

COUNTY OF SUSSEX, VIRGINIA



ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF SUSSEX, VIRGINIA

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2014**

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COUNTY OF SUSSEX, VIRGINIA

Board of Supervisors

C. Eric Fly, Sr., Chairperson	Alfred G. Futrell
Robert E. Hamlin, Vice Chairperson	Charlie E. Caple, Jr.
John A. Stringfield	Raymond L. Warren

Department of Social Services

Norfleet Givens, Chairperson	William Bain
Delores Spain, Vice Chairperson	Alfred G. Futrell
Mae Mason	Miriam D. Edwards
Cynthia Pegram-Wyche	

County School Board

Marvin Morris, Jr., Chairperson	Laurie S. Latham
Rodney T. Garrette	Roderick N. Curley, Vice Chairperson
Doris C. Hamlin	Gloria S. Holloman

Other Officials

County Administrator	Thomas E. Harris
Director of Social Services	Chequila H. Fields
Superintendent of Schools	Dr. Arthur Jarrett, Jr.
Treasurer.....	Onnie L. Woodruff
Commissioner of the Revenue	Ellen G. Boone
Commonwealth's Attorney	Lyndia Person-Ramsey
Sheriff	Raymond R. Bell
Clerk of the Circuit Court	Gary M. Williams
Judge of the Circuit Court	W. Allan Sharrett
Judge of the General District Court	Stephen D. Bloom
Judge of the Juvenile and Domestic Relations Court	Carson E. Saunders

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of County of Sussex, Virginia, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 of pension and OPEB funding progress on pages 4-10, 57, and 58-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Sussex, Virginia's basic financial statements. The other supplementary information and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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 January 6, 2015, on our consideration of County of Sussex, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Sussex, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
January 6, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Sussex, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36,499,539 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in deficit of expenditures and other financing uses of \$3,492,438 (Exhibit 5) after making contributions totaling \$8,223,752 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$15,769,331, a decrease of \$3,492,438 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,373,405, or 23% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$1,555,344 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 and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$36,499,539 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

<u>County of Sussex, Virginia's Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 16,963,599	\$ 22,669,869
Restricted assets	1,348,239	1,150,608
Capital assets	<u>43,459,178</u>	<u>40,367,314</u>
Total assets	<u>\$ 61,771,016</u>	<u>\$ 64,187,791</u>
Current liabilities	\$ 2,160,144	\$ 4,355,951
Long-term liabilities outstanding	<u>23,082,437</u>	<u>24,637,781</u>
Total liabilities	<u>\$ 25,242,581</u>	<u>\$ 28,993,732</u>
Deferred inflows of resources	<u>\$ 28,896</u>	<u>\$ 19,170</u>
Net investment in capital assets	\$ 23,758,863	\$ 19,228,298
Restricted for debt service bond covenants	1,348,239	1,150,608
Unrestricted	<u>11,392,437</u>	<u>14,795,983</u>
Total net position	<u><u>\$ 36,499,539</u></u>	<u><u>\$ 35,174,889</u></u>

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Government-wide Financial Analysis (Continued)

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

<u>County of Sussex, Virginia's Changes in Net Position</u>		
	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Charges for services	\$ 5,887,063	\$ 6,764,345
Operating grants and contributions	5,024,468	4,553,833
Capital grants and contributions	3,044,363	4,537,507
General property taxes	8,871,846	8,574,854
Other local taxes	1,089,346	1,074,162
Grants and other contributions not restricted	1,492,747	1,394,567
Other general revenues	<u>321,476</u>	<u>266,359</u>
Total revenues	\$ <u>25,731,309</u>	\$ <u>27,165,627</u>
General government administration	\$ 1,819,420	\$ 1,520,058
Judicial administration	1,183,650	1,317,423
Public safety	5,209,793	5,211,763
Public works	742,468	767,515
Health and welfare	3,281,566	3,006,195
Education	10,770,100	14,827,622
Parks, recreation, and cultural	194,874	197,755
Community development	624,780	1,297,885
Interest and other fiscal charges	<u>580,008</u>	<u>601,442</u>
Total expenses	\$ <u>24,406,659</u>	\$ <u>28,747,658</u>
Change in net position	\$ 1,324,650	\$ (1,582,031)
Net position, beginning of year	<u>35,174,889</u>	<u>36,756,920</u>
Net position, end of year	<u>\$ <u>36,499,539</u></u>	<u>\$ <u>35,174,889</u></u>

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 \$15,769,331, a decrease of \$3,492,438 in comparison with the prior year. Approximately 34% 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 \$10,259,823. \$1,348,239 of this was restricted for debt, while \$8,911,584 was committed to current or future capital projects.

