>	<u>1,387,233</u>
Total Revenues	32,825,943	1,899,067	913,531	311,964	35,950,505
<b>Expenditures</b>					
<b>Current</b>					
General government administration	2,289,805	-	-	-	2,289,805
Judicial administration	1,754,662	-	-	5,666	1,760,328
Public safety	8,194,766	-	623,522	180,112	8,998,400
Public works	2,624,983	-	21,485	-	2,646,468
Health and welfare	885,109	2,184,486	-	-	3,069,595
Education - public school system	11,238,756	-	-	-	11,238,756
Parks, recreation, and cultural	322,982	-	-	-	322,982
Community development	1,114,870	-	5,931	-	1,120,801
Debt service	<u>35,628</u>	<u>-</u>	<u>8,710,117</u>	<u>-</u>	<u>8,745,745</u>
Total Expenditures	<u>28,461,561</u>	<u>2,184,486</u>	<u>9,361,055</u>	<u>185,778</u>	<u>40,192,880</u>
Excess (Deficiency) of Revenues Over Expenditures	4,364,382	(285,419)	(8,447,524)	126,186	(4,242,375)
<b>Other Financing Sources (Uses)</b>					
Proceeds from long-term capital lease	139,890	-	8,828,956	-	8,968,846
Transfers in	108,000	285,419	717,695	-	1,111,114
Transfers out	<u>(3,962,601)</u>	<u>-</u>	<u>-</u>	<u>(108,000)</u>	<u>(4,070,601)</u>
Total Other Financing Sources (Uses)	<u>(3,714,711)</u>	<u>285,419</u>	<u>9,546,651</u>	<u>(108,000)</u>	<u>6,009,359</u>
Net Change in Fund Balance	649,671	-	1,099,127	18,186	1,766,984
Fund Balance - Beginning of Year	<u>4,701,416</u>	<u>-</u>	<u>115,531</u>	<u>485,016</u>	<u>5,301,963</u>
Fund Balance - End of Year	<u>\$ 5,351,087</u>	<u>\$ -</u>	<u>\$ 1,214,658</u>	<u>\$ 503,202</u>	<u>\$ 7,068,947</u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 1,766,984

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period and dispositions of assets. (1,261,932)

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	138,639
Landfill fees	105,144

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	\$ (23,458,528)	
Repayments on debt	<u>17,167,030</u>	
Net Adjustment		(6,291,498)

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	900,186	
Cost of benefits earned net of employee contributions	<u>(583,847)</u>	
		316,339

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	132,637	
Compensated absences	<u>(10,943)</u>	
Net Adjustment		<u>121,694</u>

Change in Net Position of Governmental Activities	<u>\$ (5,104,630)</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 Net Position

## Proprietary Funds

At June 30, 2016

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

**Assets****Current Assets**

Restricted cash	\$ 348,690
Receivables, net	<u>267,043</u>
Total Current Assets	615,733

**Noncurrent Assets**

Capital assets, net	<u>35,646,887</u>
Total Noncurrent Assets	35,646,887

**Deferred Outflows of Resources**

Deferred outflows - pension liability	<u>87,165</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 36,349,785</u>

**Liabilities****Current Liabilities**

Pooled cash deficit	\$ 119,316
Accounts payable and accrued expenses	42,706
Due to General Fund	569,970
Short-term portion of debt	<u>854,132</u>
Total Current Liabilities	1,586,124

**Noncurrent Liabilities**

Customer deposits	86,060
Net pension liability	428,807
Compensated absences	100,446
Long-term debt, net of unamortized discount	<u>32,867,855</u>
Total Noncurrent Liabilities	<u>33,483,168</u>

Total Liabilities	35,069,292
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**Deferred Inflows of Resources**

Deferred inflows - pension liability	58,615
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**Net Position**

Net investment in capital assets	1,924,900
Restricted for construction	348,690
Unrestricted	<u>(1,051,712)</u>
Total Net Position	<u>1,221,878</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 36,349,785</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, Expenses, and Changes in Net Position

## Proprietary Funds

Year Ended June 30, 2016

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

Charges for services, net	\$ 1,227,559
Operating grants	14,628
Miscellaneous	<u>31,743</u>

Total Operating Revenues	1,273,930
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**Operating Expenses**

Personal services	662,810
Fringe benefits	271,791
Repairs and maintenance	181,955
Professional fees	23,619
Utilities	237,649
Chemicals, lab, permits	152,491
Vehicle and power equipment	17,622
Bad debt expense	39,261
Insurance	24,444
Other supplies	31,393
Depreciation	<u>1,310,045</u>

Total Operating Expenses	<u>2,953,080</u>
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Operating Loss	(1,679,150)
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**Nonoperating Revenues (Expenses)**

Interest income	37
Interest expense	<u>(1,691,129)</u>

Total Nonoperating Revenues (Expenses)	<u>(1,691,092)</u>
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Loss Before Transfers	(3,370,242)
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Operating Transfers In	<u>2,959,487</u>
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Net Operating Transfers	<u>2,959,487</u>
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Change in Net Position	(410,755)
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Total Net Position - Beginning of Year	<u>1,632,633</u>
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Total Net Position - End of Year	<u><u>\$ 1,221,878</u></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 Cash Flows

## Proprietary Funds

Year Ended June 30, 2016

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

**Cash Flows from Operating Activities**

Receipts from customers	\$ 1,189,237
Other receipts	46,371
Payments for personnel and related costs	(983,125)
Payments to suppliers and other operating costs	<u>(706,197)</u>
Net Cash Used in Operating Activities	(453,714)

**Cash Flows from Noncapital Financing Activities**

Net transfers from other funds	<u>2,959,487</u>
Net Cash Provided by Noncapital Financing Activities	2,959,487

**Cash Flows from Capital and Related Financing Activities**

Purchase and construction of capital assets	(38,382)
Proceeds of debt	305,500
Principal paid on capital debt	(828,035)
Interest paid on capital debt	<u>(1,691,129)</u>
Net Cash Used in Capital and Related Financing Activities	(2,252,046)

**Cash Flows from Investing Activities**

Interest income	<u>37</u>
Net Cash Provided by Investing Activities	<u>37</u>

Net Increase in Cash and Cash Equivalents	253,764
Cash and Cash Equivalents (Deficit) - Beginning of Year	<u>(24,390)</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 229,374</u></u>

**Reconciliation of Operating Loss to Net Cash  
Used in Operating Activities**

Operating loss	\$ (1,679,150)
<i>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</i>	
Depreciation expense	1,310,045
<i>Changes in assets and liabilities</i>	
Receivables, net	(48,382)
Accounts payable and accrued expenses	2,237
Compensated absences	(18,232)
Customer deposits	10,060
Deferred outflows - pension liability	2,600
Net pension liability	53,050
Deferred inflows - pension liability	<u>(85,942)</u>
Net Cash Used in Operating Activities	<u><u>\$ (453,714)</u></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, 2016

	Agency Funds
<b>Assets</b>	
Cash and investments	\$ <u>2,531,219</u>
Total Assets	\$ <u>2,531,219</u>
<b>Liabilities</b>	
Amounts held for others	\$ <u>2,531,219</u>
Total Liabilities	\$ <u>2,531,219</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, 2016

## 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 \$231,720 in operating funds in fiscal year 2016. 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:
  - § Federal Grants Fund – This fund accounts for various Federal and State grant funds mainly associated with the FEMA disaster and Community Block Grant Projects.
  - § 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.
  - Non-Judicial Escrow Fund – This fund accounts for monies held for the sale of real estate property being sold to collect real estate taxes.

- 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 to/from other 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>\$ 560,210</u>
Water and Sewer Fund - receivables	<u>\$ 194,599</u>

#### *Real and Personal Property Tax Data*

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

#### Real Property      Personal Property

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 receivable s, 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. 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 Benefits 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 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-E-15 Adoption of New GASB Statements*

During the fiscal year ended June 30, 2016, the County adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

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

## **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 \$1,051,712 and the Component Unit School Board had one of \$22,180,985.

The Capital Projects Fund had an unassigned deficit of \$2,915.

