

COUNTY OF SUSSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COUNTY OF SUSSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR
ENDED JUNE 30, 2018

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COUNTY OF SUSSEX, VIRGINIA

Board of Supervisors

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

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

Department of Social Services

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

Gayle Bain
Alfred G. Futrell
Evelyn P. Giles

County School Board

Marvin Morris, Jr., Chairperson
Laurie S. Latham, Vice Chairperson
Doris C. Hamlin

Gloria S. Holloman
Linda J. Skipper
Terry A. Massenburg

Other Officials

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

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2018, the County restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-10, 98, and 99-114 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of County of Sussex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of County of Sussex, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Sussex, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
March 19, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Sussex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$40,035,613 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources of \$447,983 (Exhibit 5) after making contributions totaling \$8,157,035 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$12,736,930, an increase of \$447,983 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,952,073, or 25% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$3,143,465 during the current fiscal year.

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Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

The Government-wide financial statements include not only the County of Sussex, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Sussex, Virginia is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Sussex, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Overview of the Financial Statements (Continued)

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

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

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

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

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$40,035,613 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Sussex, Virginia's Net Position			
	Governmental Activities		
	2018	2017	
Current and other assets	\$ 11,780,983	\$ 11,393,993	
Restricted assets	2,187,916	1,970,570	
Capital assets	45,468,841	46,189,530	
Total assets	\$ 59,437,740	\$ 59,554,093	
Deferred outflows of resources	\$ 476,579	\$ 1,082,095	
Current liabilities	\$ 391,976	\$ 739,836	
Long-term liabilities outstanding	18,052,557	20,616,722	
Total liabilities	\$ 18,444,533	\$ 21,356,558	
Deferred inflows of resources	\$ 1,434,173	\$ 400,561	
Net investment in capital assets	\$ 31,152,308	\$ 30,527,051	
Restricted for debt service bond covenants	2,187,916	1,970,570	
Unrestricted	6,695,389	6,381,448	
Total net position	\$ 40,035,613	\$ 38,879,069	

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

Government-wide Financial Analysis (Continued)

The County's net position increased by \$1,711,844 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Sussex, Virginia's Changes in Net Position			
	Governmental Activities		
	2018	2017	
Charges for services	\$ 7,059,163	\$ 6,396,100	
Operating grants and contributions	4,130,874	4,235,151	
Capital grants and contributions	252,547	373,572	
General property taxes	9,642,575	9,312,679	
Other local taxes	1,350,841	1,316,588	
Grants and other contributions not restricted	1,385,430	1,499,351	
Other general revenues	617,582	306,947	
Total revenues	\$ 24,439,012	\$ 23,440,388	
General government administration	\$ 1,761,192	\$ 1,737,275	
Judicial administration	1,152,195	1,227,671	
Public safety	5,637,175	5,724,666	
Public works	2,120,718	888,813	
Health and welfare	1,560,566	2,689,103	
Education	9,510,497	8,803,468	
Parks, recreation, and cultural	201,682	192,008	
Community development	419,248	618,068	
Interest and other fiscal charges	363,895	419,635	
Total expenses	\$ 22,727,168	\$ 22,300,707	
Change in net position	\$ 1,711,844	\$ 1,139,681	
Net position, beginning of year	38,323,769	37,739,388	
Net position, end of year	\$ 40,035,613	\$ 38,879,069	

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$12,736,930, an increase of \$447,983 in comparison with the prior year. Approximately 44% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$6,644,162. \$2,187,916 of this was restricted for debt, while \$4,456,246 was committed to current or future capital projects.

General Fund Budgetary Highlights

During the year, budgetary estimates exceeded revenues and other financing sources by \$220,314. Budgetary estimates exceeded expenditures and other financing uses by \$1,682,847. The combination of the two resulted in a positive variance of \$1,462,533.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2018 amounts to \$45,468,841 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$13,832,851, all of which is debt backed by the full faith and credit of the County.

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

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

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Economic Factors and Next Year's Budgets and Rates

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

These factors were considered in preparing the County's budget for the 2019 fiscal year.

The fiscal year 2019 General Fund budget increased by approximately 2.6 percent. All property tax rates remained the same.

Requests for Information

This financial report is designed to provide a general overview of the County of Sussex, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, P.O. Box 1397, Sussex, Virginia 23884.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Sussex, Virginia
Statement of Net Position
June 30, 2018

	Primary Government	Component Unit
	Governmental	
	<u>Activities</u>	<u>School Board</u>
ASSETS		
Cash and cash equivalents	\$ 8,028,707	\$ 2,479,882
Receivables (net of allowance for uncollectibles):		
Taxes receivable	647,776	-
Accounts receivable	763,828	6,502
Due from other governmental units	1,891,129	445,690
Prepaid items	-	125,726
Restricted assets:		
Bond sinking funds	2,187,916	-
Net pension asset	449,543	330,388
Capital assets (net of accumulated depreciation):		
Land	10,530,331	111,018
Buildings and improvements	18,599,620	17,884,852
Machinery and equipment	6,037,951	886,456
Construction in progress	10,300,939	-
Total assets	<u>\$ 59,437,740</u>	<u>\$ 22,270,514</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related items	\$ 451,236	\$ 1,689,381
OPEB related items	25,343	143,067
Total deferred outflows of resources	<u>\$ 476,579</u>	<u>\$ 1,832,448</u>
LIABILITIES		
Accounts payable	\$ 184,483	\$ 128,545
Accrued liabilities	-	1,331,870
Accrued interest payable	207,493	-
Due to other governmental units	-	1,138,570
Long-term liabilities:		
Due within one year	1,350,743	143,987
Due in more than one year	16,701,814	15,440,188
Total liabilities	<u>\$ 18,444,533</u>	<u>\$ 18,183,160</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	\$ 46,552	\$ -
Pension related items	1,248,621	2,423,195
OPEB related items	139,000	546,000
Total deferred inflows of resources	<u>\$ 1,434,173</u>	<u>\$ 2,969,195</u>
NET POSITION		
Net investment in capital assets	\$ 31,152,308	\$ 18,828,326
Restricted for:		
Debt service and bond covenants	2,187,916	-
Unrestricted (deficit)	6,695,389	(15,877,719)
Total net position	<u>\$ 40,035,613</u>	<u>\$ 2,950,607</u>

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

County of Sussex, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	Capital Grants and <u>Contributions</u>	Primary	Component	<u>School Board</u>
					Governmental	Unit	
					<u>Activities</u>		
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,761,192	\$ -	\$ 200,308	\$ -	\$ (1,560,884)	\$ -	-
Judicial administration	1,152,195	1,164,641	472,914	-	485,360	-	-
Public safety	5,637,175	232,883	1,677,193	-	(3,727,099)	-	-
Public works	2,120,718	5,651,476	2,546	-	3,533,304	-	-
Health and welfare	1,560,566	-	1,752,143	-	191,577	-	-
Education	9,510,497	-	-	-	(9,510,497)	-	-
Parks, recreation, and cultural	201,682	-	-	-	(201,682)	-	-
Community development	419,248	10,163	25,770	252,547	(130,768)	-	-
Interest on long-term debt	363,895	-	-	-	(363,895)	-	-
Total governmental activities	\$ 22,727,168	\$ 7,059,163	\$ 4,130,874	\$ 252,547	\$ (11,284,584)	\$ -	-
Total primary government	\$ 22,727,168	\$ 7,059,163	\$ 4,130,874	\$ 252,547	\$ (11,284,584)	\$ -	-
COMPONENT UNIT:							
School Board	\$ 17,961,151	\$ 137,616	\$ 10,058,970	\$ -	\$ -	\$ (7,764,565)	-
Total component unit	\$ 17,961,151	\$ 137,616	\$ 10,058,970	\$ -	\$ -	\$ (7,764,565)	-
General revenues:							
General property taxes					\$ 9,642,575	\$ -	-
Local sales tax					900,300	-	-
Motor vehicle licenses					217,033	-	-
Other local taxes					233,508	-	-
Unrestricted revenues from use of money and property					201,746	1,424	-
Miscellaneous					415,836	387,710	-
Grants and contributions not restricted to specific programs					1,385,430	-	-
Payment from Sussex County					-	8,999,237	-
Total general revenues					\$ 12,996,428	\$ 9,388,371	-
Change in net position					\$ 1,711,844	\$ 1,623,806	-
Net position - beginning, as restated					38,323,769	1,326,801	-
Net position - ending					\$ 40,035,613	\$ 2,950,607	-

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

FUND FINANCIAL STATEMENTS

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County of Sussex, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,527,789	\$ 4,456,246	\$ 44,672	\$ 8,028,707
Receivables (net of allowance for uncollectibles):				
Taxes receivable	647,776	-	-	647,776
Accounts receivable	763,726	-	102	763,828
Due from other governmental units	1,891,129	-	-	1,891,129
Restricted assets:				
Bond sinking funds	-	2,187,916	-	2,187,916
Total assets	<u>\$ 6,830,420</u>	<u>\$ 6,644,162</u>	<u>\$ 44,774</u>	<u>\$ 13,519,356</u>
LIABILITIES				
Accounts payable	\$ 184,483	\$ -	\$ -	\$ 184,483
Total liabilities	<u>\$ 184,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,483</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 597,943	\$ -	\$ -	\$ 597,943
Total deferred inflows of resources	<u>\$ 597,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 597,943</u>
FUND BALANCES				
Restricted	\$ -	\$ 2,187,916	\$ -	\$ 2,187,916
Committed	95,921	4,456,246	44,774	4,596,941
Unassigned	5,952,073	-	-	5,952,073
Total fund balances	<u>\$ 6,047,994</u>	<u>\$ 6,644,162</u>	<u>\$ 44,774</u>	<u>\$ 12,736,930</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,830,420</u>	<u>\$ 6,644,162</u>	<u>\$ 44,774</u>	<u>\$ 13,519,356</u>

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

County of Sussex, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 12,736,930
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 62,058,925	
Accumulated depreciation	<u>(16,590,084)</u>	45,468,841

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

Unavailable revenue - property taxes	\$ 551,391	
Net pension asset	<u>449,543</u>	1,000,934

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 451,236	
OPEB related items	<u>25,343</u>	476,579

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Compensated absences	\$ (393,463)	
Net OPEB liabilities	(641,000)	
Landfill postclosure costs	(2,701,561)	
Literary fund loans	(6,391,423)	
General obligation bonds	(4,150,000)	
Bond premium	(483,682)	
QZAB bonds	(3,291,428)	
Accrued interest payable	<u>(207,493)</u>	(18,260,050)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (1,248,621)	
OPEB related items	<u>(139,000)</u>	(1,387,621)

Net position of governmental activities	<u><u>\$ 40,035,613</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Sussex, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 9,617,447	\$ -	\$ -	\$ 9,617,447
Other local taxes	1,350,841	-	-	1,350,841
Permits, privilege fees, and regulatory licenses	75,098	-	-	75,098
Fines and forfeitures	1,131,786	-	-	1,131,786
Revenue from the use of money and property	139,195	62,462	89	201,746
Charges for services	5,851,310	-	969	5,852,279
Miscellaneous	301,844	113,992	-	415,836
Recovered costs	294,069	-	-	294,069
Intergovernmental:				
Commonwealth	4,412,521	252,547	1,110	4,666,178
Federal	1,102,673	-	-	1,102,673
Total revenues	<u>\$ 24,276,784</u>	<u>\$ 429,001</u>	<u>\$ 2,168</u>	<u>\$ 24,707,953</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,875,141	\$ -	\$ -	\$ 1,875,141
Judicial administration	1,118,576	-	448	1,119,024
Public safety	5,434,931	-	4,986	5,439,917
Public works	698,071	-	-	698,071
Health and welfare	2,518,382	-	-	2,518,382
Education	8,137,551	27,000	-	8,164,551
Parks, recreation, and cultural	195,985	-	-	195,985
Community development	747,541	-	-	747,541
Capital projects	-	1,764,164	-	1,764,164
Debt service:				
Principal retirement	1,311,397	-	-	1,311,397
Interest and other fiscal charges	425,797	-	-	425,797
Total expenditures	<u>\$ 22,463,372</u>	<u>\$ 1,791,164</u>	<u>\$ 5,434</u>	<u>\$ 24,259,970</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,813,412</u>	<u>\$ (1,362,163)</u>	<u>\$ (3,266)</u>	<u>\$ 447,983</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 1,769,507	\$ -	\$ 1,769,507
Transfers out	(1,769,507)	-	-	(1,769,507)
Total other financing sources (uses)	<u>\$ (1,769,507)</u>	<u>\$ 1,769,507</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 43,905	\$ 407,344	\$ (3,266)	\$ 447,983
Fund balances - beginning	6,004,089	6,236,818	48,040	12,288,947
Fund balances - ending	<u>\$ 6,047,994</u>	<u>\$ 6,644,162</u>	<u>\$ 44,774</u>	<u>\$ 12,736,930</u>

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

County of Sussex, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	447,983
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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 the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlays	\$ 1,543,314	
Jointly owned asset allocation	(842,202)	
Depreciation expense	<u>(1,421,801)</u>	(720,689)

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

Property taxes		25,128
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. The following is a summary of items supporting this adjustment:

Principal retirement on state literary fund loans	\$ 711,397	
Principal retirement on general obligation bonds	600,000	
Decrease in landfill postclosure liability	<u>45,025</u>	1,356,422

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Amortization of bond premium	\$ 34,549	
Pension expense	501,570	
OPEB expense	28,343	
Change in compensated absences	11,185	
Change in accrued interest payable	<u>27,353</u>	603,000

Change in net position of governmental activities	\$	<u><u>1,711,844</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Sussex, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private-Purpose <u>Trusts</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 191,247	\$ 9,918
Receivables:		
Other receivables	-	378
Total assets	<u>\$ 191,247</u>	<u>\$ 10,296</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 1,723
Amounts held for others	-	2,335
Amounts held for inmates	-	6,238
Total liabilities	<u>\$ -</u>	<u>\$ 10,296</u>
NET POSITION		
Amounts held in trust for scholarships	\$ 191,247	\$ -
Total net position	<u>\$ 191,247</u>	<u>\$ -</u>
Total liabilities and net position	<u>\$ 191,247</u>	<u>\$ 10,296</u>

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

County of Sussex, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trusts <u>Funds</u>
ADDITIONS	
Investment earnings (losses)	\$ 6,079
Private donations	14,323
Total additions	<u>\$ 20,402</u>
DEDUCTIONS	
Scholarships	\$ 4,800
Total deductions	<u>\$ 4,800</u>
Change in net position	\$ 15,602
Net position - beginning	175,645
Net position - ending	<u><u>\$ 191,247</u></u>

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements As of June 30, 2018

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units at June 30, 2018.