General Fund Budgetary Highlights

During the year, budgetary estimates exceeded revenues and other financing sources by \$1,113,056. Budgetary estimates exceeded expenditures and other financing uses by \$360,203. The combination of the two resulted in a negative variance of \$752,853.

Capital Asset and Debt Administration

< Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2014 amounts to \$43,459,178 (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 \$19,078,439, all of which is debt backed by the full faith and credit of the County.

The County's total debt decreased by \$1,404,152 during the current fiscal year.

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

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Economic Factors and Next Year's Budgets and Rates

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

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

The fiscal year 2015 budget increased by approximately five percent. All tax rates remained the same as in 2014.

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, 2014

	Primary Government	Component Unit
	<u>Governmental Activities</u>	<u>School Board</u>
ASSETS		
Cash and cash equivalents	\$ 14,303,532	\$ 1,332,245
Receivables (net of allowance for uncollectibles):		
Taxes receivable	730,749	-
Accounts receivable	550,061	75,174
Due from other governmental units	1,379,257	523,234
Prepaid items	-	125,726
Restricted assets:		
Temporarily restricted:		
Bond sinking funds	1,348,239	-
Capital assets (net of accumulated depreciation):		
Land	8,304,190	111,236
Buildings and improvements	23,208,688	17,031,184
Machinery and equipment	1,600,660	521,312
Construction in progress	10,345,640	-
Total assets	<u>\$ 61,771,016</u>	<u>\$ 19,720,111</u>
LIABILITIES		
Accounts payable	\$ 353,317	\$ 136,719
Accrued liabilities	-	1,147,350
Accrued interest payable	313,106	-
Due to other governmental units	-	581,901
Unearned revenue	1,493,721	-
Long-term liabilities:		
Due within one year	1,381,238	102,885
Due in more than one year	21,701,199	1,343,735
Total liabilities	<u>\$ 25,242,581</u>	<u>\$ 3,312,590</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue - property taxes	\$ 28,896	\$ -
Total deferred inflows of resources	<u>\$ 28,896</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 23,758,863	\$ 17,663,732
Restricted for:		
Debt service and bond covenants	1,348,239	-
Unrestricted (deficit)	11,392,437	(1,256,211)
Total net position	<u>\$ 36,499,539</u>	<u>\$ 16,407,521</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit School Board
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,819,420	\$ -	\$ 193,295	\$ -	\$ (1,626,125)	\$ -
Judicial administration	1,183,650	675,220	490,760	-	(17,670)	-
Public safety	5,209,793	232,776	1,712,678	-	(3,264,339)	-
Public works	742,468	4,954,108	-	-	4,211,640	-
Health and welfare	3,281,566	-	2,389,601	-	(891,965)	-
Education	10,770,100	-	-	-	(10,770,100)	-
Parks, recreation, and cultural	194,874	-	5,000	-	(189,874)	-
Community development	624,780	24,959	233,134	3,044,363	2,677,676	-
Interest on long-term debt	580,008	-	-	-	(580,008)	-
Total governmental activities	\$ 24,406,659	\$ 5,887,063	\$ 5,024,468	\$ 3,044,363	\$ (10,450,765)	\$ -
Total primary government	\$ 24,406,659	\$ 5,887,063	\$ 5,024,468	\$ 3,044,363	\$ (10,450,765)	\$ -
COMPONENT UNIT:						
School Board	\$ 19,913,778	\$ 281,502	\$ 9,963,558	\$ -	\$ -	\$ (9,668,718)
Total component unit	\$ 19,913,778	\$ 281,502	\$ 9,963,558	\$ -	\$ -	\$ (9,668,718)
General revenues:						
General property taxes					\$ 8,871,846	\$ -
Local sales tax					667,799	-
Motor vehicle licenses					217,773	-
Other local taxes					203,774	-
Unrestricted revenues from use of money and property					140,981	711
Miscellaneous					180,495	113,337
Grants and contributions not restricted to specific programs					1,492,747	-
Payment from Sussex County					-	10,760,300
Total general revenues					\$ 11,775,415	\$ 10,874,348
Change in net position					\$ 1,324,650	\$ 1,205,630
Net position - beginning					35,174,889	15,201,891
Net position - ending					\$ 36,499,539	\$ 16,407,521