### **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 12.62 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	12,366,993	
<b>Investments</b>		
Davenport and Company - Mutual Funds	<u>1,786,558</u>	<u>\$ 1,786,558</u>
<b>Total Cash and Investments</b>	<u>\$ 14,154,551</u>	

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
<b>Primary Government</b>				
Cash and cash equivalents	\$ 4,450,006	\$ (119,316)	\$ 744,661	\$ 5,075,351
Restricted cash	1,217,573	348,690	-	1,566,263
Investments	<u>-</u>	<u>-</u>	<u>1,786,558</u>	<u>1,786,558</u>
<b>Total Primary Government</b>	<b>5,667,579</b>	<b>229,374</b>	<b>2,531,219</b>	<b>8,428,172</b>
<b>Component Unit School Board</b>				
Cash and cash equivalents	3,268,008	-	-	3,268,008
Restricted cash	<u>2,458,371</u>	<u>-</u>	<u>-</u>	<u>2,458,371</u>
<b>Grand Total</b>	<u><b>\$ 11,393,958</b></u>	<u><b>\$ 229,374</b></u>	<u><b>\$ 2,531,219</b></u>	<u><b>\$ 14,154,551</b></u>

#### 4 Receivables

Receivables at June 30, 2016 consist of the following:

##### Primary Government

	<u>Governmental Activities</u>						
	<u>General</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit School Board</u>
		<u>Utility Tax Building Fund</u>	<u>Nonmajor</u>				
Property taxes	\$ 1,453,738	\$ -	\$ -	1,453,738	\$ -	\$ 1,453,738	\$ -
Landfill fees	579,533	-	-	579,533	-	579,533	-
Utility taxes	-	191,065	-	191,065	-	191,065	-
Other miscellaneous	159,522	3,465	-	162,987	-	162,987	11,124
Water and sewer	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461,642</u>	<u>461,642</u>	<u>-</u>
<b>Total</b>	<b>2,192,793</b>	<b>194,530</b>	<b>-</b>	<b>2,387,323</b>	<b>461,642</b>	<b>2,848,965</b>	<b>11,124</b>
Allowance for uncollectibles	<u>(560,210)</u>	<u>-</u>	<u>-</u>	<u>(560,210)</u>	<u>(194,599)</u>	<u>(754,809)</u>	<u>-</u>
<b>Net Receivables</b>	<u><b>\$ 1,632,583</b></u>	<u><b>\$ 194,530</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,827,113</b></u>	<u><b>\$ 267,043</b></u>	<u><b>\$ 2,094,156</b></u>	<u><b>\$ 11,124</b></u>

The County sold land in its industrial park to a new business for \$1,543,422 through an interest free note receivable. One installment is payable to the County in 2017. The payment schedule is as follows:

<u>Governmental Activities</u>		
<u>Year(s) Ended June 30,</u>	<u>Long-Term Note Receivable</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ <u>926,054</u>	\$ <u>-</u>

## 5 Interfund Transfers

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

<u>Primary Government</u>	<u>Transfer to</u>	<u>Transfer from</u>
<b>General Fund</b>		
To Public Assistance	\$ 285,419	\$ -
To Enterprise Fund for operating costs and debt service	2,959,487	-
To Utility Tax Building Fund	717,695	-
From Inmate Fund	-	108,000
Total General Fund	3,962,601	108,000
<b>Public Assistance Fund</b>		
From General Fund	-	285,419
<b>Inmate Fund</b>		
To General Fund	108,000	-
<b>Enterprise Fund</b>		
From General Fund for operating costs and debt service	-	2,959,487
<b>Utility Tax Building Fund</b>		
From General Fund	-	717,695
Total	<u>\$ 4,070,601</u>	<u>\$ 4,070,601</u>

## 6 Transfer to Component Unit/Transfer from Primary Government

Details of the primary government transfers to component unit as of June 30, 2016 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
<b>General Fund</b>		
To School Fund for local appropriation	\$ 11,238,756	\$ -
<b>School Fund</b>		
From General Fund for local appropriation	-	11,238,756
To School Food Fund for operating costs	80,000	-
<b>School Food Fund</b>		
From School Fund for operating costs	-	80,000
Total	<u>\$ 11,318,756</u>	<u>\$ 11,318,756</u>

## 7 Due From/To Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2016 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund</b>		
Due from Enterprise Fund for operating costs and debt service	\$ 569,970	\$ -
<b>Enterprise Fund</b>		
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, 2016, 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>
<b>Commonwealth of Virginia</b>						
Local and State sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,972
Compensation board - salaries	84,303	-	-	-	84,303	-
Mobile home tax	5,690	-	-	-	5,690	-
Comprehensive services funds	97,313	-	-	-	97,313	-
Communication sales tax	44,535	-	-	-	44,535	-
Public assistance funds	-	152,214	-	-	152,214	-
Sheriffs reimbursements	236,956	-	-	-	236,956	-
PSAP grants	3,799	-	-	-	3,799	-
Victim witness	32,768	-	-	-	32,768	-
Local law enforcement block grant	2,055	-	-	-	2,055	-
Department of Transportation	1,152	-	133,770	-	134,922	-
Industrial Corridor tax revenue	263,232	-	-	-	263,232	-
Other	25,946	-	3,700	10,763	40,409	209,704
School lunch and breakfast program	-	-	-	-	-	54,245
Vocational education	-	-	-	-	-	46,179
<b>Federal Government</b>						
Title I	-	-	-	-	-	204,390
Opportunity fund	-	-	-	-	-	43,763
Title VIB Flow-through	-	-	-	-	-	176,568
Title IVB 21st century	-	-	-	-	-	23,313
Title II Part A	-	-	-	-	-	41,591
Total	<u>\$ 797,749</u>	<u>\$ 152,214</u>	<u>\$ 137,470</u>	<u>\$ 10,763</u>	<u>\$ 1,098,196</u>	<u>\$ 1,012,725</u>

## 9 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 2,389,757	\$ -	\$ -	\$ 2,389,757
Construction in progress	-	194,282	-	194,282
Total Capital Assets Not Being Depreciated	2,389,757	194,282	-	2,584,039
<b>Other Capital Assets</b>				
Buildings and improvements	65,984,741	-	-	65,984,741
Furniture, equipment, and vehicles	7,407,781	511,803	168,947	7,750,637
Total Other Capital Assets	73,392,522	511,803	168,947	73,735,378
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	20,502,125	1,487,588	-	21,989,713
Furniture, equipment, and vehicles	4,360,361	444,160	132,678	4,671,843
Total Accumulated Depreciation	24,862,486	1,931,748	132,678	26,661,556
Other Capital Assets, Net	48,530,036	(1,419,945)	36,269	47,073,822
Net Capital Assets	\$ 50,919,793	\$ (1,225,663)	\$ 36,269	\$ 49,657,861

Depreciation expense was allocated as follows:

General government administration	\$ 829,153
Public safety	387,900
Public works	71,474
Health and welfare	15,627
Education	386,458
Parks, recreation, and cultural	12,722
Community development	228,414
Total Depreciation Expense	\$ 1,931,748

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**Business-Type Activities**

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 338,162	\$ -	\$ -	\$ 338,162
Construction in progress	<u>19,760</u>	<u>27,753</u>	<u>-</u>	<u>47,513</u>
Total Capital Assets Not Being Depreciated	357,922	27,753	-	385,675
<b>Other Capital Assets</b>				
Buildings and improvements	1,053,937	-	-	1,053,937
Infrastructure and equipment	52,681,763	10,629	-	52,692,392
Vehicles	<u>262,162</u>	<u>-</u>	<u>-</u>	<u>262,162</u>
Total Other Capital Assets	53,997,862	10,629	-	54,008,491
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	260,383	27,963	-	288,346
Infrastructure and equipment	17,006,194	1,271,140	-	18,277,334
Vehicles	<u>170,657</u>	<u>10,942</u>	<u>-</u>	<u>181,599</u>
Total Accumulated Depreciation	<u>17,437,234</u>	<u>1,310,045</u>	<u>-</u>	<u>18,747,279</u>
Other Capital Assets, Net	<u>36,560,628</u>	<u>(1,299,416)</u>	<u>-</u>	<u>35,261,212</u>
Net Capital Assets	<u>\$ 36,918,550</u>	<u>\$ (1,271,663)</u>	<u>\$ -</u>	<u>\$ 35,646,887</u>

Depreciation expense was allocated as follows:

Water and sewer expense	<u>\$ 1,310,045</u>
Total Depreciation Expense	<u>\$ 1,310,045</u>

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**Component Unit School Board**

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,362,200	\$ -	\$ -	<b>\$ 1,362,200</b>
Construction in progress	-	4,710,767	-	<b>4,710,767</b>
Total Capital Assets Not Being Depreciated	1,362,200	4,710,767	-	<b>6,072,967</b>
<b>Other Capital Assets</b>				
Buildings and improvements	2,432,108	-	-	<b>2,432,108</b>
Furniture, equipment, and vehicles	14,755,500	959,358	411,734	<b>15,303,124</b>
Total Other Capital Assets	17,187,608	959,358	411,734	<b>17,735,232</b>
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	1,876,920	38,596	-	<b>1,915,516</b>
Furniture, equipment, and vehicles	9,992,055	706,585	409,706	<b>10,288,934</b>
Total Accumulated Depreciation	11,868,975	745,181	409,706	<b>12,204,450</b>
Other Capital Assets, Net	5,318,633	214,177	2,028	<b>5,530,782</b>
Net Capital Assets	<b>\$ 6,680,833</b>	<b>\$ 4,924,944</b>	<b>\$ 2,028</b>	<b>\$ 11,603,749</b>

Depreciation expense was allocated as follows:

Education	<u>\$ 745,181</u>
Total Depreciation Expense	<u>\$ 745,181</u>

## 10 **Compensated Absences**

Each County employee earns vacation at the rate of a minimum 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 \$592,054 for the governmental activities, \$100,446 for the business-type activities, and \$252,949 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.	Governmental Activities		Business-Type Activities		Component Unit School Board	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,755,837	\$ 976,696	\$ 867,012	\$ 1,671,355	\$ 115,155	\$ 13,601
2018	2,664,667	797,005	896,873	1,641,271	117,449	11,307
2019	2,690,862	717,426	1,014,526	1,605,456	119,790	8,966
2020	2,755,889	636,313	1,054,436	1,563,279	122,177	6,578
2021	2,721,365	553,467	1,099,506	1,515,343	124,613	4,143
2022-2026	11,334,346	1,887,895	6,300,251	6,727,635	95,547	1,994
2027-2031	7,529,222	535,471	7,381,651	5,030,124	-	-
2032-2036	-	-	8,901,098	2,987,354	-	-
2037-2041	-	-	6,490,000	552,142	-	-
Compensated absences	592,054	-	100,446	-	252,949	-
Net OPEB obligation	910,724	-	-	-	1,142,139	-
Total	33,954,966	6,104,273	34,105,799	23,293,959	2,089,819	46,589
Less						
Unamortized discount	-	-	(283,366)	-	-	-
Add						
Unamortized premium	385,864	-	-	-	-	-
	<u>\$ 34,340,830</u>	<u>\$ 6,104,273</u>	<u>\$ 33,822,433</u>	<u>\$ 23,293,959</u>	<u>\$ 2,089,819</u>	<u>\$ 46,589</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, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
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	\$ -	\$ 15,126,000	\$ 1,105,000
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%. Annual payments are \$73,680.43.	137,586	-	67,214	70,372	70,372
Public Facility Lease Revenue Bonds Series 2006A, issued November 15, 2006, with interest payable semiannually at interest rates varying from 4.00 percent to 5.00 percent. Principal is due annually for 20 years. The bond is payable to Regions Bank.	15,855,000	-	15,855,000	-	-
Information Technology server lease with US Bancorp due December 2018; payable in annual installments of \$6,248 with a rate of 1.478 percent.	24,089	-	5,889	18,200	5,977
Rollback trash truck lease with US Bancorp due December 2017; payable in annual installments of \$38,637 with a rate of 1.25 percent.	113,057	-	37,216	75,841	37,684
Voting machines lease with US Bankcorp due June 2020; payable in annual installments of \$29,387 with a rate of 1.807 percent.	-	139,890	26,981	112,909	27,469
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.	-	814,600	67,800	746,800	67,800
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.	-	208,900	18,900	190,000	17,300
<b>School Fund - School Bonds and School Related</b>					
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.	5,625,000	-	375,000	5,250,000	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.	3,486,848	-	554,236	2,932,612	564,270

	<u>Balance July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>	<u>Due Within 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.	559,730	-	65,732	493,998	66,864
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%.	329,698	-	63,380	266,318	64,634
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	-	7,169,138	353,467
Net OPEB obligation	1,043,361	-	132,637	910,724	-
Compensated Absences - General Fund	383,353	-	5,876	377,477	-
Compensated Absences - Welfare Fund	197,758	16,819	-	214,577	-
Total Governmental Activities	27,755,480	23,475,347	17,275,861	33,954,966	2,755,837
Add: Unamortized Premium on Bond Series 2006A and 2006B Bonds	415,546	-	29,682	385,864	29,682
Total Long-Term Indebtedness-Governmental Activities	28,171,026	23,475,347	17,305,543	34,340,830	2,785,519
<b>Business-Type Activities</b>					
Virginia Resources Authority, \$4,022,364 note payable, payable in semiannual installments of \$100,559 over 20 years with no interest.	603,355	-	201,118	402,237	201,118
Virginia Resources Authority, Wastewater Revolving Loan Fund issued March 2012 for \$880,502 at 0.00 percent interest. Payable over 20 years.	911,234	-	52,196	859,038	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.	31,545,000	-	455,000	31,090,000	480,000
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.	1,419,020	-	84,240	1,334,780	87,780

	<u>Balance July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Utility truck lease, purchase of 4 trucks, with US Bancorp due December 2017; payable in annual installments of \$21,243 with a rate of 1.25 percent.	62,159	-	20,461	41,698	20,718
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.	-	305,500	27,900	277,600	25,200
Compensated Absences - Water and Sewer Fund	<u>118,678</u>	<u>-</u>	<u>18,232</u>	<u>100,446</u>	<u>-</u>
Subtotal	34,659,446	305,500	859,147	34,105,799	867,012
Less: Unamortized Discount on Series 2008B Bonds	<u>(296,246)</u>	<u>-</u>	<u>(12,880)</u>	<u>(283,366)</u>	<u>(12,880)</u>
Total Business-Type Activities	<u>34,363,200</u>	<u>305,500</u>	<u>846,267</u>	<u>33,822,433</u>	<u>854,132</u>
Total Primary Government	<u>\$ 62,534,226</u>	<u>\$ 23,780,847</u>	<u>\$ 18,151,810</u>	<u>\$ 68,163,263</u>	<u>\$ 3,639,651</u>

#### Component Unit School Board

School bus lease, purchase of 5 buses, with US Bancorp due December 2020; payable in annual installments of \$63,728 with a rate of 1.88 percent.	\$ 358,220	\$ -	\$ 56,935	\$ 301,285	\$ 58,015
School bus lease, purchase of 5 buses, with US Bancorp due August 2022; payable in annual installments of \$65,028 with a rate of 2.08 percent.	-	421,576	28,130	393,446	57,140
Compensated Absences - School Board	272,963	-	20,014	252,949	-
Net OPEB obligation	<u>1,254,695</u>	<u>-</u>	<u>112,556</u>	<u>1,142,139</u>	<u>-</u>
Total Component Unit School Board	<u>\$ 1,885,878</u>	<u>\$ 421,576</u>	<u>\$ 217,635</u>	<u>\$ 2,089,819</u>	<u>\$ 115,155</u>

## 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, 2016 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit School Board</u>
<b>Net Investment in Capital Assets</b>			
Cost of capital assets	\$ 76,319,417	\$ 54,394,166	\$ 23,808,199
Less: Accumulated depreciation	<u>(26,661,556)</u>	<u>(18,747,279)</u>	<u>(12,204,450)</u>
Book value	49,657,861	35,646,887	11,603,749
Less: Capital related debt	<u>(32,452,188)</u>	<u>(34,005,353)</u>	<u>(694,731)</u>
Add: Unamortized discount	-	283,366	-
Less: Unamortized debt issuance premium	<u>(385,864)</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 16,819,809</u>	<u>\$ 1,924,900</u>	<u>\$ 10,909,018</u>

## 13 Deferred Inflows of Resources

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

	Primary Government - General Fund	Component Unit School Board
Delinquent taxes not collected within 60 days	\$ 794,039	\$ -
Unexpended grants	-	239,514
Prepaid property taxes - property taxes paid in advance	78,277	-
Delinquent landfill fees not collected within 60 days	<u>579,533</u>	<u>-</u>
Totals	<u>\$ 1,451,849</u>	<u>\$ 239,514</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, 2016, 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>\$ 1,361,590,000</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 136,159,000
<i>Amount of Debt Applicable to Debt Limit</i> General Obligation Debt	<u>65,974,701</u>
Legal Debt Margin	<u>\$ 70,184,299</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, 2016:

### 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. Alvera J. Parrish, Superintendent of Schools and Clerk of School Board	\$ 250,000
Dr. Wayne K. Smith, Assistant Superintendent of Schools	250,000
Michael W. Johnson, County Administrator	250,000
Dallas O. Jones, Chairman	250,000
Dr. Alan Edwards, Supervisor	250,000
Glenn Updike, 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>\$ 11,238,756</u>
Total Appropriation per Fund Financial Statements	11,238,756
Depreciation on new school buildings	386,458
Bond proceeds	14,489,682
Debt on school buildings belonging to General Fund paid by School Fund	<u>(9,491,444)</u>
Appropriation to School Fund per Government-Wide Financial Statements	<u>\$ 16,623,452</u>

## 20 Pension Plan

### *Plan Description*

All full-time, salaried permanent (professional) employees of the political subdivision and public school divisions are automatically covered by VRS Retirement Plan and 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, 2014 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	115
Inactive members:	
Vested inactive members	16
Non-vested inactive members	32
Inactive members active elsewhere in VRS	<u>79</u>
Total inactive members	127
Active members	<u>171</u>
Total covered employees	<u>413</u>

#### **School Board**

Inactive members or their beneficiaries currently receiving benefits	32
Inactive members:	
Vested inactive members	11
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>11</u>
Total inactive members	51
Active members	<u>46</u>
Total covered employees	<u>129</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%-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, 2016 was 14.35% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The school board – general employees contribution rate was 4.26%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$986,394 and \$1,079,115 for the years ended June 30, 2016 and June 30, 2015, respectively.