Discretely Presented Component Units. The School Board members are elected by the citizens of Sussex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2018.

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

None

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

The County reports the following nonmajor governmental funds:

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

2. Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds and Private Purpose Trust Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency Funds include Special Welfare, Sheriff Information, Jail Inmate and Canteen Funds. Private Purpose Trust Funds include Robert Mitchell Scholarship, Rotary Scholarship, Richard Clements Moore III Scholarship and Millard Stith Family Scholarship.

E. Cash and Cash Equivalents

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

F. Investments

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$98,910 at June 30, 2018 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

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

H. Capital Assets (Continued)

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

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

I. Prepaid Items

Certain payments to vendors reflect costs applied to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are accounted for using the consumption method and are valued at cost.

J. Compensated Absences

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

K. Use of Estimates

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

L. Net Position

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

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

M. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

N. Pensions

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

O. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

P. Long-term Obligations

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

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

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension (asset) liability and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension (asset) liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on next year's taxes and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on next year's taxes are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension (asset) liability and net OPEB liability(ies) are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

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

R. Fund Equity

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

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

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

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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

R. Fund Equity (Continued)

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

	General Fund	County Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Restricted:				
Bond sinking funds	\$ -	\$ 2,187,916	\$ -	\$ 2,187,916
Total Restricted Fund Balance	\$ -	\$ 2,187,916	\$ -	\$ 2,187,916
Committed:				
Indoor Plumbing	\$ 37,002	\$ -	\$ -	\$ 37,002
CDBG	58,919	-	-	58,919
Capital Improvements	-	4,456,246	-	4,456,246
Forfeited asset	-	-	16,409	16,409
Law library	-	-	28,365	28,365
Total Committed Fund Balance	\$ 95,921	\$ 4,456,246	\$ 44,774	\$ 4,596,941
Unassigned	\$ 5,952,073	\$ -	\$ -	\$ 5,952,073
Total Fund Balances	\$ 6,047,994	\$ 6,644,162	\$ 44,774	\$ 12,736,930

Note 2—Stewardship, Compliance, and Accounting:

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 3—Deposits and Investments:

Deposits

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

Investments

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2018 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

		Fair Quality Ratings
		AAAm
Local Government Investment Pool	\$	4,649,870
Virginia Investment Pool		514,236
Money Market Mutual Fund		2,187,916
Total	\$	7,352,022

External Investment Pool

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 3—Deposits and Investments:

Redemption Restriction

The County has the option to have access to withdrawal funds twice a month, with a five day period notice. Additionally, funds are available to meet the unexpected needs such as fluctuations in revenue sources, one-time outlays, (disaster, immediate capital needs, state budget cuts, etc.).

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The County has measured fair value of the above VML/VACO Investment Pool at the net asset value (NAV).

Note 4—Due to/from Other Governments:

At June 30, 2018, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Sussex County School Board	\$ 1,138,570	\$ -
Commonwealth of Virginia:		
Local sales tax	163,747	-
Welfare	35,533	-
Rolling stock tax	3,993	-
State Sales Tax	-	165,719
Constitutional officer reimbursements	200,751	-
Recordation tax	2,965	-
Mobile home titling tax	375	-
Communications tax	25,736	-
E-911 wireless	11,299	-
School resource officer	32,595	-
Comprehensive services	200,645	-
Federal Government:		
School fund grants	-	279,971
Welfare	74,920	-
Total due from other governments	\$ 1,891,129	\$ 445,690

At June 30, 2018, amounts due to other local governments are as follows:

Other Local Governments:		
County of Sussex	\$ -	\$ 1,138,570

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

Primary Government:

	Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 10,530,331	\$ -	\$ -	\$ 10,530,331
Construction in progress	14,140,620	1,092,401	4,932,082	10,300,939
Total capital assets not subject to depreciation	\$ 24,670,951	\$ 1,092,401	\$ 4,932,082	\$ 20,831,270
Capital assets subject to depreciation:				
Buildings and improvements	\$ 8,318,542	\$ 178,893	\$ -	\$ 8,497,435
Machinery and equipment	7,263,292	5,204,102	-	12,467,394
Jointly owned assets	21,414,315	-	1,151,489	20,262,826
Total capital assets subject to depreciation	\$ 36,996,149	\$ 5,382,995	\$ 1,151,489	\$ 41,227,655
Accumulated depreciation:				
Buildings and improvements	\$ 3,987,694	\$ 226,654	\$ -	\$ 4,214,348
Machinery and equipment	5,738,040	691,403	-	6,429,443
Jointly owned assets	5,751,836	503,744	309,287	5,946,293
Total accumulated depreciation	\$ 15,477,570	\$ 1,421,801	\$ 309,287	\$ 16,590,084
Total capital assets being depreciated, net	\$ 21,518,579	\$ 3,961,194	\$ 842,202	\$ 24,637,571
Governmental activities capital assets, net	\$ 46,189,530	\$ 5,053,595	\$ 5,774,284	\$ 45,468,841

Component Unit - School Board:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 111,018	\$ -	\$ -	\$ 111,018
Total capital assets not subject to depreciation	\$ 111,018	\$ -	\$ -	\$ 111,018
Capital assets subject to depreciation:				
Machinery and equipment	\$ 4,337,238	\$ 301,135	\$ 36,000	\$ 4,602,373
Jointly owned assets	24,161,736	-	(1,151,489)	25,313,225
Total capital assets subject to depreciation	\$ 28,498,974	\$ 301,135	\$ (1,115,489)	\$ 29,915,598
Accumulated depreciation:				
Machinery and equipment	\$ 3,550,983	\$ 200,934	\$ 36,000	\$ 3,715,917
Jointly owned assets	6,489,786	629,300	(309,287)	7,428,373
Total accumulated depreciation	\$ 10,040,769	\$ 830,234	\$ (273,287)	\$ 11,144,290
Total capital assets being depreciated, net	\$ 18,458,205	\$ (529,099)	\$ (842,202)	\$ 18,771,308
Governmental activities capital assets, net	\$ 18,569,223	\$ (529,099)	\$ (842,202)	\$ 18,882,326

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Primray Government:	
Governmental activities:	
General government administration	\$ 77,081
Judicial administration	125,812
Public safety	640,620
Public works	29,362
Health and welfare	39,485
Education	503,744
Parks, recreation and cultural	<u>5,697</u>
Total Governmental activities	\$ <u>1,421,801</u>
Component Unit School Board	\$ <u>830,234</u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 1,769,507
County Capital Projects	<u>1,769,507</u>	<u>-</u>
Total	\$ <u>1,769,507</u>	\$ <u>1,769,507</u>

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2018:

	Restated Balance at July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 404,648	\$ 29,280	\$ 40,465	\$ 393,463	\$ 39,346
Landfill postclosure costs	2,746,586	-	45,025	2,701,561	-
Net pension liability	1,575,309	2,362,306	3,937,615	-	-
Net OPEB liabilities	807,000	26,000	192,000	641,000	-
Total incurred by County	\$ 5,533,543	\$ 2,417,586	\$ 4,215,105	\$ 3,736,024	\$ 39,346
Incurred by School Board:					
Literary Fund Loans	\$ 7,102,820	\$ -	\$ 711,397	\$ 6,391,423	\$ 711,397
General obligation bonds	4,750,000	-	600,000	4,150,000	600,000
Bond premium	518,231	-	34,549	483,682	-
QZAB Bonds	3,291,428	-	-	3,291,428	-
Total incurred by School Board	\$ 15,662,479	\$ -	\$ 1,345,946	\$ 14,316,533	\$ 1,311,397
Total Governmental Activities Obligations	\$ 21,196,022	\$ 2,417,586	\$ 5,561,051	\$ 18,052,557	\$ 1,350,743

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	Incurred by School Board					
	General Obligation Bonds		QZAB Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 600,000	\$ 180,772	\$ -	\$ -	\$ 711,397	\$ 191,743
2020	600,000	149,823	-	-	711,397	170,401
2021	230,000	128,543	1,077,000	-	711,397	149,059
2022	230,000	116,928	-	-	711,397	127,717
2023	230,000	105,313	2,214,428	-	711,397	106,375
2024	230,000	93,698	-	-	711,397	85,033
2025	230,000	82,083	-	-	711,397	63,691
2026	225,000	70,594	-	-	711,400	42,349
2027	225,000	61,481	-	-	350,127	21,007
2028	225,000	53,494	-	-	350,117	10,504
2029	225,000	43,256	-	-	-	-
2030	225,000	34,144	-	-	-	-
2031	225,000	25,594	-	-	-	-
2032	225,000	15,357	-	-	-	-
2033	225,000	5,119	-	-	-	-
Total	<u>\$ 4,150,000</u>	<u>\$ 1,166,199</u>	<u>\$ 3,291,428</u>	<u>\$ -</u>	<u>\$ 6,391,423</u>	<u>\$ 967,879</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

General Obligations:

Incurred by County:

Landfill postclosure costs	\$	2,701,561
Net OPEB liabilities	\$	641,000
Compensated absences (payable from the General Fund)	\$	393,463
Total incurred by County	\$	<u>3,736,024</u>

Incurred by School Board:

QZAB Bonds:

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

General Obligation Bonds:

\$7,430,000 VPSA bond issued April 26, 1999 in annual installments of \$370,000, interest payable semi-annually at coupon rates of 4.100% to 5.225% through July 15, 2019.	\$	740,000
\$4,560,000 VPSA bond issued May 10, 2018 due in annual installments of \$230,000, interest payable semi-annually at coupon rates of 2.55% to 5.05% through July 15, 2032.		<u>3,410,000</u>
Total General Obligation Bonds	\$	<u>4,150,000</u>
Bond Premium	\$	<u>483,682</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations: (Continued)

General Obligations: (Continued)

Incurred by School Board: (Continued)

Literary Fund Loans:

\$7,225,403 Literary loan issued October 1, 2005, due in annual installments of \$361,270 through October 1, 2025, interest at 3%.	\$	2,890,163
\$7,002,530 Literary loan issued January 1, 2018, due in annual installments of \$350,127 through January 1, 2028, interest at 3%.		<u>3,501,260</u>
Total Literary Fund Loans	\$	<u>6,391,423</u>
Total incurred by School Board	\$	<u>14,316,533</u>
Total General Obligations, Primary Government	\$	<u>18,052,557</u>

Discretely Presented Component Unit-School Board:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2018:

	Restated Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Component Unit-School Board:					
VRS early retirement liability	\$ 654,574	\$ -	\$ 73,360	\$ 581,214	\$ 79,228
Capital lease	-	54,000	-	54,000	26,363
Net OPEB liabilities	3,172,000	189,000	779,000	2,582,000	-
Net pension liability	14,262,646	2,500,874	4,780,520	11,983,000	-
Compensated absences	<u>732,295</u>	<u>73,230</u>	<u>421,564</u>	<u>383,961</u>	<u>38,396</u>
Total Component Unit-School Board	\$ <u>18,821,515</u>	\$ <u>2,817,104</u>	\$ <u>6,054,444</u>	\$ <u>15,584,175</u>	\$ <u>143,987</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 7—Long-Term Obligations: (Continued)

Discretely Presented Component Unit-School Board: (Continued)

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

Year Ending June 30	VRS Early Retirement Liability	
	Principal	Interest
2019	\$ 79,228	\$ 46,498
2020	85,567	40,159
2021	92,412	33,314
2022	99,805	25,921
2023	107,789	17,937
2024	116,413	9,313
Total	<u>\$ 581,214</u>	<u>\$ 173,142</u>

Details of long-term indebtedness:

General Obligations:

VRS early retirement liability, issued July 1, 1994 at 8% over 30 years	\$ 581,214
Capital lease	\$ 54,000
Net OPEB liabilities	\$ 2,582,000
Net pension liability	\$ 11,983,000
Compensated absences (Payable from the School Fund)	\$ 383,961
Total General obligations, Component Unit - School Board	<u>\$ 15,584,175</u>

Note 8—Closure and Postclosure Costs:

The County closed its two landfills and is liable for postclosure monitoring for a period of thirty years. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with Federal and State Regulations. The \$2,701,561 reported as landfill closure and postclosure liability at June 30, 2018, represents the estimated liability for postclosure monitoring, over the remaining seventeen years. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2018

Note 8—Closure and Postclosure Costs: (Continued)

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

Note 9—Deferred/Unavailable Revenue:

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

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$551,391 at June 30, 2018.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2018 but paid in advance by the taxpayers totaled \$46,552 at June 30, 2018.