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, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,748,448	\$ 10,506,751	\$ 48,333	\$ 14,303,532
Receivables (net of allowance for uncollectibles):				
Taxes receivable	730,749	-	-	730,749
Accounts receivable	549,936	51	74	550,061
Due from other governmental units	1,379,257	-	-	1,379,257
Restricted assets:				
Temporarily restricted:				
Bond sinking funds	-	1,348,239	-	1,348,239
Total assets	<u>\$ 6,408,390</u>	<u>\$ 11,855,041</u>	<u>\$ 48,407</u>	<u>\$ 18,311,838</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 240,273	\$ 111,843	\$ 1,201	\$ 353,317
Unearned revenue	10,346	1,483,375	-	1,493,721
Total liabilities	<u>\$ 250,619</u>	<u>\$ 1,595,218</u>	<u>\$ 1,201</u>	<u>\$ 1,847,038</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	\$ 695,469	\$ -	\$ -	\$ 695,469
Total deferred inflows of resources	<u>\$ 695,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 695,469</u>
Fund balances:				
Restricted	\$ -	\$ 1,348,239	\$ -	\$ 1,348,239
Committed	88,897	8,911,584	47,206	9,047,687
Unassigned	5,373,405	-	-	5,373,405
Total fund balances	<u>\$ 5,462,302</u>	<u>\$ 10,259,823</u>	<u>\$ 47,206</u>	<u>\$ 15,769,331</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,408,390</u>	<u>\$ 11,855,041</u>	<u>\$ 48,407</u>	<u>\$ 18,311,838</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, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 15,769,331
--	---------------

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	\$ 57,391,200	
Accumulated depreciation	<u>(13,932,022)</u>	43,459,178

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.	666,573
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Compensated absences	\$ (352,915)	
Net OPEB obligation	(143,500)	
Landfill postclosure costs	(2,885,707)	
Literary fund loans	(9,237,011)	
General obligation bonds	(6,550,000)	
Bond premium	(621,876)	
QZAB bonds	(3,291,428)	
Accrued interest payable	<u>(313,106)</u>	(23,395,543)

Net position of governmental activities	<u><u>\$ 36,499,539</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, 2014

	<u>General</u>	<u>County Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 8,713,866	\$ -	\$ -	\$ 8,713,866
Other local taxes	1,089,346	-	-	1,089,346
Permits, privilege fees, and regulatory licenses	56,176	-	-	56,176
Fines and forfeitures	637,934	-	-	637,934
Revenue from the use of money and property	79,659	61,181	141	140,981
Charges for services	5,160,057	32,113	783	5,192,953
Miscellaneous	174,894	-	5,601	180,495
Recovered costs	245,439	-	-	245,439
Intergovernmental:				
Commonwealth	5,402,579	3,044,363	4,576	8,451,518
Federal	1,110,060	-	-	1,110,060
Total revenues	<u>\$ 22,670,010</u>	<u>\$ 3,137,657</u>	<u>\$ 11,101</u>	<u>\$ 25,818,768</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,718,461	\$ -	\$ -	\$ 1,718,461
Judicial administration	1,102,340	-	342	1,102,682
Public safety	5,023,814	-	10,624	5,034,438
Public works	833,719	-	-	833,719
Health and welfare	3,271,067	-	-	3,271,067
Education	8,233,552	-	-	8,233,552
Parks, recreation, and cultural	189,176	-	-	189,176
Community development	702,936	-	-	702,936
Capital projects	-	6,194,566	-	6,194,566
Debt service:				
Principal retirement	-	1,404,152	-	1,404,152
Interest and other fiscal charges	-	626,457	-	626,457
Total expenditures	<u>\$ 21,075,065</u>	<u>\$ 8,225,175</u>	<u>\$ 10,966</u>	<u>\$ 29,311,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,594,945</u>	<u>\$ (5,087,518)</u>	<u>\$ 135</u>	<u>\$ (3,492,438)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 2,235,587	\$ -	\$ 2,235,587
Transfers out	(2,235,587)	-	-	(2,235,587)
Total other financing sources (uses)	<u>\$ (2,235,587)</u>	<u>\$ 2,235,587</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (640,642)	\$ (2,851,931)	\$ 135	\$ (3,492,438)
Fund balances - beginning	6,102,944	13,111,754	47,071	19,261,769
Fund balances - ending	<u>\$ 5,462,302</u>	<u>\$ 10,259,823</u>	<u>\$ 47,206</u>	<u>\$ 15,769,331</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, 2014

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

Net change in fund balances - total governmental funds \$ (3,492,438)

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	\$ 6,161,353	
Jointly owned asset allocation	(1,925,576)	
Depreciation expense	<u>(1,143,913)</u>	3,091,864

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 157,980

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	
Amortization of bond premium	34,549	
Principal retirement on capital leases	92,755	
Decrease in landfill postclosure liability	<u>42,363</u>	1,481,064