For the school board – general employees, employee contributions were \$41,386 and \$49,949 for the years ended June 30, 2016 and June 30, 2015, respectively.

Each school division - teachers contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contribution to the pension plan from the school divisions - teachers were \$1,851,158 and \$2,034,439 for the years ended June 30, 2016 and June 30, 2015, respectively.

### *Net Pension Liability*

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

### *Actuarial Assumptions – General Employees 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, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

#### Largest 10 – Non-LEOS:

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

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

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

### *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 2014 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, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 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, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

*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%
			<u>2.50%</u>
Inflation			
*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 divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Changes in Net Pension Liability*

##### **Political Subdivision**

		<u>Increase (Decrease)</u>	
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 33,008,272	\$ 28,492,832	\$ 4,515,440
<b>Changes for the Year</b>			
Service cost	848,777	-	848,777
Interest	2,257,442	-	2,257,442
Differences between expected and actual experience	90,888	-	90,888
Contributions - employer	-	964,986	(964,986)
Contributions - employee	-	340,481	(340,481)
Net investment income	-	1,300,962	(1,300,962)
Benefit payments, including refunds of employee contributions	(1,518,202)	(1,518,202)	-
Administrative expenses	-	(17,759)	17,759
Other changes	-	(275)	275
<b>Net Changes</b>	<u>1,678,905</u>	<u>1,070,193</u>	<u>608,712</u>
Balances at June 30, 2015	<u>\$ 34,687,177</u>	<u>\$ 29,563,025</u>	<u>\$ 5,124,152</u>

**School Board**

		<u>Increase (Decrease)</u>	
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 3,947,387	\$ 4,620,215	\$ (672,828)
<b>Changes for the Year</b>			
Service cost	91,346	-	91,346
Interest	269,920	-	269,920
Differences between expected and actual experience	(19,733)	-	(19,733)
Contributions - employer	-	36,915	(36,915)
Contributions - employee	-	43,491	(43,491)
Net investment income	-	210,034	(210,034)
Benefit payments, including refunds of employee contributions	(182,762)	(182,762)	-
Administrative expenses	-	(2,931)	2,931
Other changes	-	(44)	44
Net Changes	<u>158,771</u>	<u>104,703</u>	<u>54,068</u>
Balances at June 30, 2015	<u>\$ 4,106,158</u>	<u>\$ 4,724,918</u>	<u>\$ (618,760)</u>

**School Board - Teacher**

	<u>Increase (Decrease) Net Pension Liability (a) - (b)</u>
Balance at June 30, 2014	\$ 20,310,000
<b>Changes for the Year</b>	
Contributions - employer for 2015	(2,193,000)
Employer pension expense	1,601,000
Deferred outflows of resources	548,000
Deferred inflows of resources	<u>1,494,000</u>
Net Changes	<u>1,450,000</u>
Balance at June 30, 2015	<u>\$ 21,760,000</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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
<b>Political Subdivision</b>			
Net Pension Liability	\$ 9,383,636	\$ 5,124,152	\$ 1,562,627
<b>School Board</b>			
Net Pension Liability	(143,708)	(618,760)	(1,020,012)
<b>School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan</b>			
Net Pension Liability	\$ 31,844,000	\$ 21,760,000	\$ 13,459,000

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$578,930.

For the year ended June 30, 2016, the school board – general employees recognized pension expense of \$(44,668).

At June 30, 2016, the school division reported a liability of \$21,760,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.17289% as compared to 0.16806% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,442,439. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the 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	\$ 63,008	\$ -	\$ -	\$ 10,884
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	754,475	-	127,689
Employer contributions subsequent to the measurement date	<u>986,394</u>	<u>-</u>	<u>41,386</u>	<u>-</u>
Total	<u>\$ 1,049,402</u>	<u>\$ 754,475</u>	<u>\$ 41,386</u>	<u>\$ 138,573</u>

At June 30, 2016, 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	\$ -	\$ 300,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,332,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	548,000	393,000
Employer contributions subsequent to the measurement date	<u>1,851,158</u>	<u>-</u>
Total	<u>\$ 2,399,158</u>	<u>\$ 2,025,000</u>

\$1,049,402 and \$41,386 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended  
June 30.**

	<b><u>Political Subdivision</u></b>	<b><u>School Board</u></b>	<b><u>Teacher</u></b>
2017	\$ (269,308)	\$ (58,724)	\$ (583,000)
2018	(269,308)	(51,910)	(583,000)
2019	(287,941)	(49,877)	(583,000)
2020	135,090	21,938	247,000
2021	-	-	25,000
Thereafter	-	-	-

*Payables to the Pension Plan*

The political subdivision and school division – teacher recognize \$127,974 and \$243,860, respectively of payables to a defined benefit pension plan outstanding at the end of the reporting period. This amount represents the June 2016 legally required contributions to the pension plan due by July 10 per VRS reporting requirements.

*Pension Plan Fiduciary Net Position*

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

## **21 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, 2016, the balances in these accounts were \$806,924 and \$979,634 for the County and the School Board, respectively, giving a total of \$1,786,558.

*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, 2015 and costs for the fiscal years through June 30, 2016, 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>
<b>Annual OPEB Cost (Expense)</b>		
Annual Required Contribution (ARC)	\$ 147,971	\$ 247,550
Adjustments	<u>15,771</u>	<u>16,994</u>
Annual OPEB Cost (Expense)	163,742	264,544
<b>Contributions Made</b>		
To Trust Fund	(182,000)	(223,000)
Implicit rate subsidy	<u>(114,379)</u>	<u>(154,100)</u>
Increase (Decrease) in Net OPEB Obligation	(132,637)	(112,556)
Net OPEB Obligation - Beginning of Year	<u>1,043,361</u>	<u>1,254,695</u>
Net OPEB Obligation - End of Year	<u>\$ 910,724</u>	<u>\$ 1,142,139</u>

Three-year trend information is as follows:

<b>County</b>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$ 273,226	47.58%	\$ 1,043,348
6/30/15	262,909	59.34%	1,043,361
<b>6/30/16</b>	<b>163,742</b>	<b>111.15%</b>	<b>910,724</b>

<b>Component Unit School Board</b>			
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/14	\$ 304,157	50.96%	\$ 1,261,691
06/30/15	287,004	68.99%	1,254,695
<b>06/30/16</b>	<b>264,544</b>	<b>84.30%</b>	<b>1,142,139</b>

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)
<b>County</b>						
7/1/2011	\$ 72,307	\$ 2,247,534	\$ 2,175,227	3.22%	\$ 6,009,054	36.20%
7/1/2013	281,075	2,384,720	2,103,645	11.79%	6,840,978	30.75%
<b>7/1/2015</b>	<b>630,159</b>	<b>2,136,322</b>	<b>1,506,163</b>	<b>29.50%</b>	<b>7,480,266</b>	<b>20.14%</b>

**Component Unit School Board**

7/1/2011	\$ 121,812	\$ 3,745,578	\$ 3,623,766	3.25%	\$ 10,553,139	34.34%
7/1/2013	365,056	3,464,469	3,099,413	10.54%	12,047,846	25.73%
<b>7/1/2015</b>	<b>755,997</b>	<b>3,337,762</b>	<b>2,581,765</b>	<b>22.65%</b>	<b>14,906,021</b>	<b>17.32%</b>

*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				UAAL as a
Actuarial	Actuarial	Liability (AAL)	Unfunded	Funded	Covered	Percentage
Valuation	Value of	Projected	AAL	Ratio	Payroll	of Covered
<u>Date</u>	<u>Assets</u>	<u>Unit Credit</u>	<u>(UAAL)</u>			<u>Payroll</u>
June 30, 2013	\$ 153,388	\$ 142,556	\$ (10,832)	107.60%	\$ 2,129,302	-0.51%
June 30, 2014	164,599	144,567	(20,032)	113.86%	2,181,183	-0.92%
<b>June 30, 2015</b>	<b>160,650</b>	<b>150,930</b>	<b>(9,720)</b>	<b>106.44%</b>	<b>2,272,514</b>	<b>-0.43%</b>
Valuation Date	June 30, 2015					
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 Return <sup>1</sup>	7.00%					
Payroll Growth Rate	3.00%					

<sup>1</sup>Includes inflation at 2.5%

## 22 Fund Balances – Governmental Funds

As of June 30, 2016, 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	\$ 1,217,573
Forfeiture Fund	Subsequent years' appropriations	172,724
Law Library Fund	Subsequent years' appropriations	15,725
Canteen Fund	Subsequent years' appropriations	28,893
Inmate Fund	Subsequent years' appropriations	<u>285,860</u>
Total Restricted Funds		<u>\$ 1,720,775</u>

### Component Unit School Board

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
School Endowment Fund	School use only	\$ 23,935
School Operating Fund	Capital projects	<u>2,458,371</u>
Total Restricted Funds		<u>\$ 2,482,306</u>