Note 10—Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2018, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12—Risk Management:

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 12—Risk Management: (Continued)

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

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

Note 13—Capital Leases:

The School Board has entered into a lease agreement as lessee for financing the acquisition of one school bus. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of minimum lease payments as of the inception date.

The asset acquired through a capital leases is as follows:

	Primary Government
Asset:	
Equipment	\$ 89,784
Less: accumulated depreciation	-
Total	<u>\$ 89,784</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2018, are as follows:

Year Ended June 30	Primary Government
2019	\$ 28,972
2020	<u>\$ 28,972</u>
Total minimum lease payments	\$ 57,944
Less: amount representing interest	<u>(3,944)</u>
Present value of minimum lease payments	<u>\$ 54,000</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) 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 Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	76	35
Inactive members:		
Vested inactive members	15	3
Non-vested inactive members	11	11
Inactive members active elsewhere in VRS	54	13
Total inactive members	80	27
Active members	114	46
Total covered employees	270	108

Contributions

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

The County's contractually required employer contribution rate for the year ended June 30, 2018 was 8.87% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$426,734 and \$421,878 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 4.84% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2018

Note 14—Pension Plan: (Continued)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$42,131 and \$41,054 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability (Asset)

The County's and Component Unit School Board's (nonprofessional) net pension liability (asset) were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liability (asset) were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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 System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 24,118,308	\$ 22,542,999	\$ 1,575,309
Changes for the year:			
Service cost	\$ 684,571	\$ -	\$ 684,571
Interest	1,659,491	-	1,659,491
Assumption changes	(445,825)	-	(445,825)
Differences between expected and actual experience	(526,277)	-	(526,277)
Contributions - employer	-	421,878	(421,878)
Contributions - employee	-	236,561	(236,561)
Net investment income	-	2,756,617	(2,756,617)
Benefit payments, including refunds of employee contributions	(822,598)	(822,598)	-
Administrative expenses	-	(15,789)	15,789
Other changes	-	(2,455)	2,455
Net changes	\$ 549,362	\$ 2,574,214	\$ (2,024,852)
Balances at June 30, 2017	\$ 24,667,670	\$ 25,117,213	\$ (449,543)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability (Asset)

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 3,382,672	\$ 3,344,026	\$ 38,646
Changes for the year:			
Service cost	\$ 97,336	\$ -	\$ 97,336
Interest	230,820	-	230,820
Assumption changes	(53,745)	-	(53,745)
Differences between expected and actual experience	(159,599)	-	(159,599)
Contributions - employer	-	41,054	(41,054)
Contributions - employee	-	42,611	(42,611)
Net investment income	-	402,899	(402,899)
Benefit payments, including refunds of employee contributions	(170,493)	(170,493)	-
Administrative expenses	-	(2,361)	2,361
Other changes	-	(357)	357
Net changes	\$ (55,681)	\$ 313,353	\$ (369,034)
Balances at June 30, 2017	\$ 3,326,991	\$ 3,657,379	\$ (330,388)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's			
Net Pension Liability (Asset)	\$ 2,595,650	\$ (449,543)	\$ (2,995,776)
Component Unit School Board's (nonprofessional)			
Net Pension Liability (Asset)	\$ 49,418	\$ (330,388)	\$ (650,733)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

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

For the year ended June 30, 2018, the County and Component Unit School Board (nonprofessional) recognized pension expense of (\$79,284) and (\$91,153), respectively. At June 30, 2018, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,502	\$ 566,305	\$ -	\$ 114,595
Change of assumptions	-	306,939	-	32,502
Net difference between projected and actual earnings on pension plan investments	-	375,377	-	49,098
Employer contributions subsequent to the measurement date	426,734	-	42,131	-
Total	<u>\$ 451,236</u>	<u>\$ 1,248,621</u>	<u>\$ 42,131</u>	<u>\$ 196,195</u>

\$426,734 and \$42,131 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of (increase to) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (658,903)	\$ (134,891)
2020	(259,237)	(27,999)
2021	(68,980)	1,086
2022	(236,999)	(34,391)
2023	-	-
Thereafter	-	-

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Each School Division's contractually required employer contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The 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. Contributions to the pension plan from the school division were \$1,269,250 and \$1,108,719 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability \$11,983,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.09744% as compared to 0.10150% at June 30, 2016.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense \$614,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 849,000
Change of assumptions	175,000	-
Net difference between projected and actual earnings on pension plan investments	-	435,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	203,000	943,000
Employer contributions subsequent to the measurement date	1,269,250	-
Total	\$ 1,647,250	\$ 2,227,000

\$1,269,250 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. 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	
2019	\$ (741,000)
2020	(263,000)
2021	(262,000)
2022	(480,000)
2023	(103,000)

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employers' Net Pension Liability (Asset)	\$	<u>12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each one of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability (Asset) \$	17,895,000 \$	11,983,000 \$	7,093,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Plan Description (Continued)**

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the County were \$25,343 and \$25,060 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Contributions (Continued)**

Contributions to the Group Life Insurance Program from the Component Unit School Board (professional) were \$41,136 and \$39,859 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board (nonprofessional) were \$4,746 and \$4,514 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the County reported a liability of \$393,000 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board (professional) and (nonprofessional) reported liabilities of \$626,000 and \$71,000, respectively, for their proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the County's proportion was 0.02613% as compared to 0.02806% at June 30, 2016. At June 30, 2017, the Component Unit School Board (professional) and (nonprofessional) proportion was 0.04156% and 0.00471%, respectively as compared to 0.04317% and 0.00546% respectively at June 30, 2016.

For the year ended June 30, 2018, the County recognized GLI OPEB expense of (\$1,000). For the year ended June 30, 2018, the Component Unit School Board (professional) recognized GLI OPEB expense of \$3,000. For the year ended June 30, 2018, the Component Unit School Board (nonprofessional) recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,000	\$ -	\$ 14,000	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	15,000	-	24,000	-	3,000
Change of assumptions	-	20,000	-	32,000	-	4,000
Changes in proportionate share	-	29,000	-	24,000	-	11,000
Employer contributions subsequent to the measurement date	25,343	-	41,136	-	4,746	-
Total	<u>\$ 25,343</u>	<u>\$ 73,000</u>	<u>\$ 41,136</u>	<u>\$ 94,000</u>	<u>\$ 4,746</u>	<u>\$ 19,000</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$25,343, \$41,136 and \$4,746, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (professional)	Component Unit School Board (nonprofessional)
2019	\$ (14,000)	\$ (18,000)	\$ (4,000)
2020	(14,000)	(18,000)	(4,000)
2021	(14,000)	(18,000)	(4,000)
2022	(14,000)	(18,000)	(4,000)
2023	(10,000)	(12,000)	(3,000)
Thereafter	(7,000)	(10,000)	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$ 1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB 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 guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)***Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
County's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 508,000	\$ 393,000	\$ 299,000
Component School Board (professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 809,000	\$ 626,000	\$ 477,000
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 91,000	\$ 71,000	\$ 54,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan):**Plan Description**

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <u>At Retirement</u> - For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <u>Disability Retirement</u> - For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee Health Insurance Credit Program were \$97,185 and \$84,989 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB

At June 30, 2018, the school division reported a liability of \$1,231,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was 0.09702% as compared to 0.10149% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$93,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)**

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	\$ -	\$ 2,000
Change of assumptions	-	13,000
Change in proportionate share	-	50,000
Employer contributions subsequent to the measurement date	97,185	-
Total	\$ 97,185	\$ 65,000

\$97,185 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (9,000)
2020	(9,000)
2021	(9,000)
2022	(9,000)
2023	(9,000)
Thereafter	(20,000)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Actuarial Assumptions**

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

Mortality Rates - Teachers**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Actuarial Assumptions: (Continued)****Mortality Rates - Teachers: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,364,702
Plan Fiduciary Net Position		96,091
Teacher Employee net HIC OPEB Liability (Asset)	\$	1,268,611
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		
		7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

The long-term expected rate of return on the VRS 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 VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB 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 Teacher Employee HIC OPEB liability.

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (OPEB Plan): (Continued)***Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 1,374,000	\$ 1,231,000	\$ 1,110,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan):**County and School Board*****Plan Description***

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Sussex Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 14, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Sussex County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

Benefits Provided

Postemployment benefits that are provided to eligible County retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Postemployment benefits that are provided to eligible School Board retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits.

Plan Membership

At July 1, 2017 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	93	207
Total inactive employees	3	-
Total	96	207

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

Contributions

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board. The amount paid by the County and the School Board for OPEB as the benefits came due during the year ended June 30, 2018 was \$13,000 and \$18,000.

Total OPEB Liability

The County and School Board’s total OPEB liability was measured as of July 1, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not available
Salary Increases	The salary increase rate was 2.50% per annum.
Discount Rate	3.56% based on the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

Mortality rates for the County and School Board were based on the following actuarial assumptions:

RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the Municipal GO AA 20-year yield curve rate as of June 30, 2017.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 316,000	\$ 1,034,000
Changes for the year:		
Service cost	17,000	62,000
Interest	9,000	32,000
Difference between expected and actual experience	(69,000)	(419,000)
Contributions - employer	(13,000)	(18,000)
Other changes	(12,000)	(37,000)
Net changes	\$ (68,000)	\$ (380,000)
Balances at June 30, 2018	\$ 248,000	\$ 654,000

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	Rate		
	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Primary Government:			
Total OPEB liability	\$ 268,896	\$ 248,000	\$ 228,754
Component Unit School Board:			
Total OPEB liability	\$ 709,104	\$ 654,000	\$ 603,246

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)**County and School Board: (Continued)*****Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current healthcare cost trend rates:

	Rates			
	Healthcare Cost			
	1% Decrease	(5.50%)	Trend (6.50%)	1% Increase (7.50%)
Primary Government:				
Total OPEB liability	\$	221,880	\$ 248,000	\$ 278,519
Component Unit School Board:				
Total OPEB liability	\$	585,120	\$ 654,000	\$ 734,481

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the County and the School Board recognized OPEB expense in the amount of \$11,000 and \$6,000. At June 30, 2018, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 56,000	\$ -	\$ 338,000
Changes in assumptions	-	10,000	-	30,000
Total	<u>\$ -</u>	<u>\$ 66,000</u>	<u>\$ -</u>	<u>\$ 368,000</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 17—Medical and Dental Pay-as-You-Go (OPEB Plan): (Continued)

County and School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board</u>
2019	\$ 16,500	\$ 92,000
2020	16,500	92,000
2021	16,500	92,000
2022	16,500	92,000
2023	-	-
Thereafter	-	-

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2018

Note 18—Surety Bonds:

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

Note 19—Jointly Governed Organizations:

District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the cities of Colonial Heights, Emporia, Hopewell, and Petersburg, and the Counties of Sussex, Greensville, Surry, and Dinwiddie. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding or has oversight responsibility over its operations. Sussex County contributed \$64,499 to the District 19 Community Services Board for the fiscal year ended June 30, 2018.

Note 20—Fair Value Measurements:

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 20—Fair Value Measurements: (Continued)

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

The County has the following recurring fair value measurements as of June 30, 2018:

Investment type	Balance June 30, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Money market mutual fund:				
QZAB bond sinking fund 2005	\$ 810,274	\$ 810,274	\$ -	\$ -
QZAB bond sinking fund 2006	1,377,642	1,377,642	-	-
	<u>\$ 2,187,916</u>	<u>\$ 2,187,916</u>	<u>\$ -</u>	<u>\$ -</u>

Note 21—Line of Duty Act (LODA) (OPEB Benefits):

The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The County has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the County to VACORP. VACORP assumes all liability for the County's LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The CCT/ABC's LODA coverage is fully covered or "insured" through VACORP. This is built into the LODA coverage cost presented in the annual renewals. The County's LODA premium for the year ended June 30, 2018 was \$33,272.