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

(Increase) decrease in compensated absences	\$ 88,280	
(Increase) decrease in net OPEB obligation	(14,000)	
(Increase) decrease in accrued interest payable	<u>11,900</u>	86,180

Change in net position of governmental activities \$ 1,324,650

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, 2014

	Private-Purpose <u>Trusts</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 149,932	\$ 15,905
Total assets	<u>\$ 149,932</u>	<u>\$ 15,905</u>
LIABILITIES		
Amounts held for social services clients	\$ -	\$ 2,287
Amounts held for others	-	4,525
Amounts held for inmates	-	9,093
Total liabilities	<u>\$ -</u>	<u>\$ 15,905</u>
NET POSITION		
Amounts held in trust for scholarships	\$ 149,932	\$ -
Total net position	<u>\$ 149,932</u>	<u>\$ -</u>
Total liabilities and net position	<u>\$ 149,932</u>	<u>\$ 15,905</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, 2014

	Private Purpose Trust <u>Funds</u>
ADDITIONS	
Investment earnings (losses)	\$ 819
Private donations	17,080
Total additions	\$ 17,899
 DEDUCTIONS	
Scholarships	\$ 15,500
Total deductions	\$ 15,500
Change in net position	2,399
Net position - beginning	\$ 147,533
Net position - ending	\$ 149,932

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

NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements
As of June 30, 2014

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

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

Government-wide and Fund Financial Statements

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

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

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

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2014.

Discretely Presented Component Units. The School Board members are elected by the citizens of Sussex County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2014.

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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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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

The County reports the following nonmajor governmental funds:

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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 \$120,809 at June 30, 2014 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10
24	

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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

I. Prepaid Items

Certain payments to vendors reflect cost 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. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension cost as it accrues.

L. 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.

M. 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.

N. 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 policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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

O. Long-term Obligations

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

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any deferred outflows of resources as of June 30, 2014.

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 only one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments 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 2nd half installments are reported as deferred inflows of resources.

Q. Fund Equity

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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

Q. Fund Equity (Continued)

- 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.

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	\$ -	\$ 1,348,239	\$ -	\$ 1,348,239
Total Restricted Fund Balance	\$ -	\$ 1,348,239	\$ -	\$ 1,348,239
Committed:				
Indoor Plumbing	\$ 45,652	\$ -	\$ -	\$ 45,652
CDBG	43,245	-	-	43,245
Capital Improvements	-	8,911,584	-	8,911,584
Forfeited asset	-	-	21,040	21,040
Law library	-	-	26,166	26,166
Total Committed Fund Balance	\$ 88,897	\$ 8,911,584	\$ 47,206	\$ 9,047,687
Unassigned	\$ 5,373,405	\$ -	\$ -	\$ 5,373,405
Total Fund Balances	\$ 5,462,302	\$ 10,259,823	\$ 47,206	\$ 15,769,331

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 2—Stewardship, Compliance, and Accounting:

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

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

Note 3—Deposits and Investments:

Deposits

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

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, 2014 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

		<u>Fair Quality Ratings</u>
		<u>AAAm</u>
Local Government Investment Pool	\$	2,059,700
Money Market Mutual Fund		1,348,239
Total	\$	<u>3,407,939</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 3—Deposits and Investments: (Continued)

External Investment Pool

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due to/from Other Governments:

At June 30, 2014, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Sussex County School Board	\$ 581,901	\$ -
Commonwealth of Virginia:		
Local sales tax	114,447	-
Welfare	40,943	-
Rolling stock tax	88,248	-
State Sales Tax	-	236,111
Constitutional officer reimbursements	183,597	-
Recordation tax	2,308	-
Department of Forestry - timber sales	50,315	-
Mobile home titling tax	4,690	-
Communications tax	29,711	-
E-911 wireless	13,129	-
Fire programs	26,468	-
Fresh fruits and vegetables	-	263
Comprehensive services	153,492	-
Federal Government:		
School fund grants	-	286,860
Community development block grant	600	-
Welfare	89,408	-
	<u>1,379,257</u>	<u>523,234</u>
Total due from other governments	\$ <u>1,379,257</u>	\$ <u>523,234</u>

At June 30, 2014, amounts due to other local governments are as follows:

Other Local Governments:		
County of Sussex	\$ <u> -</u>	\$ <u>581,901</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

Primary Government:

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 8,304,190	\$ -	\$ -	\$ 8,304,190
Construction in progress	<u>5,677,190</u>	<u>4,668,450</u>	<u>-</u>	<u>10,345,640</u>
Total capital assets not subject to depreciation	<u>\$ 13,981,380</u>	<u>\$ 4,668,450</u>	<u>\$ -</u>	<u>\$ 18,649,830</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 6,839,703	\$ -	\$ -	\$ 6,839,703
Machinery and equipment	6,787,779	302,300	-	7,090,079
Jointly owned assets	<u>25,860,768</u>	<u>1,190,603</u>	<u>2,239,783</u>	<u>24,811,588</u>
Total capital assets being depreciated	<u>\$ 39,488,250</u>	<u>\$ 1,492,903</u>	<u>\$ 2,239,783</u>	<u>\$ 38,741,370</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,147,222	\$ 184,108	\$ -	\$ 3,331,330
Machinery and equipment	5,140,586	348,833	-	5,489,419
Jointly owned assets	<u>4,814,508</u>	<u>610,972</u>	<u>314,207</u>	<u>5,111,273</u>
Total accumulated depreciation	<u>\$ 13,102,316</u>	<u>\$ 1,143,913</u>	<u>\$ 314,207</u>	<u>\$ 13,932,022</u>
Total capital assets being depreciated, net	<u>\$ 26,385,934</u>	<u>\$ 348,990</u>	<u>\$ 1,925,576</u>	<u>\$ 24,809,348</u>
Governmental activities capital assets, net	<u>\$ 40,367,314</u>	<u>\$ 5,017,440</u>	<u>\$ 1,925,576</u>	<u>\$ 43,459,178</u>
Component Unit - School Board:				
	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 111,236	\$ -	\$ -	\$ 111,236
Total capital assets not subject to depreciation	<u>\$ 111,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,236</u>
Capital assets subject to depreciation:				
Machinery and equipment	\$ 3,724,448	\$ 86,469	\$ -	\$ 3,810,917
Jointly owned assets	<u>19,210,162</u>	<u>-</u>	<u>(2,239,783)</u>	<u>21,449,945</u>
Total capital assets being depreciated	<u>\$ 22,934,610</u>	<u>\$ 86,469</u>	<u>\$ (2,239,783)</u>	<u>\$ 25,260,862</u>
Accumulated depreciation:				
Machinery and equipment	\$ 3,071,702	\$ 217,903	\$ -	\$ 3,289,605
Jointly owned assets	<u>3,576,361</u>	<u>528,193</u>	<u>(314,207)</u>	<u>4,418,761</u>
Total accumulated depreciation	<u>\$ 6,648,063</u>	<u>\$ 746,096</u>	<u>\$ (314,207)</u>	<u>\$ 7,708,366</u>
Total capital assets being depreciated, net	<u>\$ 16,286,547</u>	<u>\$ (659,627)</u>	<u>\$ (1,925,576)</u>	<u>\$ 17,552,496</u>
Governmental activities capital assets, net	<u>\$ 16,397,783</u>	<u>\$ (659,627)</u>	<u>\$ (1,925,576)</u>	<u>\$ 17,663,732</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	56,686
Judicial administration		88,215
Public safety		338,346
Public works		5,311
Health and welfare		34,533
Education		610,972
Parks, recreation and cultural		5,698
Community development		<u>4,152</u>
Total Governmental activities	\$	<u><u>1,143,913</u></u>
Component Unit School Board	\$	<u><u>746,096</u></u>

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ -	\$ 2,235,587
County Capital Projects	<u>2,235,587</u>	<u>-</u>
Total	\$ <u><u>2,235,587</u></u>	\$ <u><u>2,235,587</u></u>
Component Unit- School Board:		
School Operating	\$ -	\$ 20,561
School Special Revenue	<u>20,561</u>	<u>-</u>
Total	\$ <u><u>20,561</u></u>	\$ <u><u>20,561</u></u>

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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, 2014:

	<u>Balance at July 1, 2013</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 441,195	\$ 44,120	\$ 132,400	\$ 352,915	\$ 35,292
Capital leases (Note 8)	92,755	-	92,755	-	-
Landfill postclosure costs	2,928,070	-	42,363	2,885,707	-
Net OPEB obligation	<u>129,500</u>	<u>21,000</u>	<u>7,000</u>	<u>143,500</u>	<u>-</u>
Total incurred by County	<u>\$ 3,591,520</u>	<u>\$ 65,120</u>	<u>\$ 274,518</u>	<u>\$ 3,382,122</u>	<u>\$ 35,292</u>
Incurred by School Board:					
Literary Fund Loans	\$ 9,948,408	\$ -	\$ 711,397	\$ 9,237,011	\$ 711,397
General obligation bonds	7,150,000	-	600,000	6,550,000	600,000
Bond premium	656,425	-	34,549	621,876	34,549
QZAB Bonds	<u>3,291,428</u>	<u>-</u>	<u>-</u>	<u>3,291,428</u>	<u>-</u>
Total incurred by School Board	<u>\$ 21,046,261</u>	<u>\$ -</u>	<u>\$ 1,345,946</u>	<u>\$ 19,700,315</u>	<u>\$ 1,345,946</u>
Total Governmental Obligations	<u>\$ 24,637,781</u>	<u>\$ 65,120</u>	<u>\$ 1,620,464</u>	<u>\$ 23,082,437</u>	<u>\$ 1,381,238</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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
2015	\$ 600,000	\$ 297,649	\$ -	\$ -	\$ 711,397	\$ 277,110
2016	600,000	271,307	-	-	711,397	255,768
2017	600,000	241,973	-	-	711,397	234,426
2018	600,000	211,488	-	-	711,397	213,085
2019	600,000	180,772	-	-	711,397	191,743
2020	600,000	149,823	-	-	711,397	170,401
2021	230,000	128,543	1,077,000	-	711,397	149,059
2022	230,000	116,928	-	-	711,397	127,717
2023	230,000	105,313	2,214,428	-	711,397	106,375
2024	230,000	93,698	-	-	711,397	85,033
2025	230,000	82,083	-	-	711,397	63,691
2026	225,000	70,594	-	-	711,400	42,349
2027	225,000	61,481	-	-	350,127	21,007
2028	225,000	53,494	-	-	350,117	10,504
2029	225,000	43,256	-	-	-	-
2030	225,000	34,144	-	-	-	-
2031	225,000	25,594	-	-	-	-
2032	225,000	15,357	-	-	-	-
2033	225,000	5,119	-	-	-	-
Total	<u>\$ 6,550,000</u>	<u>\$ 2,188,616</u>	<u>\$ 3,291,428</u>	<u>\$ -</u>	<u>\$ 9,237,011</u>	<u>\$ 1,948,268</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term obligations:

General Obligations:

Incurred by County:

Landfill postclosure costs	\$	<u>2,885,707</u>
Net OPEB obligation	\$	<u>143,500</u>
Compensated absences (payable from the General Fund)	\$	<u>352,915</u>
Total incurred by County	\$	<u><u>3,382,122</u></u>

Incurred by School Board:

QZAB Bonds:

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

General Obligation Bonds:

\$7,430,000 VPSA bond issued April 26, 1999 in annual installments, interest payable semi-annually at coupon rates of 4.100% to 5.225% through July 15, 2019.	\$	2,220,000
\$4,560,000 VPSA bond issued May 10, 2014 due in annual installments, interest payable semi-annually at coupon rates of 2.55% to 5.05% through July 15, 2032.		<u>4,330,000</u>
Total General Obligation Bonds	\$	<u>6,550,000</u>
Bond Premium	\$	<u>621,876</u>

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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%.	\$	4,335,243
\$7,002,530 Literary loan issued January 1, 2014, due in annual installments of \$350,127 through January 1, 2028, interest at 3%.		<u>4,901,768</u>
Total Literary Fund Loans	\$	<u>9,237,011</u>
Total incurred by School Board	\$	<u>19,700,315</u>
Total General Obligations, Primary Government	\$	<u><u>23,082,437</u></u>

Discretely Presented Component Unit-School Board:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
VRS early retirement liability	\$ 897,550	\$ -	\$ 53,921	\$ 843,629	\$ 58,236
Net OPEB obligation	80,500	138,000	62,000	156,500	-
Compensated absences	<u>557,458</u>	<u>55,746</u>	<u>166,713</u>	<u>446,491</u>	<u>44,649</u>
Total Component Unit-School Board	<u><u>\$ 1,535,508</u></u>	<u><u>\$ 193,746</u></u>	<u><u>\$ 282,634</u></u>	<u><u>\$ 1,446,620</u></u>	<u><u>\$ 102,885</u></u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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
2015	\$ 58,236	\$ 67,490
2016	62,894	62,832
2017	67,925	57,801
2018	73,360	52,366
2019	79,228	46,498
2020	85,567	40,159
2021	92,412	33,314
2022	99,805	25,921
2023	107,789	17,937
2024	116,413	9,313
Total	<u>\$ 843,629</u>	<u>\$ 413,631</u>

Details of long-term indebtedness:

General Obligations:

VRS early retirement liability, issued July 1, 1994 at 8% over 30 years	\$ <u>843,629</u>
Net OPEB obligation	\$ <u>156,500</u>
Compensated absences (Payable from the School Fund)	\$ <u>446,491</u>
Total General obligations, Component Unit - School Board	\$ <u>1,446,620</u>

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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 \$2,885,707 reported as landfill closure and postclosure liability at June 30, 2014, 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 2014. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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—Unearned and Deferred/Unavailable Revenue:

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

Property Tax Revenue - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$666,573 at June 30, 2014.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$28,896 at June 30, 2014.