<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
School Food Fund	School cafeteria operations	<u>\$ 54,437</u>

# REQUIRED SUPPLEMENTARY INFORMATION



## County of Southampton, Virginia

## Budgetary Comparison Schedule

Year Ended June 30, 2016

## General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 10,291,320	\$ 10,291,320	\$ 9,918,845	\$ (372,475)
Mobile home taxes	64,145	64,145	68,621	4,476
Personal property taxes	6,351,657	6,351,657	4,208,876	(2,142,781)
Public service corporation property taxes	1,385,770	1,385,770	1,446,210	60,440
Machinery and tools taxes	1,145,398	1,704,110	1,722,303	18,193
Farm implement/machinery seasonal taxes	573,307	573,307	570,307	(3,000)
Merchants' capital and contractors' equipment	255,225	255,225	295,944	40,719
Delinquent taxes	644,150	644,150	464,868	(179,282)
Interest on taxes	135,000	149,770	162,566	12,796
Penalties and fees on late taxes	<u>231,000</u>	<u>285,022</u>	<u>346,825</u>	<u>61,803</u>
Total General Property Taxes	21,076,972	21,704,476	19,205,365	(2,499,111)
<b>Other Local Taxes</b>				
Local sales and use taxes	597,463	606,363	524,583	(81,780)
Consumption tax	60,000	60,000	68,839	8,839
Bank stock tax	2,500	2,500	24,430	21,930
Transient occupancy tax	11,200	11,200	10,439	(761)
Business license taxes	138,600	138,600	188,552	49,952
Motor vehicle licenses	400,000	400,000	427,927	27,927
Tax on recordation and wills	<u>125,000</u>	<u>125,000</u>	<u>171,790</u>	<u>46,790</u>
Total Other Local Taxes	1,334,763	1,343,663	1,416,560	72,897
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	17,000	17,000	11,735	(5,265)
Other permits, licenses, and fees	<u>4,500</u>	<u>4,500</u>	<u>5,678</u>	<u>1,178</u>
Total Permits, Privilege Fees, and Regulatory Licenses	21,500	21,500	17,413	(4,087)
<b>Fines and Forfeitures</b>				
	697,222	703,772	843,525	139,753
<b>Revenue from Use of Money and Property</b>				
	50	50	81	31
<b>Charges for Services</b>				
Miscellaneous	12,000	16,533	31,327	14,794
Service charges - tax exempt	3,500	3,500	7,457	3,957
School resource officer reimbursement	43,955	58,474	58,664	190
Reimbursements for utilities and salaries	60,000	192,592	201,389	8,797
Courthouse maintenance fees	31,000	31,000	33,713	2,713

	<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	1,023,500	1,023,500	1,078,244	54,744
Ambulance transfers	400,000	400,000	295,937	(104,063)
Collection fee account	<u>4,650</u>	<u>17,760</u>	<u>31,016</u>	<u>13,256</u>
Total Charges for Services	1,600,605	1,765,359	1,759,747	(5,612)
<b>Recovered Costs</b>				
City of Franklin shared costs	237,945	237,945	237,945	-
Expenditure refunds	-	342,911	356,529	13,618
Insurance claims	-	20,457	18,107	(2,350)
Miscellaneous recoveries	<u>3,500</u>	<u>90,377</u>	<u>92,920</u>	<u>2,543</u>
Total Recovered Costs	241,445	691,690	705,501	13,811
<b>Miscellaneous</b>				
Gifts, donations, contributions	-	100,000	100,000	-
Miscellaneous	1,900	1,940	8,158	6,218
Industrial corridor tax revenue	706,204	706,204	763,232	57,028
Camp Campbell Foundation	<u>-</u>	<u>69,000</u>	<u>69,000</u>	<u>-</u>
Total Miscellaneous	708,104	877,144	940,390	63,246
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	76,000	76,000	79,380	3,380
Communication sales tax	559,578	559,578	540,002	(19,576)
Personal property tax relief act	-	-	2,346,261	2,346,261
Mobile home titling tax	20,000	20,000	24,143	4,143
Recordation and grantors' tax	<u>35,000</u>	<u>35,000</u>	<u>48,948</u>	<u>13,948</u>
Total Noncategorical Aid	690,578	690,578	3,038,734	2,348,156
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	375,195	390,195	402,595	12,400
Sheriff and Sheriff's auto	2,686,712	2,709,039	2,795,569	86,530
Commissioner of the Revenue	95,795	95,795	97,744	1,949
Treasurer	80,742	80,742	82,472	1,730
Electoral Board and General Registrar	36,640	44,631	44,581	(50)
Clerk of Court	320,987	325,423	321,250	(4,173)
Jail operations	256,647	256,647	299,564	42,917
Miscellaneous State grants	-	39,522	44,539	5,017
PSAP grants	41,157	391,045	395,233	4,188
Litter Control Grant	-	14,406	14,406	-

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Emergency Medical Services	-	17,815	17,815	-
Local Law Enforcement Block Grant	-	2,055	2,055	-
Fire program allocation	-	50,019	50,019	-
Victim Witness Grant	54,843	63,069	57,214	(5,855)
Comprehensive Services Act	<u>308,373</u>	<u>308,373</u>	<u>222,343</u>	<u>(86,030)</u>
Total Categorical Aid	<u>4,257,091</u>	<u>4,788,776</u>	<u>4,847,399</u>	<u>58,623</u>
 Total Revenue from the Commonwealth of Virginia	 4,947,669	 5,479,354	 7,886,133	 2,406,779
<b>Revenue from the Federal Government</b>				
Community Development Block Grant	-	34,600	34,600	-
FEMA	-	1,687	1,687	-
Historical Society Grant	-	3,227	4,639	1,412
Highway Safety Grant	<u>-</u>	<u>10,302</u>	<u>10,302</u>	<u>-</u>
Total Revenue from the Federal Government	<u>-</u>	<u>49,816</u>	<u>51,228</u>	<u>1,412</u>
 Total Intergovernmental Revenues	 <u>4,947,669</u>	 <u>5,529,170</u>	 <u>7,937,361</u>	 <u>2,408,191</u>
 Total Revenues	 30,628,330	 32,636,824	 32,825,943	 189,119
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Board of Supervisors	219,018	224,222	223,665	557
County Administrator	327,960	328,514	326,587	1,927
Commissioner of Revenue	333,930	321,701	313,581	8,120
Treasurer	297,166	341,958	329,139	12,819
Data processing	385,180	364,207	273,581	90,626
Insurance	360,400	286,484	278,426	8,058
Accounting	201,905	208,228	203,010	5,218
Delinquent taxes	21,818	23,883	15,175	8,708
Board of Assessors	-	15,150	15,077	73
Board of Elections	<u>159,328</u>	<u>174,611</u>	<u>311,564</u>	<u>(136,953)</u>
Total General Government Administration	<u>2,306,705</u>	<u>2,288,958</u>	<u>2,289,805</u>	<u>(847)</u>
 <i>Judicial Administration</i>				
Circuit Court	33,492	48,447	40,472	7,975
General District Court	22,500	27,765	26,116	1,649
Magistrate	658	663	663	-
Victim Witness Assistance Program	76,139	84,367	79,317	5,050
Clerk of the Circuit Court	499,483	530,952	526,939	4,013
Sheriff - Bailiff	412,370	423,563	422,313	1,250
Courthouse Security	363,722	364,730	89,745	274,985
Commonwealth's Attorney	<u>551,223</u>	<u>587,356</u>	<u>569,097</u>	<u>18,259</u>
Total Judicial Administration	<u>1,959,587</u>	<u>2,067,843</u>	<u>1,754,662</u>	<u>313,181</u>

	<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	2,008,520	2,102,128	2,052,454	49,674
Project Life Saver	-	11,473	-	11,473
School resource officer	44,130	58,699	58,664	35
Fire departments	331,264	385,791	372,946	12,845
Camp Campbell funds	-	69,000	69,000	-
Rescue squads	1,244,473	1,262,288	1,259,278	3,010
911	187,289	559,331	558,984	347
Wireless 911	54,004	54,536	54,199	337
Emergency services	149,335	266,371	264,868	1,503
Forestry	22,061	22,061	22,061	-
Detention	3,151,102	3,201,706	3,016,616	185,090
Probation	123,178	125,378	125,250	128
Inspections	252,993	252,993	230,698	22,295
Animal control	107,088	114,730	109,588	5,142
Medical Examiner	360	360	160	200
Total Public Safety	7,675,797	8,486,845	8,194,766	292,079
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	54,456	54,856	52,447	2,409
Refuse collection	750,757	757,112	745,905	11,207
Refuse disposal	1,085,800	1,121,430	1,121,415	15
Maintenance of buildings and grounds	508,285	747,499	705,216	42,283
Total Public Works	2,399,298	2,680,897	2,624,983	55,914
<i>Health and Welfare</i>				
Health Department	299,440	299,440	299,440	-
Mental health	69,947	69,947	69,947	-
Comprehensive services	471,000	511,575	506,483	5,092
Welfare and Social Services	9,239	9,239	9,239	-
Total Health and Welfare	849,626	890,201	885,109	5,092
<i>Education</i>				
Appropriation to public school system	11,459,346	11,459,346	11,238,756	220,590
Total Education	11,459,346	11,459,346	11,238,756	220,590
<i>Parks, Recreation, and Cultural</i>				
Regional library	231,720	231,720	231,720	-
Miscellaneous contributions	37,000	169,734	91,262	78,472
Total Parks, Recreation, and Cultural	268,720	401,454	322,982	78,472
<i>Community Development</i>				
Planning and community development	230,295	835,318	777,974	57,344
Economic development	125,000	176,750	176,750	-
Revenue sharing agreement	21,600	21,600	6,348	15,252
Soil and Water Conservation District and Chowan	10,415	131,664	131,664	-
Cooperative Extension Program	43,548	45,314	22,134	23,180
Total Community Development	430,858	1,210,646	1,114,870	95,776