Note 22—Upcoming Pronouncements:

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

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

Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 22—Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

Note 23 - Adoption of Accounting Principles:

The County implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the County implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Governmental Activities	Component-Unit School Board
Net position, July 1, 2017, as previously stated	\$ 38,879,069	\$ 4,065,201
Implementation of GASB 75:		
Deferred outflows of resources	24,000	127,000
Net OPEB liability	(579,300)	(2,865,400)
Net position, July 1, 2017, as restated	\$ <u>38,323,769</u>	\$ <u>1,326,801</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Sussex, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 9,760,574	\$ 9,760,574	\$ 9,617,447	\$ (143,127)
Other local taxes	1,311,451	1,311,451	1,350,841	39,390
Permits, privilege fees, and regulatory licenses	84,560	84,560	75,098	(9,462)
Fines and forfeitures	871,500	871,500	1,131,786	260,286
Revenue from the use of money and property	116,050	116,050	139,195	23,145
Charges for services	5,533,565	5,533,565	5,851,310	317,745
Miscellaneous	178,438	346,453	301,844	(44,609)
Recovered costs	355,710	357,296	294,069	(63,227)
Intergovernmental:				
Commonwealth	4,754,691	4,766,984	4,412,521	(354,463)
Federal	1,348,665	1,348,665	1,102,673	(245,992)
Total revenues	<u>\$ 24,315,204</u>	<u>\$ 24,497,098</u>	<u>\$ 24,276,784</u>	<u>\$ (220,314)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,958,449	\$ 2,113,174	\$ 1,875,141	\$ 238,033
Judicial administration	1,194,491	1,198,300	1,118,576	79,724
Public safety	5,878,428	6,003,280	5,434,931	568,349
Public works	735,683	735,683	698,071	37,612
Health and welfare	3,040,419	3,040,419	2,518,382	522,037
Education	8,001,686	8,084,116	8,137,551	(53,435)
Parks, recreation, and cultural	195,985	195,985	195,985	-
Community development	745,568	897,914	747,541	150,373
Debt service:				
Principal retirement	1,311,397	1,311,397	1,311,397	-
Interest and other fiscal charges	685,484	685,484	425,797	259,687
Total expenditures	<u>\$ 23,747,590</u>	<u>\$ 24,265,752</u>	<u>\$ 22,463,372</u>	<u>\$ 1,802,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 567,614</u>	<u>\$ 231,346</u>	<u>\$ 1,813,412</u>	<u>\$ 1,582,066</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (654,170)	\$ (1,649,974)	\$ (1,769,507)	\$ (119,533)
Total other financing sources (uses)	<u>\$ (654,170)</u>	<u>\$ (1,649,974)</u>	<u>\$ (1,769,507)</u>	<u>\$ (119,533)</u>
Net change in fund balances	\$ (86,556)	\$ (1,418,628)	\$ 43,905	\$ 1,462,533
Fund balances - beginning	86,556	1,336,198	6,004,089	4,667,891
Fund balances - ending	<u>\$ -</u>	<u>\$ (82,430)</u>	<u>\$ 6,047,994</u>	<u>\$ 6,130,424</u>

County of Sussex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Primary Government
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 684,571	\$ 627,879	\$ 645,288	\$ 590,927
Interest	1,659,491	1,596,021	1,491,519	1,406,176
Changes of assumptions	(445,825)	-	-	-
Differences between expected and actual experience	(526,277)	(508,419)	174,511	-
Benefit payments, including refunds of employee contributions	(822,598)	(794,935)	(841,948)	(713,892)
Net change in total pension liability	\$ 549,362	\$ 920,546	\$ 1,469,370	\$ 1,283,211
Total pension liability - beginning	24,118,308	23,197,762	21,728,392	20,445,181
Total pension liability - ending (a)	<u>\$ 24,667,670</u>	<u>\$ 24,118,308</u>	<u>\$ 23,197,762</u>	<u>\$ 21,728,392</u>
Plan fiduciary net position				
Contributions - employer	\$ 421,878	\$ 534,939	\$ 507,532	\$ 575,363
Contributions - employee	236,561	254,475	236,929	246,243
Net investment income	2,756,617	393,097	983,229	2,902,874
Benefit payments, including refunds of employee contributions	(822,598)	(794,935)	(841,948)	(713,892)
Administrative expense	(15,789)	(13,696)	(13,354)	(15,408)
Other	(2,455)	(165)	(206)	153
Net change in plan fiduciary net position	\$ 2,574,214	\$ 373,715	\$ 872,182	\$ 2,995,333
Plan fiduciary net position - beginning	22,542,999	22,169,284	21,297,102	18,301,769
Plan fiduciary net position - ending (b)	<u>\$ 25,117,213</u>	<u>\$ 22,542,999</u>	<u>\$ 22,169,284</u>	<u>\$ 21,297,102</u>
County's net pension liability (asset) - ending (a) - (b)	\$ (449,543)	\$ 1,575,309	\$ 1,028,478	\$ 431,290
Plan fiduciary net position as a percentage of the total pension liability	101.82%	93.47%	95.57%	98.02%
Covered payroll	\$ 4,806,381	\$ 5,036,650	\$ 4,764,080	\$ 4,832,947
County's net pension liability (asset) as a percentage of covered payroll	-9.35%	31.28%	21.59%	8.92%

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

County of Sussex, Virginia
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Component Unit School Board (nonprofessional)
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 97,336	\$ 107,869	\$ 123,372	\$ 128,063
Interest	230,820	225,719	216,841	202,821
Changes of assumptions	(53,745)	-	-	-
Differences between expected and actual experience	(159,599)	(59,657)	(32,090)	-
Benefit payments, including refunds of employee contributions	(170,493)	(231,619)	(130,986)	(130,207)
Net change in total pension liability	\$ (55,681)	\$ 42,312	\$ 177,137	\$ 200,677
Total pension liability - beginning	3,382,672	3,340,360	3,163,223	2,962,546
Total pension liability - ending (a)	<u>\$ 3,326,991</u>	<u>\$ 3,382,672</u>	<u>\$ 3,340,360</u>	<u>\$ 3,163,223</u>
Plan fiduciary net position				
Contributions - employer	\$ 41,054	\$ 75,486	\$ 80,878	\$ 100,515
Contributions - employee	42,611	47,846	51,355	53,467
Net investment income	402,899	56,606	149,384	441,674
Benefit payments, including refunds of employee contributions	(170,493)	(231,619)	(130,986)	(130,207)
Administrative expense	(2,361)	(2,147)	(2,015)	(2,339)
Other	(357)	(25)	(33)	23
Net change in plan fiduciary net position	\$ 313,353	\$ (53,853)	\$ 148,583	\$ 463,133
Plan fiduciary net position - beginning	3,344,026	3,397,879	3,249,296	2,786,163
Plan fiduciary net position - ending (b)	<u>\$ 3,657,379</u>	<u>\$ 3,344,026</u>	<u>\$ 3,397,879</u>	<u>\$ 3,249,296</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (330,388)	\$ 38,646	\$ (57,519)	\$ (86,073)
Plan fiduciary net position as a percentage of the total pension liability	109.93%	98.86%	101.72%	102.72%
Covered payroll	\$ 867,985	\$ 969,777	\$ 1,020,209	\$ 1,078,493
School Division's net pension liability (asset) as a percentage of covered payroll	-38.06%	3.99%	-5.64%	-7.98%

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

County of Sussex, Virginia
Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.09744%	0.10150%	0.09911%	0.10465%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 11,983,000	\$ 14,224,000	\$ 12,474,000	\$ 12,646,000
Employer's Covered Payroll	7,652,585	8,594,033	7,368,917	7,650,889
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.59%	165.51%	169.28%	165.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

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

County of Sussex, Virginia
Schedule of Employer Contributions - Pension Plans
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 426,734	\$ 426,734	\$ -	\$ 4,873,615	8.76%
2017	421,878	421,878	-	4,806,381	8.78%
2016	534,939	534,939	-	5,036,650	10.62%
2015	507,532	507,532	-	4,764,080	10.65%
2014	569,321	569,321	-	4,832,947	11.78%
2013	552,091	552,091	-	4,686,680	11.78%
2012	499,215	499,215	-	4,538,320	11.00%
2011	509,999	509,999	-	4,636,352	11.00%
2010	535,752	535,752	-	4,762,240	11.25%
2009	529,787	529,787	-	4,709,222	11.25%
Component Unit School Board (nonprofessional)					
2018	\$ 42,131	\$ 42,131	\$ -	\$ 910,707	4.63%
2017	41,054	41,054	-	867,985	4.73%
2016	73,024	75,486	(2,462)	969,777	7.78%
2015	76,822	80,878	(4,056)	1,020,209	7.93%
2014	101,378	101,378	-	1,078,493	9.40%
2013	104,658	104,658	-	1,113,386	9.40%
2012	81,926	81,926	-	1,043,648	7.85%
2011	81,505	81,505	-	1,038,274	7.85%
2010	75,120	75,120	-	1,116,193	6.73%
2009	81,438	81,438	-	1,210,071	6.73%
Component Unit School Board (professional)					
2018	\$ 1,269,250	\$ 1,269,250	\$ -	\$ 7,934,247	16.00%
2017	1,108,719	1,108,719	-	7,652,585	14.49%
2016	1,208,321	1,208,321	-	8,594,033	14.06%
2015	1,068,493	1,068,493	-	7,368,917	14.50%
2014	892,094	892,094	-	7,650,889	11.66%
2013	911,686	911,686	-	14,402,622	6.33%
2012	486,617	486,617	-	12,382,112	3.93%
2011	276,392	276,392	-	3,137,253	8.81%
2010	713,077	713,077	-	8,093,950	8.81%
2009	726,146	726,146	-	7,049,961	10.30%

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

County of Sussex, Virginia
Notes to Required Supplementary Information - Pension Plans
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Sussex, Virginia
Schedule of County's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.02613% \$	393,000 \$	4,819,215	8.15%	48.86%
Component Unit School Board (nonprofessional):					
2017	0.00471% \$	71,000 \$	867,985	8.18%	48.86%
Component Unit School Board (professional):					
2017	0.04156% \$	626,000 \$	7,665,191	8.17%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Sussex, Virginia
Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2018	\$ 25,343	\$ 25,343	\$ -	\$ 4,873,615	0.52%
2017	25,060	25,060	-	4,819,215	0.52%
2016	24,201	24,201	-	5,041,793	0.48%
2015	22,903	22,903	-	4,771,418	0.48%
2014	23,293	23,293	-	4,852,659	0.48%
2013	22,542	22,542	-	4,696,262	0.48%
2012	12,707	12,707	-	4,538,320	0.28%
2011	12,982	12,982	-	4,636,352	0.28%
2010	9,620	9,620	-	3,563,101	0.27%
2009	12,715	12,715	-	4,709,222	0.27%
Component Unit School Board (nonprofessional):					
2018	\$ 4,746	\$ 4,746	\$ -	\$ 912,613	0.52%
2017	4,514	4,514	-	867,985	0.52%
2016	4,704	4,704	-	980,058	0.48%
2015	4,897	4,897	-	1,020,209	0.48%
2014	5,193	5,193	-	1,081,809	0.48%
2013	5,344	5,344	-	1,113,386	0.48%
2012	2,922	2,922	-	1,043,648	0.28%
2011	2,907	2,907	-	1,038,274	0.28%
2010	2,220	2,220	-	822,242	0.27%
2009	3,267	3,267	-	1,210,071	0.27%
Component Unit School Board (professional):					
2018	\$ 41,136	\$ 41,136	\$ -	\$ 7,910,861	0.52%
2017	39,859	39,859	-	7,665,191	0.52%
2016	37,238	37,238	-	7,758,000	0.48%
2015	35,650	35,650	-	7,427,037	0.48%
2014	36,757	36,757	-	7,657,742	0.48%
2013	37,411	37,411	-	7,793,988	0.48%
2012	21,525	21,525	-	7,687,473	0.28%
2011	22,455	22,455	-	8,019,733	0.28%
2010	15,617	15,617	-	5,784,034	0.27%
2009	22,245	22,245	-	8,238,726	0.27%

County of Sussex, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

County of Sussex, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older
Withdrawal Rates	Adjusted termination rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

County of Sussex, Virginia
Schedule of School Board's Share of Net OPEB Liability
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2017	0.09702% \$	1,231,000 \$	7,656,638	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

County of Sussex, Virginia
 Schedule of Employer Contributions
 Teacher Health Insurance Credit Program (HIC)
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contributions in Relation to			Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	\$ 97,185	\$ 97,185	\$ -	\$ 7,901,203	1.23%
2017	84,989	84,989	-	7,656,638	1.11%
2016	82,031	82,031	-	7,738,790	1.06%
2015	78,111	78,111	-	7,368,915	1.06%
2014	84,950	84,950	-	7,653,156	1.11%
2013	86,306	86,306	-	7,775,357	1.11%
2012	46,125	46,125	-	7,687,473	0.60%
2011	48,210	48,210	-	8,035,017	0.60%
2010	60,154	60,154	-	5,784,034	1.04%
2009	95,548	95,548	-	8,847,072	1.08%