Unearned Revenue - Other miscellaneous unearned revenue items totaled \$1,493,721 at June 30, 2014, of which \$1,483,375 is tobacco commission funds related to industrial development.

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

The following construction contracts were outstanding at June 30, 2014:

<u>Fund</u>	<u>Project</u>	<u>Contractor</u>	<u>Amount Of Contract</u>	<u>Contract Outstanding At June 30, 2014</u>
County Capital Projects	Commonwealth Attorney building	Kenbridge Construction	\$ 996,107	\$ 19,025

Note 11—Litigation:

At June 30, 2014, 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.

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

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.

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 –Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **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.

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

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

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

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

Note 13 –Pension Plan (Continued):

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

5. **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.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13 –Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. 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%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The 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.

Note 13 –Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

16. **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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

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Note 13 –Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS 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.
2. **Eligible Members** - Employees are in VRS 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.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

Note 13 –Pension Plan: *(Continued)*

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **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%.

14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

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

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. **Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

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

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

Note 13 –Pension Plan: *(Continued)*

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- 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.

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

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS 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

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **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.

Note 13 –Pension Plan: *(Continued)*

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

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

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

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

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

Distribution is not required by law until age 70½.

Note 13 –Pension Plan: *(Continued)*

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. **Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1–Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. **Average Final Compensation** - Same as VRS Plan 2–Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

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

10. **Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. **Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. **Earliest Reduced Retirement Eligibility**

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

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 13 –Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2–Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (including VRS Plan 1 and VRS 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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2–Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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, 2014

Note 13 –Pension Plan: *(Continued)*

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be 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% member contribution. This could be phased in over a period 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board non-professional's contribution rate for the fiscal year ended 2014 were 11.78% and 9.40% of annual covered payroll, respectively.

The School Board's contribution for professional employees was \$892,094, \$911,686, and \$486,617, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012 respectively and these contributions represented 11.66%, 11.66%, and 6.33%, respectively, of current covered payroll.

C. Annual Pension Cost

For the fiscal year 2014, the County's annual pension cost of \$569,321 was equal to the County's required and actual contributions.

Three Year Trend Information - County				
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	
June 30, 2014	\$ 569,321	100%	\$ -	-
June 30, 2013	552,573	100%	-	-
June 30, 2012	499,215	100%	-	-

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13 –Pension Plan: *(Continued)*

C. Annual Pension Cost (Continued)

For the fiscal year 2014, the School Board’s annual pension cost for the School Board’s non-professional employees was \$101,378 which was equal to the Board’s required and actual contributions.

Three Year Trend Information - School Board Non-Professional					
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
June 30, 2014	\$ 101,378	100%	\$		-
June 30, 2013	105,114	100%			-
June 30, 2012	81,926	100%			-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

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COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13 –Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County’s plan was 85.11% funded. The actuarial accrued liability for benefits was \$20,445,181 and the actuarial value of assets was \$17,400,980, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,044,201. The covered payroll (annual payroll of active employees covered by the plan) was \$4,588,471, and ratio of the UAAL to the covered payroll was 66.34%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board’s plan was 89.42% funded. The actuarial accrued liability for benefits was \$2,962,546 and the actuarial value of assets was \$2,649,032, resulting in an unfunded actuarial accrued liability (UAAL) of \$313,514. The covered payroll (annual payroll of active employees covered by the plan) was \$1,092,146 and ratio of the UAAL to the covered payroll was 28.71%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 14 –Surety Bonds:

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

Note 15 –Jointly Governed Organizations:

District 19 Community Services Board

The District 19 Community Services Board is considered a jointly governed organization and therefore its operations are not included in the County’s financial statements. The governing body of this organization is appointed by the participating jurisdictions which include the cities of Colonial Heights, Emporia, Hopewell, and Petersburg, and the Counties of Sussex, Greensville, Surry, and Sussex. The governing board has the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board’s funding or has oversight responsibility over its operations. Sussex County contributed \$63,179 to the District 19 Community Services Board for the fiscal year ended June 30, 2014.