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Debt Service</i>	<u>6,247</u>	<u>35,628</u>	<u>35,628</u>	<u>-</u>
Total Expenditures	<u>27,356,184</u>	<u>29,521,818</u>	<u>28,461,561</u>	<u>1,060,257</u>
Excess (Deficiency) of Revenues Over Expenditures	3,272,146	3,115,006	4,364,382	1,249,376
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term capital lease	-	-	139,890	139,890
Transfers in	108,000	110,007	108,000	(2,007)
Transfers out	<u>(3,624,146)</u>	<u>(4,010,321)</u>	<u>(3,962,601)</u>	<u>47,720</u>
Total Other Financing Sources (Uses)	<u>(3,516,146)</u>	<u>(3,900,314)</u>	<u>(3,714,711)</u>	<u>185,603</u>
Net Change in Fund Balance before Transfer from Surplus	(244,000)	(785,308)	649,671	1,434,979
Transfer from Surplus Funds	<u>244,000</u>	<u>785,308</u>	<u>-</u>	<u>(785,308)</u>
Net Change in Fund Balance after Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	649,671	<u>\$ 649,671</u>
Fund Balance - Beginning of Year			<u>4,701,416</u>	
Fund Balance - End of Year			<u>\$ 5,351,087</u>	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	\$ 623,869	\$ 623,869	\$ 585,520	\$ (38,349)
Revenue from the Federal Government	<u>1,388,612</u>	<u>1,388,612</u>	<u>1,313,547</u>	<u>(75,065)</u>
Total Intergovernmental Revenues	<u>2,012,481</u>	<u>2,012,481</u>	<u>1,899,067</u>	<u>(113,414)</u>
Total Revenues	2,012,481	2,012,481	1,899,067	(113,414)
<b>Expenditures</b>				
<b>Current</b>				
<i>Health and Welfare</i>				
Welfare and Social Services	<u>2,345,621</u>	<u>2,345,621</u>	<u>2,184,486</u>	<u>161,135</u>
Total Expenditures	<u>2,345,621</u>	<u>2,345,621</u>	<u>2,184,486</u>	<u>161,135</u>
Excess (Deficiency) of Revenues Over Expenditures	(333,140)	(333,140)	(285,419)	47,721
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>333,140</u>	<u>333,140</u>	<u>285,419</u>	<u>(47,721)</u>
Total Other Financing Sources (Uses)	<u>333,140</u>	<u>333,140</u>	<u>285,419</u>	<u>(47,721)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

## Capital Projects - Utility Tax Building Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
<b>Other Local Taxes</b>				
Utility taxes	\$ 495,312	\$ 514,602	\$ 514,602	\$ -
Meals taxes	<u>170,000</u>	<u>170,000</u>	<u>176,912</u>	<u>6,912</u>
Total Other Local Taxes	665,312	684,602	691,514	6,912
<b>Revenue from Use of Money and Property</b>				
Interest income	-	-	71	71
Lease income	150,000	150,000	150,000	-
Rental of property	60,556	62,206	62,156	(50)
Sale of property	<u>-</u>	<u>3,690</u>	<u>6,390</u>	<u>2,700</u>
Total Revenue from Use of Money and Property	210,556	215,896	218,617	2,721
<b>Miscellaneous</b>	-	3,400	3,400	-
<b>Intergovernmental</b>				
Revenue from the Virginia Resources Authority	-	-	-	-
Revenue from the Virginia Dept. of Transportation	-	-	-	-
Revenue from DHCD - Federal Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Intergovernmental Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	875,868	903,898	913,531	9,633
<b>Expenditures</b>				
<b>Current</b>				
Public safety - fire and rescue projects	596,777	596,777	196,000	400,777
Judicial administration - courthouse security project	73,000	39,384	36,625	2,759
Public safety - jail farm project	37,000	330,340	326,363	3,977
Public safety - vehicles	60,000	64,534	64,534	-
Public works - refuse	33,800	21,485	21,485	-
Capital outlay - Turner Tract	-	318,446	5,931	312,515
Debt service	<u>952,326</u>	<u>8,710,152</u>	<u>8,710,117</u>	<u>35</u>
Total Expenditures	<u>1,752,903</u>	<u>10,081,118</u>	<u>9,361,055</u>	<u>720,063</u>
Excess (Deficiency) of Revenues Over Expenditures	(877,035)	(9,177,220)	(8,447,524)	729,696
<b>Other Financing Sources (Uses)</b>				
Proceeds of debt	-	7,979,239	8,828,956	849,717
Transfers in	<u>405,180</u>	<u>717,695</u>	<u>717,695</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>405,180</u>	<u>8,696,934</u>	<u>9,546,651</u>	<u>849,717</u>
Net Change in Fund Balance Before Reserve	(471,855)	(480,286)	1,099,127	1,579,413
From Reserve Funds	<u>471,855</u>	<u>480,286</u>	<u>-</u>	<u>(480,286)</u>
Net Change in Fund Balance After Reserve	<u>\$ -</u>	<u>\$ -</u>	1,099,127	<u>\$ 1,099,127</u>
Fund Balance - Beginning of Year			<u>115,531</u>	
Fund Balance - End of Year			<u>\$ 1,214,658</u>	

**County of Southampton, Virginia**

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

Year Ended June 30, 2016

**Political Subdivision**

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

**County of Southampton, Virginia**

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

Year Ended June 30, 2016

**School Board**

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

**County of Southampton, Virginia**

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

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

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

*Schedule is intended to show information for 10 years. Since 2016 is the second 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, 2007 through 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
<b>Political Subdivision</b>					
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%
2007	389,973	378,930	11,043	6,576,274	5.76%
<b>Component Unit School Board - General Employees</b>					
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%
2007	33,328	34,008	(680)	944,134	3.60%
<b>Component Unit School Board - Teachers</b>					
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%
2007	1,227,571	1,236,743	(9,172)	13,343,158	9.27%

### 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, 2016

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

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

**Largest 10 – Non-LEOS:**

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

**Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

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

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

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

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

**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, 2016

	<u>Forfeiture Fund</u>	<u>Law Library Fund</u>	<u>Canteen Fund</u>	<u>Inmate Fund</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 178,296	\$ 15,377	\$ 33,275	\$ 286,764	\$ 513,712
Due from other governments	<u>9,905</u>	<u>858</u>	<u>-</u>	<u>-</u>	<u>10,763</u>
Total Assets	<u>\$ 188,201</u>	<u>\$ 16,235</u>	<u>\$ 33,275</u>	<u>\$ 286,764</u>	<u>\$ 524,475</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 15,477	\$ 510	\$ 4,382	\$ 904	\$ 21,273
Total Liabilities	15,477	510	4,382	904	21,273
<b>Fund Balance</b>					
Restricted fund balance	<u>172,724</u>	<u>15,725</u>	<u>28,893</u>	<u>285,860</u>	<u>503,202</u>
Total Fund Balance	<u>172,724</u>	<u>15,725</u>	<u>28,893</u>	<u>285,860</u>	<u>503,202</u>
Total Liabilities and Fund Balance	<u>\$ 188,201</u>	<u>\$ 16,235</u>	<u>\$ 33,275</u>	<u>\$ 286,764</u>	<u>\$ 524,475</u>