County of Sussex, Virginia
Notes to Required Supplementary Information
Teacher Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

County of Sussex, Virginia
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 17,000
Interest	9,000
Differences between expected and actual experience	(69,000)
Contributions - employer	(13,000)
Other changes	(12,000)
Net change in total OPEB liability	\$ (68,000)
Total OPEB liability - beginning	316,000
Total OPEB liability - ending	\$ <u>248,000</u>
 Covered employee payroll	 \$ 3,205,854
 County's total OPEB liability (asset) as a percentage of covered-employee payroll	 7.74%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Sussex, Virginia
 Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Year Ended June 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 62,000
Interest	32,000
Differences between expected and actual experience	(419,000)
Contributions - employer	(18,000)
Other changes	(37,000)
Net change in total OPEB liability	\$ (380,000)
Total OPEB liability - beginning	1,034,000
Total OPEB liability - ending	\$ <u><u>654,000</u></u>
 Covered employee payroll	 \$ 8,454,146
 School Board's total OPEB liability (asset) as a percentage of covered-employee payroll	 7.74%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

County of Sussex, Virginia
Notes to Required Supplementary Information - Primary Government OPEB
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% based on the Municipal GO AA 20-year yield curve rate as of June 30, 2017
Inflation	Not available
Healthcare Trend Rate	6.50% for fiscal year end 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017

County of Sussex, Virginia
Notes to Required Supplementary Information - Component Unit School Board OPEB
For the Year Ended June 30, 2018

Valuation Date: 7/1/2017
Measurement Date: 7/1/2017

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	3.56% based on the Municipal GO AA 20-year yield curve rate as of June 30, 2017
Inflation	Not available
Healthcare Trend Rate	6.50% for fiscal year end 2018, decreasing 0.50% per year to an ultimate rate of 5.00%
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES*

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County of Sussex, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 62,462	\$ 62,462
Miscellaneous	-	-	113,992	113,992
Intergovernmental:				
Commonwealth	-	-	252,547	252,547
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 429,001</u>	<u>\$ 429,001</u>
EXPENDITURES				
Current:				
Education	\$ 27,000	\$ 27,000	\$ 27,000	\$ -
Capital projects	627,170	2,704,819	1,764,164	940,655
Total expenditures	<u>\$ 654,170</u>	<u>\$ 2,731,819</u>	<u>\$ 1,791,164</u>	<u>\$ 940,655</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (654,170)</u>	<u>\$ (2,731,819)</u>	<u>\$ (1,362,163)</u>	<u>\$ 1,369,656</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 654,170	\$ 1,649,974	\$ 1,769,507	\$ 119,533
Total other financing sources (uses)	<u>\$ 654,170</u>	<u>\$ 1,649,974</u>	<u>\$ 1,769,507</u>	<u>\$ 119,533</u>
Net change in fund balances	\$ -	\$ (1,081,845)	\$ 407,344	\$ 1,489,189
Fund balances - beginning	-	1,081,845	6,236,818	5,154,973
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,644,162</u>	<u>\$ 6,644,162</u>

County of Sussex, Virginia
Nonmajor Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	County Special Revenue Fund				
	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
REVENUES					
Revenue from the use of money and property	\$ 25	\$ 25	\$ 89	\$	64
Charges for services	750	750	969		219
Intergovernmental:					
Commonwealth	10,000	1,110	1,110		-
Total revenues	\$ 10,775	\$ 1,885	\$ 2,168	\$	283
EXPENDITURES					
Current:					
Judicial administration	\$ 775	\$ 775	\$ 448	\$	327
Public safety	10,000	21,394	4,986		16,408
Total expenditures	\$ 10,775	\$ 22,169	\$ 5,434	\$	16,735
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (20,284)	\$ (3,266)	\$	17,018
Net change in fund balances	\$ -	\$ (20,284)	\$ (3,266)	\$	17,018
Fund balances - beginning	-	20,284	48,040		27,756
Fund balances - ending	\$ -	\$ -	\$ 44,774	\$	44,774

County of Sussex, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds				Private Purpose Trust Funds				
	Special Welfare	Sheriff Information	Canteen	Jail Inmate	Total	Robert Mitchell Scholarship	Rotary Scholarship	Richard Clements Moore III Scholarship	Millard Stith Family Scholarship
ASSETS									
Cash and cash equivalents	\$ 1,345	\$ 2,335	\$ 4,118	\$ 2,120	\$ 9,918	\$ 25,807	\$ 30,997	\$ 31,141	\$ 103,302
Receivables:									
Other receivables	378	-	-	-	378	-	-	-	-
Total assets	\$ 1,723	\$ 2,335	\$ 4,118	\$ 2,120	\$ 10,296	\$ 25,807	\$ 30,997	\$ 31,141	\$ 103,302
LIABILITIES									
Amounts held for social services clients	\$ 1,723	\$ -	\$ -	\$ -	\$ 1,723	\$ -	\$ -	\$ -	\$ -
Amounts held for others	-	2,335	-	-	2,335	-	-	-	-
Amounts held for inmates	-	-	4,118	2,120	6,238	-	-	-	-
Total liabilities	\$ 1,723	\$ 2,335	\$ 4,118	\$ 2,120	\$ 10,296	\$ -	\$ -	\$ -	\$ -
NET POSITION									
Amounts held in trust for scholarships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,807	\$ 30,997	\$ 31,141	\$ 103,302
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,807	\$ 30,997	\$ 31,141	\$ 103,302
Total liabilities and net position	\$ 1,723	\$ 2,335	\$ 4,118	\$ 2,120	\$ 10,296	\$ 25,807	\$ 30,997	\$ 31,141	\$ 103,302

County of Sussex, Virginia
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 1,564	\$ 9,002	\$ 9,221	\$ 1,345
Accounts receivable	-	378	-	378
Total assets	<u>\$ 1,564</u>	<u>\$ 9,380</u>	<u>\$ 9,221</u>	<u>\$ 1,723</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 1,564</u>	<u>\$ 9,380</u>	<u>\$ 9,221</u>	<u>\$ 1,723</u>
Sheriff Information:				
Assets:				
Cash and cash equivalents	<u>\$ 2,835</u>	<u>\$ 1,044</u>	<u>\$ 1,544</u>	<u>\$ 2,335</u>
Liabilities:				
Amounts held for others	<u>\$ 2,835</u>	<u>\$ 1,044</u>	<u>\$ 1,544</u>	<u>\$ 2,335</u>
Canteen:				
Assets:				
Cash and cash equivalents	<u>\$ 2,021</u>	<u>\$ 5,870</u>	<u>\$ 3,773</u>	<u>\$ 4,118</u>
Liabilities:				
Amounts held for inmates	<u>\$ 2,021</u>	<u>\$ 5,870</u>	<u>\$ 3,773</u>	<u>\$ 4,118</u>
Jail Inmate:				
Assets:				
Cash and cash equivalents	<u>\$ 6,521</u>	<u>\$ 47,890</u>	<u>\$ 52,291</u>	<u>\$ 2,120</u>
Liabilities:				
Amounts held for inmates	<u>\$ 6,521</u>	<u>\$ 47,890</u>	<u>\$ 52,291</u>	<u>\$ 2,120</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 12,941	\$ 63,806	\$ 66,829	\$ 9,918
Accounts receivable	-	378	-	378
Total assets	<u>\$ 12,941</u>	<u>\$ 64,184</u>	<u>\$ 66,829</u>	<u>\$ 10,296</u>
Liabilities:				
Amounts held for inmates	\$ 8,542	\$ 53,760	\$ 56,064	\$ 6,238
Amounts held for others	2,835	1,044	1,544	2,335
Amounts held for social services clients	1,564	9,380	9,221	1,723
Total liabilities	<u>\$ 12,941</u>	<u>\$ 64,184</u>	<u>\$ 66,829</u>	<u>\$ 10,296</u>

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Sussex, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating <u>Fund</u>	School Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,123,739	\$ 356,143	\$ 2,479,882
Receivables (net of allowance for uncollectibles):			
Accounts receivable	2,898	3,604	6,502
Due from other governmental units	416,210	29,480	445,690
Prepaid items	125,726	-	125,726
Total assets	<u>\$ 2,668,573</u>	<u>\$ 389,227</u>	<u>\$ 3,057,800</u>
LIABILITIES			
Accounts payable	\$ 122,363	\$ 6,182	\$ 128,545
Accrued liabilities	1,281,914	49,956	1,331,870
Due to other governmental units	1,138,570	-	1,138,570
Total liabilities	<u>\$ 2,542,847</u>	<u>\$ 56,138</u>	<u>\$ 2,598,985</u>
FUND BALANCES			
Nonspendable	\$ 125,726	\$ -	\$ 125,726
Committed:			
School cafeteria fund	-	16,338	16,338
School textbook fund	-	316,751	316,751
Total fund balances	<u>\$ 125,726</u>	<u>\$ 333,089</u>	<u>\$ 458,815</u>
Total liabilities and fund balances	<u>\$ 2,668,573</u>	<u>\$ 389,227</u>	<u>\$ 3,057,800</u>

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

Total fund balances per above	\$	458,815
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Capital assets, cost	\$ 30,026,616	
Accumulated depreciation	<u>(11,144,290)</u>	18,882,326

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Pension related items	\$ 1,689,381	
OPEB related items	<u>143,067</u>	1,832,448

The net pension asset is not an available resource and, therefore, is not reported in the funds.		330,388
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Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

VRS early retirement liability	\$ (581,214)	
Net OPEB liabilities	(2,582,000)	
Net pension liability	(11,983,000)	
Capital lease	(54,000)	
Compensated absences	<u>(383,961)</u>	(15,584,175)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (2,423,195)	
OPEB related items	<u>(546,000)</u>	(2,969,195)

Net position of governmental activities	\$	<u>2,950,607</u>
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County of Sussex, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 1,393	\$ 31	\$ 1,424
Charges for services	-	137,616	137,616
Miscellaneous	387,710	-	387,710
Intergovernmental:			
Local government	8,035,626	121,409	8,157,035
Commonwealth	7,943,115	88,822	8,031,937
Federal	1,295,607	731,426	2,027,033
Total revenues	<u>\$ 17,663,451</u>	<u>\$ 1,079,304</u>	<u>\$ 18,742,755</u>
EXPENDITURES			
Current:			
Education	\$ 17,591,725	\$ 928,060	\$ 18,519,785
Debt service:			
Principal retirement	73,360	-	73,360
Interest and other fiscal charges	52,366	-	52,366
Total expenditures	<u>\$ 17,717,451</u>	<u>\$ 928,060</u>	<u>\$ 18,645,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (54,000)</u>	<u>\$ 151,244</u>	<u>\$ 97,244</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital leases	\$ 54,000	\$ -	\$ 54,000
Total other financing sources (uses)	<u>\$ 54,000</u>	<u>\$ -</u>	<u>\$ 54,000</u>
Net change in fund balances	\$ -	\$ 151,244	\$ 151,244
Fund balances - beginning	125,726	181,845	307,571
Fund balances - ending	<u>\$ 125,726</u>	<u>\$ 333,089</u>	<u>\$ 458,815</u>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ 151,244
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.			
Jointly owned asset allocation		\$ 842,202	
Capital outlays		301,135	
Depreciation expense		<u>(830,234)</u>	313,103
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.			
VRS early retirement liability - principal payment		\$ 73,360	
Issuance of capital lease		<u>(54,000)</u>	19,360
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.			
Change in compensated absences		\$ 348,334	
Pension expense		731,698	
OPEB expense		<u>60,067</u>	1,140,099
Change in net position of governmental activities			<u><u>\$ 1,623,806</u></u>

County of Sussex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 1,393	\$ 393
Miscellaneous	405,500	405,500	387,710	(17,790)
Intergovernmental:				
Local government	7,982,191	7,982,191	8,035,626	53,435
Commonwealth	8,338,015	8,338,015	7,943,115	(394,900)
Federal	1,280,837	1,280,837	1,295,607	14,770
Total revenues	\$ 18,007,543	\$ 18,007,543	\$ 17,663,451	\$ (344,092)
EXPENDITURES				
Current:				
Education	\$ 17,881,817	\$ 17,881,817	\$ 17,591,725	\$ 290,092
Debt service:				
Principal retirement	73,360	73,360	73,360	-
Interest and other fiscal charges	52,366	52,366	52,366	-
Total expenditures	\$ 18,007,543	\$ 18,007,543	\$ 17,717,451	\$ 290,092
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (54,000)	\$ (54,000)
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ -	\$ -	\$ 54,000	\$ 54,000
Total other financing sources (uses)	\$ -	\$ -	\$ 54,000	\$ 54,000
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	125,726	125,726
Fund balances - ending	\$ -	\$ -	\$ 125,726	\$ 125,726

County of Sussex, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2018

	School Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 31	\$ 31
Charges for services	198,361	198,361	137,616	(60,745)
Intergovernmental:				
Local government	38,979	121,409	121,409	-
Commonwealth	86,668	86,668	88,822	2,154
Federal	637,750	689,470	731,426	41,956
Total revenues	<u>\$ 961,758</u>	<u>\$ 1,095,908</u>	<u>\$ 1,079,304</u>	<u>\$ (16,604)</u>
EXPENDITURES				
Current:				
Education	\$ 961,758	\$ 1,095,908	\$ 928,060	\$ 167,848
Total expenditures	<u>\$ 961,758</u>	<u>\$ 1,095,908</u>	<u>\$ 928,060</u>	<u>\$ 167,848</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 151,244	\$ 151,244
Net change in fund balances	\$ -	\$ -	\$ 151,244	\$ 151,244
Fund balances - beginning	-	-	181,845	181,845
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,089</u>	<u>\$ 333,089</u>

SUPPORTING SCHEDULES

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County of Sussex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,116,244	\$ 5,116,244	\$ 4,904,953	\$ (211,291)
Real and personal public service corporation taxes	719,151	719,151	754,404	35,253
Personal property taxes	2,519,976	2,519,976	2,601,043	81,067
Mobile home taxes	24,820	24,820	20,444	(4,376)
Machinery and tools taxes	1,119,383	1,119,383	1,082,947	(36,436)
Merchants capital taxes	75,000	75,000	68,304	(6,696)
Penalties	85,000	85,000	104,893	19,893
Interest	101,000	101,000	80,459	(20,541)
Total general property taxes	\$ 9,760,574	\$ 9,760,574	\$ 9,617,447	\$ (143,127)
Other local taxes:				
Local sales and use taxes	\$ 880,968	\$ 880,968	\$ 900,300	\$ 19,332
Consumers' utility taxes	95,000	95,000	98,546	3,546
Consumption tax	39,000	39,000	39,494	494
Business license taxes	40,630	40,630	38,809	(1,821)
Motor vehicle licenses	190,053	190,053	217,033	26,980
Bank stock taxes	3,500	3,500	-	(3,500)
Transient occupancy taxes	62,300	62,300	56,659	(5,641)
Total other local taxes	\$ 1,311,451	\$ 1,311,451	\$ 1,350,841	\$ 39,390
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 6,193	\$ (807)
Transfer fees	350	350	407	57
Permits and other licenses	77,210	77,210	68,498	(8,712)
Total permits, privilege fees, and regulatory licenses	\$ 84,560	\$ 84,560	\$ 75,098	\$ (9,462)
Fines and forfeitures:				
Court fines and forfeitures	\$ 871,500	\$ 871,500	\$ 1,131,786	\$ 260,286
Total fines and forfeitures	\$ 871,500	\$ 871,500	\$ 1,131,786	\$ 260,286
Revenue from use of money and property:				
Revenue from use of money	\$ 15,050	\$ 15,050	\$ 61,249	\$ 46,199
Revenue from use of property	101,000	101,000	77,946	(23,054)
Total revenue from use of money and property	\$ 116,050	\$ 116,050	\$ 139,195	\$ 23,145
Charges for services:				
Sheriff fees	\$ 665	\$ 665	\$ 665	\$ -
Charges for court costs	2,850	2,850	2,326	(524)
Charges for Commonwealth's Attorney	1,650	1,650	1,899	249
Courthouse security fees	160,000	160,000	148,660	(11,340)
Charges for courthouse maintenance fees	35,000	35,000	27,661	(7,339)
Charges for correction and detention	3,800	3,800	3,819	19
Charges for other protection	1,600	1,600	4,641	3,041
Charges for sanitation and waste removal:				
Tipping fees	5,075,000	5,075,000	5,497,539	422,539
Quality control fees	225,000	225,000	150,000	(75,000)

County of Sussex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for community development	\$ 25,000	\$ 25,000	\$ 10,163	\$ (14,837)
Other charges for services	3,000	3,000	3,937	937
Total charges for services	\$ 5,533,565	\$ 5,533,565	\$ 5,851,310	\$ 317,745
Miscellaneous:				
Miscellaneous	\$ 178,438	\$ 346,453	\$ 301,844	\$ (44,609)
Recovered costs:				
Wakefield sheriff patrol	\$ 68,000	\$ 68,000	\$ 52,270	\$ (15,730)
Jurors	4,000	4,000	3,764	(236)
Jail clean up	19,500	19,500	16,643	(2,857)
Clerk of the circuit court	1,000	1,000	1,155	155
Indoor plumbing	3,725	3,725	2,604	(1,121)
CDBG housing loan payments	4,350	4,350	1,937	(2,413)
VHDA	83,202	83,202	82,854	(348)
Trash collections - school board	50,000	50,000	-	(50,000)
Waverly rescue	121,933	121,933	121,933	-
Other recovered costs	-	1,586	10,909	9,323
Total recovered costs	\$ 355,710	\$ 357,296	\$ 294,069	\$ (63,227)
Total revenue from local sources	\$ 18,211,848	\$ 18,381,449	\$ 18,761,590	\$ 380,141
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 90,000	\$ 90,000	\$ 3,993	\$ (86,007)
Mobile home titling tax	10,000	10,000	8,841	(1,159)
Taxes on deeds	65,000	65,000	63,237	(1,763)
Motor vehicle rental tax	-	-	16	16
Payment in lieu of taxes-prison	45,000	45,000	41,187	(3,813)
State recordation tax	17,046	17,046	14,742	(2,304)
Personal property tax relief funds	1,093,152	1,093,152	1,093,152	-
Communication taxes	180,000	180,000	160,262	(19,738)
Total noncategorical aid	\$ 1,500,198	\$ 1,500,198	\$ 1,385,430	\$ (114,768)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 242,261	\$ 243,268	\$ 244,823	\$ 1,555
Sheriff	1,337,521	1,346,955	1,341,970	(4,985)
Commissioner of revenue	75,065	75,065	75,575	510
Treasurer	86,790	86,790	87,120	330
Registrar/electoral board	38,633	38,633	37,399	(1,234)
Clerk of circuit court	192,186	192,186	207,475	15,289
Local jails	100,000	100,000	100,708	708
Total shared expenses	\$ 2,072,456	\$ 2,082,897	\$ 2,095,070	\$ 12,173

County of Sussex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 362,891	\$ 362,891	\$ 463,488	\$ 100,597
Fire programs fund	25,000	25,000	29,463	4,463
Litter control	2,981	2,981	2,546	(435)
Comprehensive services act	551,942	551,942	282,898	(269,044)
Emergency medical services	9,900	9,900	-	(9,900)
Wireless funds	100,000	100,000	83,113	(16,887)
Art grant	5,000	5,000	-	(5,000)
Victim-witness grant	19,506	19,506	19,506	-
Animal friendly plates	160	160	214	54
Timber sale	40,000	40,000	-	(40,000)
PSAP grant	-	-	2,000	2,000
School resource officer	32,075	32,075	32,595	520
Other state grants	32,582	34,434	16,198	(18,236)
Total other categorical aid	<u>\$ 1,182,037</u>	<u>\$ 1,183,889</u>	<u>\$ 932,021</u>	<u>\$ (251,868)</u>
Total categorical aid	<u>\$ 3,254,493</u>	<u>\$ 3,266,786</u>	<u>\$ 3,027,091</u>	<u>\$ (239,695)</u>
Total revenue from the Commonwealth	<u>\$ 4,754,691</u>	<u>\$ 4,766,984</u>	<u>\$ 4,412,521</u>	<u>\$ (354,463)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,290,146	\$ 1,290,146	\$ 1,005,757	\$ (284,389)
Community development block grant	-	-	1,200	1,200
Victim-witness grant	58,519	58,519	58,519	-
Highway safety grant	-	-	12,627	12,627
DHCD grant	-	-	24,570	24,570
Total categorical aid	<u>\$ 1,348,665</u>	<u>\$ 1,348,665</u>	<u>\$ 1,102,673</u>	<u>\$ (245,992)</u>
Total revenue from the federal government	<u>\$ 1,348,665</u>	<u>\$ 1,348,665</u>	<u>\$ 1,102,673</u>	<u>\$ (245,992)</u>
Total General Fund	<u>\$ 24,315,204</u>	<u>\$ 24,497,098</u>	<u>\$ 24,276,784</u>	<u>\$ (220,314)</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25	\$ 25	\$ 89	\$ 64
Total revenue from use of money and property	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 89</u>	<u>\$ 64</u>
Charges for services:				
Law library fees	\$ 750	\$ 750	\$ 969	\$ 219
Total charges for services	<u>\$ 750</u>	<u>\$ 750</u>	<u>\$ 969</u>	<u>\$ 219</u>
Total revenue from local sources	<u>\$ 775</u>	<u>\$ 775</u>	<u>\$ 1,058</u>	<u>\$ 283</u>

County of Sussex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ 10,000	\$ 1,110	\$ 1,110	\$ -
Total revenue from the Commonwealth	\$ 10,000	\$ 1,110	\$ 1,110	\$ -
Total County Special Revenue Fund	\$ 10,775	\$ 1,885	\$ 2,168	\$ 283
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 62,462	\$ 62,462
Miscellaneous:				
Sale of timber	\$ -	\$ -	\$ 113,992	\$ 113,992
Total revenue from local sources	\$ -	\$ -	\$ 176,454	\$ 176,454
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grants	\$ -	\$ -	\$ 252,547	\$ 252,547
Total revenue from the Commonwealth	\$ -	\$ -	\$ 252,547	\$ 252,547
Total County Capital Projects Fund	\$ -	\$ -	\$ 429,001	\$ 429,001
Total Primary Government	\$ 24,325,979	\$ 24,498,983	\$ 24,707,953	\$ 208,970
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,000	\$ 1,000	\$ 1,393	\$ 393
Total revenue from use of money and property	\$ 1,000	\$ 1,000	\$ 1,393	\$ 393
Miscellaneous:				
Miscellaneous	\$ 405,500	\$ 405,500	\$ 387,710	\$ (17,790)
Total miscellaneous	\$ 405,500	\$ 405,500	\$ 387,710	\$ (17,790)
Total revenue from local sources	\$ 406,500	\$ 406,500	\$ 389,103	\$ (17,397)

County of Sussex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 7,982,191	\$ 7,982,191	\$ 8,035,626	\$ 53,435
Total revenues from local governments	\$ 7,982,191	\$ 7,982,191	\$ 8,035,626	\$ 53,435
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,375,460	\$ 1,375,460	\$ 1,299,850	\$ (75,610)
Basic school aid	3,543,129	3,543,129	3,512,510	(30,619)
Remedial summer education	66,627	66,627	54,543	(12,084)
Regular foster care	-	-	7,360	7,360
Gifted and talented	32,582	32,582	32,565	(17)
Remedial education	250,017	250,017	249,884	(133)
Special education	559,878	559,878	559,581	(297)
GED funding	7,859	7,859	8,294	435
Compensation supplement	37,243	37,243	37,224	(19)
Vocational education	164,905	164,905	164,817	(88)
School fringes	754,040	754,040	753,640	(400)
Mentor teacher program	632	632	1,655	1,023
Early reading intervention	27,672	27,672	34,057	6,385
English as a second language	8,544	8,544	8,544	-
Special education - foster children	68,620	68,620	46,691	(21,929)
At risk payments	423,368	423,368	448,840	25,472
Standards of Learning algebra readiness	27,928	27,928	23,671	(4,257)
Primary class size	385,178	385,178	373,433	(11,745)
Educational technology	164,800	164,800	73,459	(91,341)
Homebound	-	-	9,133	9,133
Project graduation	3,381	3,381	-	(3,381)
Other state funds	436,152	436,152	243,364	(192,788)
Total categorical aid	\$ 8,338,015	\$ 8,338,015	\$ 7,943,115	\$ (394,900)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 445,931	\$ 445,931	\$ 466,099	\$ 20,168
Title VI-B, special education flow-through	300,704	300,704	276,333	(24,371)
Vocational education	28,125	28,125	10,934	(17,191)
Title VI-B, special education pre-school	8,842	8,842	11,274	2,432
Title V	-	-	494	494
Rural education	20,708	20,708	30,869	10,161
Title II Part A	86,638	86,638	62,525	(24,113)
Gear up	21,500	21,500	53,623	32,123
JROTC	56,000	56,000	72,952	16,952
Preschool expansion	311,189	311,189	310,504	(685)
Other federal funds	1,200	1,200	-	(1,200)
Total categorical aid	\$ 1,280,837	\$ 1,280,837	\$ 1,295,607	\$ 14,770
Total School Operating Fund	\$ 18,007,543	\$ 18,007,543	\$ 17,663,451	\$ (344,092)