## County of Southampton, Virginia

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

## Other Governmental Funds

At June 30, 2016

	Forfeiture Fund	Law Library Fund	Canteen Fund	Inmate Fund	Total Other Governmental Funds
<b>Revenues</b>					
Use of money and property	\$ 422	\$ 10	\$ -	\$ -	\$ 432
Charges for services	-	4,737	65,302	-	70,039
Miscellaneous	14,105	-	-	202,993	217,098
<b>Intergovernmental</b>					
From the Commonwealth of Virginia	1,937	-	-	-	1,937
From the Federal Government	<u>22,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,458</u>
Total Revenues	38,922	4,747	65,302	202,993	311,964
<b>Expenditures</b>					
<b>Current</b>					
Judicial administration	-	5,666	-	-	5,666
Public safety	<u>25,289</u>	<u>-</u>	<u>100,143</u>	<u>54,680</u>	<u>180,112</u>
Total Expenditures	<u>25,289</u>	<u>5,666</u>	<u>100,143</u>	<u>54,680</u>	<u>185,778</u>
Excess (Deficiency) of Revenues Over Expenditures	13,633	(919)	(34,841)	148,313	126,186
<b>Other Financing Sources (Uses)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,000)</u>	<u>(108,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,000)</u>	<u>(108,000)</u>
Net Change in Fund Balances	13,633	(919)	(34,841)	40,313	18,186
Fund Balance - Beginning of Year	<u>159,091</u>	<u>16,644</u>	<u>63,734</u>	<u>245,547</u>	<u>485,016</u>
Fund Balance - End of Year	<u>\$ 172,724</u>	<u>\$ 15,725</u>	<u>\$ 28,893</u>	<u>\$ 285,860</u>	<u>\$ 503,202</u>

## County of Southampton, Virginia

## Combining Statement of Fiduciary Assets and Liabilities

## Agency Funds

At June 30, 2016

	<b>Special Welfare Fund</b>	<b>Non-Judicial Escrow Fund</b>	<b>Cypress Escrow Fund</b>	<b>Enviva Escrow Fund</b>	<b>Blackwater Regional Library Fund</b>	<b>OPEB Trust Accounts</b>	<b>Totals</b>
<b>Assets</b>							
Cash	<u>\$ 49,580</u>	<u>\$ -</u>	<u>\$ 8,072</u>	<u>\$ 426,798</u>	<u>\$ 260,211</u>	<u>\$1,786,558</u>	<u>\$2,531,219</u>
<b>Liabilities</b>							
Amounts held for others	<u>\$ 49,580</u>	<u>\$ -</u>	<u>\$ 8,072</u>	<u>\$ 426,798</u>	<u>\$ 260,211</u>	<u>\$1,786,558</u>	<u>\$2,531,219</u>
Total Liabilities	<u>\$ 49,580</u>	<u>\$ -</u>	<u>\$ 8,072</u>	<u>\$ 426,798</u>	<u>\$ 260,211</u>	<u>\$1,786,558</u>	<u>\$2,531,219</u>

County of Southampton, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2016

	School Operating Fund	School Food Services Fund	School Endowment Fund	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 3,183,066	\$ 61,007	\$ 23,935	\$ 3,268,008
Restricted cash	2,458,371	-	-	2,458,371
Accounts receivable	9,884	1,240	-	11,124
Due from other governments	958,480	54,245	-	1,012,725
Total Assets	<u>\$ 6,609,801</u>	<u>\$ 116,492</u>	<u>\$ 23,935</u>	<u>\$ 6,750,228</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,339,453	\$ 40	\$ -	\$ 1,339,493
Accrued liabilities	2,572,463	62,015	-	2,634,478
Total Liabilities	3,911,916	62,055	-	3,973,971
<b>Deferred Inflows of Resources</b>				
Unexpended grants payable	239,514	-	-	239,514
Total Deferred Inflows of Resources	239,514	-	-	239,514
<b>Fund Balance</b>				
<b>Restricted Fund Balance</b>				
Endowment	-	-	23,935	23,935
School	2,458,371	-	-	2,458,371
<b>Assigned Fund Balance</b>				
Food services	-	54,437	-	54,437
Total Fund Balance	<u>2,458,371</u>	<u>54,437</u>	<u>23,935</u>	<u>2,536,743</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,609,801</u>	<u>\$ 116,492</u>	<u>\$ 23,935</u>	<u>\$ 6,750,228</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, 2016

Total Fund Balances for Governmental Funds	\$ 2,536,743
--	--------------

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
Construction in progress	4,710,767
Buildings and improvements, net of depreciation	516,592
Furniture, equipment, and vehicles, net of depreciation	<u>5,014,190</u>

Total Capital Assets	11,603,749
----------------------	------------

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	2,440,544
Deferred inflows of resources related to pensions	<u>(2,163,573)</u>

Total Deferred Outflows and Inflows of Resources	276,971
--	---------

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	(694,731)
Net pension liability	(21,141,240)
Net OPEB obligation	(1,142,139)
Compensated absences	<u>(252,949)</u>

Total Liabilities	<u>(23,231,059)</u>
-------------------	---------------------

Total Net Position of Governmental Activities	<u>\$ (8,813,596)</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, 2016

	<b>School Operating Fund</b>	<b>School Food Services Fund</b>	<b>School Endowment Fund</b>	<b>Total School Funds</b>
<b>Revenues</b>				
Use of money and property	\$ -	\$ 772	\$ 60	\$ 832
Charges for services	105,816	277,655	-	383,471
Miscellaneous	127,304	-	-	127,304
Recovered costs	658,337	-	-	658,337
<b>Intergovernmental</b>				
From County of Southampton, Virginia	11,238,756	-	-	11,238,756
From the Commonwealth of Virginia	17,115,005	26,240	-	17,141,245
From the Federal Government	<u>1,623,320</u>	<u>742,593</u>	<u>-</u>	<u>2,365,913</u>
Total Revenues	30,868,538	1,047,260	60	31,915,858
<b>Expenditures</b>				
Education	33,653,782	1,116,206	-	34,769,988
Debt service	<u>9,587,643</u>	<u>-</u>	<u>-</u>	<u>9,587,643</u>
Total Expenditures	<u>43,241,425</u>	<u>1,116,206</u>	<u>-</u>	<u>44,357,631</u>
Excess of Revenues over Expenditures before Other Financing Sources (Uses)	(12,372,887)	(68,946)	60	(12,441,773)
<b>Other Financing Sources (Uses)</b>				
Proceeds of long-term debt	14,911,258	-	-	14,911,258
Transfers	<u>(80,000)</u>	<u>80,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>14,831,258</u>	<u>80,000</u>	<u>-</u>	<u>14,911,258</u>
Net Change in Fund Balances	2,458,371	11,054	60	2,469,485
Fund Balances - Beginning of Year	<u>-</u>	<u>43,383</u>	<u>23,875</u>	<u>67,258</u>
Fund Balances - End of Year	<u>\$ 2,458,371</u>	<u>\$ 54,437</u>	<u>\$ 23,935</u>	<u>\$ 2,536,743</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, 2016

Net Change in Fund Balances	\$ 2,469,485
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and dispositions exceeded depreciation expense in the current period.

4,922,916

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	\$ (421,576)	
Repayments on debt	<u>85,065</u>	
Net Adjustment		(336,511)

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	1,892,544	
Cost of benefits earned net of employee contributions	<u>(1,397,771)</u>	
		494,773

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	112,556
Compensated absences	<u>20,014</u>

Change in Net Position of Governmental Activities	<u><u>\$ 7,683,233</u></u>
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## County of Southampton, Virginia

Component Unit School Board

Budgetary Comparison Schedule

Year Ended June 30, 2016

## School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 60,000	\$ 106,015	\$ 105,816	\$ (199)
Miscellaneous	-	250,333	127,304	(123,029)
Recovered costs	-	714,072	658,337	(55,735)
<b>Intergovernmental</b>				
From County of Southampton, Virginia	11,459,346	11,459,346	11,238,756	(220,590)
From the Commonwealth of Virginia	17,271,754	17,649,048	17,115,005	(534,043)
From the Federal Government	<u>1,669,440</u>	<u>1,913,467</u>	<u>1,623,320</u>	<u>(290,147)</u>
Total Revenues	30,460,540	32,092,281	30,868,538	(1,223,743)
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
Instruction	20,093,845	20,763,036	20,360,580	402,456
Administration, attendance, and health	1,144,633	1,264,423	1,228,317	36,106
Transportation	2,817,150	2,618,029	3,039,049	(421,020)
Operation and maintenance	3,166,418	3,044,434	2,808,102	236,332
School food services	153,363	368,697	323,141	45,556
Facilities	78,709	4,972,767	4,947,767	25,000
Technology	704,142	1,389,383	946,826	442,557
Debt service	<u>2,302,280</u>	<u>9,622,823</u>	<u>9,587,643</u>	<u>35,180</u>
Total Expenditures	<u>30,460,540</u>	<u>44,043,592</u>	<u>43,241,425</u>	<u>802,167</u>
Excess of Revenues over Expenditures before Other Financing Sources (Uses)	-	(11,951,311)	(12,372,887)	(421,576)
<b>Other Financing Sources (Uses)</b>				
Proceeds of long-term capital lease	-	12,031,311	14,911,258	2,879,947
Transfer out	<u>-</u>	<u>(80,000)</u>	<u>(80,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>11,951,311</u>	<u>14,831,258</u>	<u>2,879,947</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	2,458,371	<u>\$ 2,458,371</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 2,458,371</u>	