County of Sussex, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 31	\$ 31
Total revenue from use of money and property	\$ -	\$ -	\$ 31	\$ 31
Charges for services:				
Cafeteria sales	\$ 198,361	\$ 198,361	\$ 137,616	\$ (60,745)
Total charges for services	\$ 198,361	\$ 198,361	\$ 137,616	\$ (60,745)
Total revenue from local sources	\$ 198,361	\$ 198,361	\$ 137,647	\$ (60,714)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 38,979	\$ 121,409	\$ 121,409	\$ -
Total revenues from local governments	\$ 38,979	\$ 121,409	\$ 121,409	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 13,671	\$ 13,671	\$ 15,864	\$ 2,193
Textbook payment	72,997	72,997	72,958	(39)
Total categorical aid	\$ 86,668	\$ 86,668	\$ 88,822	\$ 2,154
Total revenue from the Commonwealth	\$ 86,668	\$ 86,668	\$ 88,822	\$ 2,154
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 608,500	\$ 608,500	\$ 650,155	\$ 41,655
Commodities	-	51,720	51,720	-
Summer feeding	29,250	29,250	29,551	301
Total categorical aid	\$ 637,750	\$ 689,470	\$ 731,426	\$ 41,956
Total revenue from the federal government	\$ 637,750	\$ 689,470	\$ 731,426	\$ 41,956
Total School Special Revenue Fund	\$ 961,758	\$ 1,095,908	\$ 1,079,304	\$ (16,604)
Total Discretely Presented Component Unit - School Board	\$ 18,969,301	\$ 19,103,451	\$ 18,742,755	\$ (360,696)

County of Sussex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 148,242	\$ 148,402	\$ 122,844	\$ 25,558
General and financial administration:				
County administrator	\$ 771,473	\$ 826,473	\$ 674,502	\$ 151,971
Legal services	75,000	75,609	128,323	(52,714)
Commissioner of revenue	238,347	238,697	229,859	8,838
Treasurer	400,777	400,877	400,303	574
Central accounting	35,321	35,321	39,007	(3,686)
Reassessment	-	107,007	109,402	(2,395)
Other general and financial administration	111,168	102,667	4,482	98,185
Total general and financial administration	\$ 1,632,086	\$ 1,786,651	\$ 1,585,878	\$ 200,773
Board of elections:				
Electoral board and officials	\$ 178,121	\$ 178,121	\$ 166,419	\$ 11,702
Total general government administration	\$ 1,958,449	\$ 2,113,174	\$ 1,875,141	\$ 238,033
Judicial administration:				
Courts:				
Circuit court	\$ 35,190	\$ 35,190	\$ 32,002	\$ 3,188
General district court	36,016	36,016	21,991	14,025
Special magistrates	7,500	7,500	8,141	(641)
Juvenile and domestic relations court	12,262	12,262	12,262	-
Sheriff	215,051	215,051	182,557	32,494
Victim witness	75,223	78,025	77,917	108
Clerk of the circuit court	378,061	378,061	360,013	18,048
Total courts	\$ 759,303	\$ 762,105	\$ 694,883	\$ 67,222
Commonwealth's attorney:				
Commonwealth's attorney	\$ 435,188	\$ 436,195	\$ 423,693	\$ 12,502
Total commonwealth's attorney	\$ 435,188	\$ 436,195	\$ 423,693	\$ 12,502
Total judicial administration	\$ 1,194,491	\$ 1,198,300	\$ 1,118,576	\$ 79,724
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,849,791	\$ 1,906,931	\$ 1,698,181	\$ 208,750
School resource officer grant	113,795	113,795	113,237	558
911 services	160,552	188,726	172,094	16,632
Wakefield operations	52,193	54,863	44,527	10,336
Total law enforcement and traffic control	\$ 2,176,331	\$ 2,264,315	\$ 2,028,039	\$ 236,276
Fire and rescue services:				
Fire department	\$ 240,004	\$ 247,868	\$ 148,201	\$ 99,667
Ambulance and rescue services	1,037,511	1,037,511	865,041	172,470
Forest fire extinction services	24,000	24,000	23,837	163
Emergency services	226,229	226,229	219,043	7,186
Total fire and rescue services	\$ 1,527,744	\$ 1,535,608	\$ 1,256,122	\$ 279,486

County of Sussex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Confinement and care of prisoners	\$ 1,640,831	\$ 1,669,835	\$ 1,607,246	\$ 62,589
Crater youth care commission	114,743	114,743	113,564	1,179
Total correction and detention	<u>\$ 1,755,574</u>	<u>\$ 1,784,578</u>	<u>\$ 1,720,810</u>	<u>\$ 63,768</u>
Inspections:				
Building	\$ 216,288	\$ 216,288	\$ 188,945	\$ 27,343
Total inspections	<u>\$ 216,288</u>	<u>\$ 216,288</u>	<u>\$ 188,945</u>	<u>\$ 27,343</u>
Other protection:				
Animal control	\$ 202,491	\$ 202,491	\$ 241,015	\$ (38,524)
Total other protection	<u>\$ 202,491</u>	<u>\$ 202,491</u>	<u>\$ 241,015</u>	<u>\$ (38,524)</u>
Total public safety	<u>\$ 5,878,428</u>	<u>\$ 6,003,280</u>	<u>\$ 5,434,931</u>	<u>\$ 568,349</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 138,300	\$ 138,300	\$ 88,617	\$ 49,683
Total sanitation and waste removal	<u>\$ 138,300</u>	<u>\$ 138,300</u>	<u>\$ 88,617</u>	<u>\$ 49,683</u>
Maintenance of general buildings and grounds:				
General properties	\$ 522,383	\$ 522,383	\$ 532,070	\$ (9,687)
General works	75,000	75,000	77,384	(2,384)
Total maintenance of general buildings and grounds	<u>\$ 597,383</u>	<u>\$ 597,383</u>	<u>\$ 609,454</u>	<u>\$ (12,071)</u>
Total public works	<u>\$ 735,683</u>	<u>\$ 735,683</u>	<u>\$ 698,071</u>	<u>\$ 37,612</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 198,317	\$ 198,317	\$ 198,317	\$ -
Total health	<u>\$ 198,317</u>	<u>\$ 198,317</u>	<u>\$ 198,317</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 64,499	\$ 64,499	\$ 64,499	\$ -
Total mental health and mental retardation	<u>\$ 64,499</u>	<u>\$ 64,499</u>	<u>\$ 64,499</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,978,561	\$ 1,978,561	\$ 1,754,288	\$ 224,273
Area agency on aging	7,060	7,060	7,060	-
Other social services	66,982	66,982	68,482	(1,500)
Comprehensive services act	725,000	725,000	425,736	299,264
Total welfare	<u>\$ 2,777,603</u>	<u>\$ 2,777,603</u>	<u>\$ 2,255,566</u>	<u>\$ 522,037</u>
Total health and welfare	<u>\$ 3,040,419</u>	<u>\$ 3,040,419</u>	<u>\$ 2,518,382</u>	<u>\$ 522,037</u>

County of Sussex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 7,516	\$ 7,516	\$ 7,516	\$ -
Contribution to County School Board	7,994,170	8,076,600	8,130,035	(53,435)
Total education	<u>\$ 8,001,686</u>	<u>\$ 8,084,116</u>	<u>\$ 8,137,551</u>	<u>\$ (53,435)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 26,000	\$ 26,000	\$ 26,000	\$ -
Total parks and recreation	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ -</u>
Cultural enrichment:				
Wakefield foundation	\$ 11,500	\$ 11,500	\$ 11,500	\$ -
Carpenter museum	3,500	3,500	3,500	-
Total cultural enrichment	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 154,985	\$ 154,985	\$ 154,985	\$ -
Total library	<u>\$ 154,985</u>	<u>\$ 154,985</u>	<u>\$ 154,985</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 195,985</u>	<u>\$ 195,985</u>	<u>\$ 195,985</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 244,326	\$ 244,326	\$ 228,981	\$ 15,345
Planning district commission	9,790	9,790	9,790	-
Indoor plumbing	3,750	3,750	1,165	2,585
Housing assistance and other	171,948	174,294	167,142	7,152
Total planning and community development	<u>\$ 429,814</u>	<u>\$ 432,160</u>	<u>\$ 407,078</u>	<u>\$ 25,082</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 3,701	\$ 3,701	\$ 3,701	\$ -
Environmental inspection	227,670	377,670	288,333	89,337
Other environmental management	13,615	13,615	13,615	-
Total environmental management	<u>\$ 244,986</u>	<u>\$ 394,986</u>	<u>\$ 305,649</u>	<u>\$ 89,337</u>
Cooperative extension program:				
Extension office	\$ 70,768	\$ 70,768	\$ 34,814	\$ 35,954
Total cooperative extension program	<u>\$ 70,768</u>	<u>\$ 70,768</u>	<u>\$ 34,814</u>	<u>\$ 35,954</u>
Total community development	<u>\$ 745,568</u>	<u>\$ 897,914</u>	<u>\$ 747,541</u>	<u>\$ 150,373</u>
Debt service:				
Principal retirement	\$ 1,311,397	\$ 1,311,397	\$ 1,311,397	\$ -
Interest and other fiscal charges	685,484	685,484	425,797	259,687
Total debt service	<u>\$ 1,996,881</u>	<u>\$ 1,996,881</u>	<u>\$ 1,737,194</u>	<u>\$ 259,687</u>
Total General Fund	<u>\$ 23,747,590</u>	<u>\$ 24,265,752</u>	<u>\$ 22,463,372</u>	<u>\$ 1,802,380</u>

County of Sussex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial administration:				
Courts:				
Law library	\$ 775	\$ 775	\$ 448	\$ 327
Total judicial administration	\$ 775	\$ 775	\$ 448	\$ 327
Public Safety:				
Other Protection:				
Forfeited assets	\$ 10,000	\$ 21,394	\$ 4,986	\$ 16,408
Total other protection	\$ 10,000	\$ 21,394	\$ 4,986	\$ 16,408
Total public safety	\$ 10,000	\$ 21,394	\$ 4,986	\$ 16,408
Total County Special Revenue Fund	\$ 10,775	\$ 22,169	\$ 5,434	\$ 16,735
County Capital Projects Fund:				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 27,000	\$ 27,000	\$ 27,000	\$ -
Capital projects:				
Capital projects	\$ 133,000	\$ 2,151,149	\$ 1,484,492	\$ 666,657
CAD system replacement	169,000	169,000	-	169,000
AS400 server	47,670	47,670	46,818	852
Voting machine replacement	44,000	103,500	103,500	-
Vehicle replacement	233,500	233,500	129,354	104,146
Total capital projects	\$ 627,170	\$ 2,704,819	\$ 1,764,164	\$ 940,655
Total County Capital Projects Fund	\$ 654,170	\$ 2,731,819	\$ 1,791,164	\$ 940,655
Total Primary Government	\$ 24,412,535	\$ 27,019,740	\$ 24,259,970	\$ 2,759,770
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 1,142,666	\$ 1,142,666	\$ 1,185,875	\$ (43,209)
Instruction costs	13,246,712	13,246,712	12,557,706	689,006
Pupil transportation	1,544,229	1,544,229	1,946,284	(402,055)
Operation and maintenance of school plant	1,948,210	1,948,210	1,901,860	46,350
Total education	\$ 17,881,817	\$ 17,881,817	\$ 17,591,725	\$ 290,092
Debt service:				
Principal retirement	\$ 73,360	\$ 73,360	\$ 73,360	\$ -
Interest and other fiscal charges	52,366	52,366	52,366	-
Total debt service	\$ 125,726	\$ 125,726	\$ 125,726	\$ -
Total School Operating Fund	\$ 18,007,543	\$ 18,007,543	\$ 17,717,451	\$ 290,092

County of Sussex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Education:				
Textbooks	\$ 111,976	\$ 194,406	\$ 45,229	\$ 149,177
Commodities	-	51,720	51,720	-
School food services	849,782	849,782	831,111	18,671
	<hr/>			
Total School Special Revenue Fund	\$ 961,758	\$ 1,095,908	\$ 928,060	\$ 167,848
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Total Discretely Presented Component Unit - School Board	\$ 18,969,301	\$ 19,103,451	\$ 18,645,511	\$ 457,940
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STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government			Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural		Community Development	Interest on Long- Term Debt	
	Administration	Judicial Administration										
2009	\$ 1,750,158	\$ 1,173,501	\$ 5,558,789	\$ 744,007	\$ 3,502,184	\$ 9,330,399	\$ 211,185	\$ 662,735	\$ 592,492	\$ 23,525,450		
2010	1,790,384	1,117,542	5,032,632	802,875	3,296,600	8,154,852	210,076	397,609	481,963	21,284,533		
2011	1,625,465	1,091,275	5,076,704	718,552	3,164,197	9,530,650	196,825	734,337	591,427	22,729,432		
2012	1,723,664	1,125,133	5,211,151	745,138	2,973,785	7,668,587	200,550	1,400,525	440,982	21,489,515		
2013	1,520,058	1,317,423	5,211,763	767,515	3,006,195	14,827,622	197,755	1,297,885	601,442	28,747,658		
2014	1,819,420	1,183,650	5,209,793	742,468	3,281,566	10,770,100	194,874	624,780	580,008	24,406,659		
2015	1,627,776	1,233,272	5,360,555	671,447	2,859,243	9,310,556	203,681	450,369	518,091	22,234,990		
2016	1,726,683	1,260,283	5,421,684	604,641	2,725,050	9,298,007	205,265	497,810	475,246	22,214,669		
2017	1,737,275	1,227,671	5,724,666	888,813	2,689,103	8,803,468	192,008	618,068	419,635	22,300,707		
2018	1,761,192	1,152,195	5,637,175	2,120,718	1,560,566	9,510,497	201,682	419,248	363,895	22,727,168		