## OTHER INFORMATION SECTION



## County of Southampton, Virginia

## Jail Canteen and Other Revenue and Expense Information

Year Ended June 30, 2016

	<u>Inmate Canteen</u>		<u>Jail Telephone Commission</u>		<u>Inmate Medical Co-payments</u>		<u>Other Inmate Collections and Work Release</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	\$ 65,302	\$ 100,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,302	\$ 100,143
Inmate Enterprise Fund #737	-	-	14,127	-	6,032	-	182,834	54,680	202,993	54,680
Total	<u>\$ 65,302</u>	<u>\$ 100,143</u>	<u>\$ 14,127</u>	<u>\$ -</u>	<u>\$ 6,032</u>	<u>\$ -</u>	<u>\$ 182,834</u>	<u>\$ 54,680</u>	<u>\$ 268,295</u>	<u>\$ 154,823</u>

Table 1

## County of Southampton, Virginia

General Governmental Revenues by Source<sup>(1)</sup>

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>
2007	\$ 14,874,178	\$2,369,813	\$ 178,369	\$ 584,227	\$ 1,413,394	\$ 1,197,487	\$ 1,148,517	\$ 937,409	\$ 26,630,870	\$49,334,264
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
<b>2016</b>	<b>19,205,365</b>	<b>2,108,074</b>	<b>17,413</b>	<b>843,525</b>	<b>219,962</b>	<b>2,213,257</b>	<b>1,288,192</b>	<b>1,363,838</b>	<b>29,367,981</b>	<b>56,627,607</b>

<sup>(1)</sup> 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<sup>(1)</sup>

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>
2007	\$ 1,604,512	\$ 1,468,616	\$ 8,031,351	\$ 2,118,186	\$ 2,580,711	\$ 28,672,977	\$ 217,948	\$ 996,896	\$ 2,418,121	\$ 2,720,816	\$ 50,830,134
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
<b>2016</b>	<b>2,289,805</b>	<b>1,796,953</b>	<b>8,961,775</b>	<b>2,646,468</b>	<b>3,069,595</b>	<b>34,769,988</b>	<b>322,982</b>	<b>1,114,870</b>	<b>5,931</b>	<b>18,333,388</b>	<b>73,311,755</b>

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

Table 3

## 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</u> <sup>(1)</sup>	<u>Merchant's Capital</u>	<u>Public Service Corporation Real Estate</u>	<u>Personal Property</u>	<u>Total</u>
2007	\$ 1,247,276,700	\$ 139,633,432	\$ 10,580,097	\$ 48,236,403	\$ 6,136,426	\$ 114,173,976	\$ 58,881	\$ 1,566,095,915
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
<b>2016</b>	<b>1,361,590,000</b>	<b>147,143,891</b>	<b>9,252,160</b>	<b>113,646,088</b>	<b>15,609,656</b>	<b>187,432,972</b>	<b>57,907</b>	<b>1,834,732,674</b>

<sup>(1)</sup> 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 Real Estate</u>	<u>Personal Property</u>
2007	.64	4.00	.64	2.40	1.95/1.25	.50	.64	4.00
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
<b>2016</b>	<b>.77</b>	<b>5.00</b>	<b>.77</b>	<b>2.40</b>	<b>1.95/1.25</b>	<b>.50</b>	<b>.77</b>	<b>5.00</b>

Table 4

## 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> <sup>(1)</sup>	<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>
2007	\$ 14,935,391	\$ 14,258,992	95.47%	\$ 370,860	\$ 14,629,852	97.95%	\$ 915,964	6.13%
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%
<b>2016</b>	<b>21,164,666</b>	<b>20,577,367</b>	<b>97.23%</b>	<b>464,868</b>	<b>21,042,235</b>	<b>99.42%</b>	<b>1,453,738</b>	<b>6.87%</b>

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

Table 5

## 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>
2007	17,482	\$ 1,566,096	\$ 47,898,504	.0306	\$ 2,740
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	0.033	3,256
<b>2016</b>	<b>18,570</b>	<b>1,834,733</b>	<b>65,974,701</b>	<b>0.036</b>	<b>3,553</b>

**County of Southampton, Virginia**

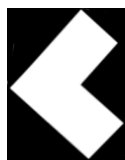
Special Assessment Billings and Collections

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*

Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
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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, 2016, 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 January 16, 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*.

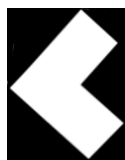
### Purpose of this Report

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.*

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

South Hill, Virginia  
January 16, 2017



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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, 2016. 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, 2016.

### **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.

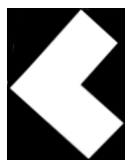
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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  
January 16, 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, 2016, and have issued our report thereon dated January 16, 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  
January 16, 2017

**County of Southampton, Virginia**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	\$ 53,121
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	<u>238,661</u>
Total Food Stamp Cluster			238,661
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	510,812
School Breakfast Program	10.553	197	<u>231,781</u>
Total Child Nutrition Cluster			<u>742,593</u>
Subtotal - U. S. Department of Agriculture			1,034,375
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Child Care Mandatory and Matching Funds	93.596	765	41,675
Promoting Safe and Stable Families	93.556	765	17,057
Temporary Assistance to Needy Families	93.558	765	281,159
Refugee and Entrant Assistance	93.566	765	291
Low Income Home Energy Assistance	93.568	765	29,970
Child Welfare Services	93.645	765	1,322
Foster Care - Title IV-E	93.658	765	98,489
Adoption Assistance	93.659	765	94,396
Child Care and Development Block Grant	93.575	765	(956)
Chafee Foster Care Independence Program	93.674	765	1,992
Social Services Block Grant	93.667	765	200,460
State Children's Insurance Program	93.767	765	9,678
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>299,353</u>
Subtotal - U. S. Department of Health and Human Services			1,074,886

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Transportation</b>			
<b>Direct Payments</b>			
Highway Planning and Construction - Historical Society Grant	20.205	N/A	4,639
<b>Pass-Through Payments</b>			
<i>Department of Motor Vehicles</i>			
Ground Transportation System	20.602	140	<u>10,302</u>
Subtotal - U. S. Department of Transportation			14,941
<b>U. S. Department of Treasury</b>			
<b>Direct Payments</b>			
Treasury Forfeiture Fund	21.000	N/A	<u>22,458</u>
Subtotal - U. S. Department of Treasury			22,458
<b>Environmental Protection Agency</b>			
<b>Pass-Through Payments</b>			
<i>Virginia Department of Health</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	601	<u>14,628</u>
Subtotal - Environmental Protection Agency			14,628
<b>Department of Homeland Security</b>			
<b>Direct Payments</b>			
Emergency Response and Recovery	97.036	N/A	<u>1,687</u>
Subtotal - Department of Homeland Security			1,687
<b>Department of Housing and Urban Development</b>			
<b>Direct Payments</b>			
Community Development Block Grant	14.228	165	<u>34,600</u>
Subtotal - Department of Housing and Urban Development			34,600
<b>U. S. Department of Education</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Special Education Cluster			
Special Education - Grants to States (Title VI Flow-Through)	84.027	197	527,288
Special Education - Preschool Grants (Title VI)	84.173	197	<u>13,994</u>
Total Special Education Cluster			541,282
Title I	84.010	197	601,501
Twenty-First Century Community Learning Centers	84.287	197	137,057
Certification Exam and Perkins CTE Secondary	84.048	197	46,178
Title II Part A Improving Teacher Quality	84.367	197	102,781
Adult Literacy	84.002	197	<u>29,153</u>
Subtotal - U. S. Department of Education - School			1,457,952
<b>U. S. Department of Labor</b>			
<b>Direct Payments - School</b>			
Opportunity, Inc. Program 850	17.259	N/A	<u>165,368</u>
Subtotal - U. S. Department of Labor			<u>165,368</u>
Grand Totals			<u><u>\$ 3,820,895</u></u>

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, 2016

#### 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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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

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

#### 3. 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 \$53,121 at the time received were consumed during the year ended June 30, 2016. These commodities were included in the determination of federal awards expended during the year ended June 30, 2016.

#### 4. Relationship to Financial Statements

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

**Intergovernmental Federal Revenues per the Basic Financial Statements****Primary Government**

General Fund	\$	51,228
<i>Special Revenue Funds</i>		
Virginia Public Assistance Fund		1,313,547
Forfeiture Fund		22,458
Utility Tax Building Fund		-
Enterprise Fund - Water and Sewer Fund		<u>14,628</u>
Total Primary Government		1,401,861

**Component Unit School Board**

School Operating Fund		1,623,320
School Cafeteria Fund		<u>742,593</u>
Total Component Unit School Board		2,365,913

Add: Amounts Not Reported in Financial Statements

U. S. Department of Agriculture - Food Commodities	10.555	<u>53,121</u>
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Total Federal Expenditures per Basic Financial Statements		<u>\$ 3,820,895</u>
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards		<u>\$ 3,820,895</u>
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County of Southampton, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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? No

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

84.010

Title I

10.553 and 10.555

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.