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2009	\$ 7,811,169	\$ 4,826,716	\$ 295,634	\$	\$ 7,763,119	\$ 1,103,140	\$ 646,208	\$ 156,820	\$ 1,684,464	\$ 24,287,270
2010	7,079,380	4,581,112	3,000		7,641,415	962,731	525,710	170,722	1,780,590	22,744,660
2011	8,012,050	4,544,066	5,896		7,321,690	981,129	342,043	113,224	2,064,221	23,384,319
2012	6,969,432	4,459,264	755,500		7,370,633	1,071,020	233,729	114,766	1,476,144	22,450,488
2013	6,764,345	4,553,833	4,537,507		8,574,854	1,074,162	162,130	104,229	1,394,567	27,165,627
2014	5,887,063	5,024,468	3,044,363		8,871,846	1,089,346	140,981	180,495	1,492,747	25,731,309
2015	6,337,137	4,344,775	1,620,358		8,976,562	1,192,279	133,395	244,452	1,423,849	24,272,807
2016	5,681,358	4,544,316	349,739		9,099,418	1,288,235	149,162	311,388	1,561,134	22,984,750
2017	6,396,100	4,235,151	373,572		9,312,679	1,316,588	156,837	150,110	1,499,351	23,440,388
2018	7,059,163	4,130,874	252,547		9,642,575	1,350,841	201,746	415,836	1,385,430	24,439,012

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2009	\$ 1,698,539	\$ 1,082,816	\$ 5,452,393	\$ 858,840	\$ 3,470,196	\$ 19,799,492	\$ 205,488	\$ 722,862	\$ 1,820,159	\$ 35,110,785
2010	1,688,106	1,028,983	5,153,230	759,403	3,264,016	18,597,272	204,378	731,514	1,781,565	33,208,467
2011	1,659,008	998,081	5,065,100	828,833	3,127,541	18,587,853	191,127	760,375	1,742,510	32,960,428
2012	1,652,293	1,032,403	5,087,886	858,074	2,937,477	18,311,915	194,852	766,673	1,714,529	32,556,102
2013	1,460,320	1,050,051	4,878,914	847,909	2,975,556	18,204,951	192,057	817,889	1,902,911	32,330,558
2014	1,718,461	1,102,682	5,034,438	833,719	3,271,067	18,616,141	189,176	702,936	2,156,335	33,624,955
2015	1,596,323	1,088,057	5,356,646	769,943	2,932,392	17,610,724	197,983	622,978	2,155,589	32,330,635
2016	1,651,120	1,146,759	5,313,383	712,289	2,781,880	17,552,893	199,567	606,219	2,070,287	32,034,397
2017	1,739,744	1,154,264	5,549,297	781,823	2,664,504	18,234,257	186,310	708,609	1,893,889	32,912,697
2018	1,875,141	1,119,024	5,439,917	698,071	2,518,382	18,500,301	195,985	747,541	1,862,920	32,957,282

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

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

(3) Excludes Capital Projects funds, with the exception of debt service.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
2009	\$ 7,720,656	\$ 1,103,140	\$ 80,226	\$ 440,304	\$ 363,764	\$ 7,581,842	\$ 394,319	\$ 505,592	\$ 17,876,069	\$ 36,065,912
2010	7,534,857	962,731	96,985	467,053	367,802	6,803,999	325,731	435,143	17,564,069	34,558,370
2011	7,321,027	981,129	79,127	976,889	169,375	7,236,490	214,365	420,352	16,452,862	33,851,616
2012	7,685,234	1,071,020	129,359	695,809	160,564	6,423,415	312,664	286,039	16,940,871	33,704,975
2013	8,428,982	1,074,162	77,524	643,294	113,758	6,320,215	251,789	257,135	16,479,857	33,646,716
2014	8,713,866	1,089,346	56,176	637,934	80,511	5,442,342	293,832	245,439	16,480,773	33,040,219
2015	9,297,759	1,192,279	69,190	796,132	91,784	5,651,985	493,709	432,205	15,162,396	33,187,439
2016	8,973,765	1,288,235	89,085	761,045	106,533	5,006,192	533,155	364,728	15,406,169	32,528,907
2017	9,257,445	1,316,588	83,095	1,113,847	101,530	5,356,023	602,240	207,470	15,965,128	34,003,366
2018	9,617,447	1,350,841	75,098	1,131,786	140,708	5,989,895	689,554	294,069	15,575,274	34,864,672

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009	\$ 8,793,146	\$ 8,579,157	97.57%	\$ 108,021	\$ 8,687,178	98.79%	\$ 292,461	3.33%
2010	8,546,817	8,299,271	97.10%	143,369	8,442,640	98.78%	345,257	4.04%
2011	8,667,073	8,268,631	95.40%	206,044	8,474,675	97.78%	545,014	6.29%
2012	8,536,012	8,481,243	99.36%	233,737	8,714,980	102.10%	318,841	3.74%
2013	9,458,698	9,210,290	97.37%	115,340	9,325,630	98.59%	376,015	3.98%
2014	9,891,716	9,689,394	97.95%	211,197	9,900,591	100.09%	576,583	5.83%
2015	10,070,536	9,877,423	98.08%	460,707	10,338,130	102.66%	320,414	3.18%
2016	10,072,275	9,740,166	96.70%	205,445	9,945,611	98.74%	420,847	4.18%
2017	10,280,713	10,018,934	97.45%	142,486	10,161,420	98.84%	539,381	5.25%
2018	10,521,583	10,329,351	98.17%	195,894	10,525,245	100.03%	578,787	5.50%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchants Capital	Public Service(2)			Total
					Real Estate	Personal Property		
2009	\$ 783,848,824	\$ 70,531,248	\$ 21,577,440	\$ 8,979,150	\$ 51,887,667	\$ 674,605	\$	937,498,934
2010	794,375,037	66,931,158	36,921,353	9,922,430	53,795,463	701,673		962,647,114
2011	790,662,282	68,294,266	39,352,829	7,691,275	51,832,467	664,445		958,497,564
2012	779,605,930	68,133,788	35,320,163	9,041,663	63,107,718	727,459		955,936,721
2013	875,389,910	62,540,742	47,377,210	13,728,234	99,366,077	730,786		1,099,132,959
2014	862,116,308	69,889,855	51,669,805	17,213,368	101,233,977	765,005		1,102,888,318
2015	864,288,995	71,400,542	57,374,335	15,503,834	96,540,341	844,766		1,105,952,813
2016	859,623,290	75,590,773	52,706,861	8,009,419	109,399,038	1,100,689		1,106,430,070
2017	848,259,629	75,987,958	47,854,245	7,382,323	115,022,027	1,072,643		1,095,578,825
2018	848,394,808	79,399,378	45,296,458	6,862,587	120,591,096	1,132,597		1,101,676,924

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

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

Table 7

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

Calendar Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools	Merchants Capital
2008	\$ 0.54	\$ 0.54	\$ 4.85	\$ 4.85	\$ 1.00
2009	0.54	0.54	4.85	2.43	1.00
2010 (2)	0.54	0.54	4.85	2.43	1.00
2011	0.54	0.54	4.85	2.43	1.00
2012	0.54	0.54	4.85	2.43	1.00
2013	0.54	0.54	4.85	2.43	1.00
2014	0.54	0.54	4.85	2.43	1.00
2015	0.54	0.54	4.85	2.43	1.00
2016	0.58	0.58	4.85	2.43	1.00
2017	0.58	0.58	4.85	2.43	1.00

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities			
2009	12,504	\$ 937,498,934	\$ 20,155,424	\$ 404,794	-	\$ 19,750,630	2.11%	\$ 1,580
2010	12,087	962,647,114	19,074,027	584,066	-	18,489,961	1.92%	1,530
2011	12,087	958,497,564	17,992,630	767,672	-	17,224,958	1.80%	1,425
2012	12,087	955,936,721	22,162,207	955,718	-	21,206,489	2.22%	1,754
2013	12,087	1,099,132,959	21,046,261	1,150,608	-	19,895,653	1.81%	1,646
2014	12,087	1,102,888,318	19,700,315	1,348,239	-	18,352,076	1.66%	1,518
2015	12,087	1,105,952,813	18,354,370	1,550,661	-	16,803,709	1.52%	1,390
2016	12,087	1,106,430,070	17,008,425	1,757,978	-	15,250,447	1.38%	1,262
2017	12,087	1,095,578,825	15,662,479	1,970,750	-	13,691,729	1.25%	1,133
2018	12,087	1,101,676,924	14,316,533	2,187,916	-	12,128,617	1.10%	1,003

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

(2) From Table 6.

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

COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County of Sussex, Virginia's basic financial statements and have issued our report thereon dated March 19, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Robinson, Farmer, Cox Associates".

Richmond, Virginia
March 19, 2019

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Sussex, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Sussex, Virginia's major federal programs for the year ended June 30, 2018. County of Sussex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Sussex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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



Richmond, Virginia
March 19, 2019

County of Sussex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass-Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950117/0950118	\$ 12,856
Temporary Assistance for Needy Families	93.558	0400117/0400118	195,156
Refugee and Entrant Assistance - State Administered Programs	93.566	0500117/0500118	293
Low Income Home Energy Assistance	93.568	0600417/0600418	26,710
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760117/0760118	31,132
Chafee education and training vouchers program (ETV)	93.599	9160117/9160118	886
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900117/0900118	657
Foster Care - Title IV-E	93.658	1100117/1100118	102,639
Adoption Assistance	93.659	1120117/1120118	30,624
Social Services Block Grant	93.667	1000117/1000118	140,032
Chafee Foster Care Independence Program	93.674	9150117/9150118	1,195
Children's Health Insurance Program	93.767	0540117/0540118	8,667
Medical Assistance Program	93.778	1200117/1200118	<u>228,542</u>
Total Department of Health and Human Services			<u>\$ 779,389</u>
Department of Agriculture:			
Pass-Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.559	17901	\$ 1,179
Department of Health:			
Summer Food Service Program for Children	10.559	17901	29,551
			<u>\$ 30,730</u>
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 50,541
Department of Education:			
National School Lunch Program	10.555	17901-40623	418,319
			<u>\$ 468,860</u>
School Breakfast Program	10.553	17901-40591	<u>200,181</u> \$ 699,771
Department of Education:			
Fresh Fruit and Vegetable Program	10.582	17901-40599	31,655

County of Sussex, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass-Through Payments: (Continued)			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010116/0010117	\$ 226,368
Total Department of Agriculture			\$ 957,794
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	390001-10220	\$ 58,519
Total Department of Justice			\$ 58,519
Department of Transportation:			
Pass-Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-53000	\$ 12,627
Total Department of Transportation			\$ 12,627
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	533005-1400	\$ 25,770
Total Department of Housing and Urban Development			\$ 25,770
Department of Education:			
Pass-Through Payments:			
State Council for Higher Education for Virginia:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	17117	\$ 53,623
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	466,099
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	\$ 276,333
Special Education - Preschool Grants	84.173	17901-62521	11,274
Career and Technical Education - Basic Grants to States	84.048	17901-61095	10,934
Rural Education	84.358	17901-43481	30,869
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	17901-61480	62,525
English Language Acquisition State Grants	84.365	17901-60512	494
Preschool Development Grants	84.419	17901-40002	310,504
Total Department of Education			\$ 1,222,655
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 72,952
Total Expenditures of Federal Awards			\$ 3,129,706

See accompanying notes to schedule of expenditures of federal awards.

County of Sussex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Sussex, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the County of Sussex, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Sussex, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,102,673
Total primary government	\$ <u>1,102,673</u>

Component Unit School Board:

School Operating Fund	\$ 1,295,607
School Special Revenue Fund	731,426
Total Component Unit School Board	\$ <u>2,027,033</u>
Total federal expenditures per basic financial statements	\$ <u><u>3,129,706</u></u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 3,129,706

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

County of Sussex, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ none reported

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

Any findings disclosed that are required to be
reported in accordance with 2 CFR section 200.516(a)? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)
10.553/10.555/10.559

Name of Federal Program or Cluster
Child Nutrition Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

✓ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Sussex, Virginia
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

There were no prior year findings.

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