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 16–Other Postemployment Benefits - Health Insurance:

A. Plan Description

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The County and School Board’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The County and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed fifteen years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the County and School Board. The following table shows the components of the County’s and School Board’s annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the County’s and School Board’s net OPEB obligation to the Retiree Health Plan:

	<u>COUNTY</u>	<u>SCHOOL BOARD</u>
Annual required contribution	\$ 26,000	\$ 141,000
Interest on net OPEB obligation	5,000	3,000
Adjustment to annual required contribution	(10,000)	(6,000)
Annual OPEB cost (expense)	\$ 21,000	\$ 138,000
Contributions made	(7,000)	(62,000)
Increase in net OPEB obligation	14,000	76,000
Net OPEB obligation-beginning of year	129,500	80,500
Net OPEB obligation-end of year	\$ 143,500	\$ 156,500

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 16–Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
6/30/2012	\$ 37,000	33.78%	\$ 116,500
6/30/2013	22,000	40.91%	129,500
6/30/2014	21,000	33.33%	143,500
School Board:			
6/30/2012	\$ 102,000	110.29%	\$ 2,500
6/30/2013	136,000	42.65%	80,500
6/30/2014	138,000	44.93%	156,500

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the County's actuarial accrued liability for benefits was \$224,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,434,783, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.20 percent.

As of July 1, 2012, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$978,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$10,607,217, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.22 percent.

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

Note 16-Other Postemployment Benefits - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on RP-2000 Fully Generational Combined funding Mortality Table for males and females with improvements using Scale AA.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount of 4.0% was used. In addition, the entry age normal actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was fifteen years.

Note 17-Other Postemployment Benefits - Health Insurance Credit:

A. Plan Description

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

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

COUNTY OF SUSSEX, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

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

A. Plan Description (Continued)

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$84,925, \$86,790, and \$42,198, respectively and equaled the required contributions for each year.

Note 18-Upcoming Pronouncements:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No.27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County believes the implementation of Statement No. 68 will significantly impact the County's net position; however, no formal study or estimate of the impact of this standard has been performed.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 8,421,877	\$ 8,699,713	\$ 8,713,866	\$ 14,153
Other local taxes	1,074,670	1,074,670	1,089,346	14,676
Permits, privilege fees, and regulatory licenses	81,500	81,500	56,176	(25,324)
Fines and forfeitures	700,000	700,000	637,934	(62,066)
Revenue from the use of money and property	96,050	96,050	79,659	(16,391)
Charges for services	5,906,115	5,906,115	5,160,057	(746,058)
Miscellaneous	27,500	160,533	174,894	14,361
Recovered costs	411,664	431,294	245,439	(185,855)
Intergovernmental:				
Commonwealth	5,143,389	5,402,400	5,402,579	179
Federal	1,211,804	1,230,791	1,110,060	(120,731)
Total revenues	\$ 23,074,569	\$ 23,783,066	\$ 22,670,010	\$ (1,113,056)
EXPENDITURES				
Current:				
General government administration	\$ 1,555,067	\$ 1,879,327	\$ 1,718,461	\$ 160,866
Judicial administration	1,067,812	1,097,759	1,102,340	(4,581)
Public safety	5,071,161	5,177,128	5,023,814	153,314
Public works	874,310	874,310	833,719	40,591
Health and welfare	3,223,151	3,270,651	3,271,067	(416)
Education	7,853,970	8,077,586	8,233,552	(155,966)
Parks, recreation, and cultural	208,176	189,176	189,176	-
Community development	834,529	826,477	702,936	123,541
Capital projects	42,854	42,854	-	42,854
Total expenditures	\$ 20,731,030	\$ 21,435,268	\$ 21,075,065	\$ 360,203
Excess (deficiency) of revenues over (under) expenditures	\$ 2,343,539	\$ 2,347,798	\$ 1,594,945	\$ (752,853)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,679,283)	\$ (3,007,615)	\$ (2,235,587)	\$ 772,028
Total other financing sources (uses)	\$ (2,679,283)	\$ (3,007,615)	\$ (2,235,587)	\$ 772,028
Net change in fund balances	\$ (335,744)	\$ (659,817)	\$ (640,642)	\$ 19,175
Fund balances - beginning	335,744	659,817	6,102,944	5,443,127
Fund balances - ending	\$ -	\$ -	\$ 5,462,302	\$ 5,462,302

County of Sussex, Virginia
Schedule of Pension Funding Progress - Virginia Retirement System

For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Payroll
County:						
6/30/2013	\$ 17,400,980	20,445,181	\$ 3,044,201	85.11%	\$ 4,588,471	66.34%
6/30/2012	16,460,012	20,350,038	3,890,026	80.88%	4,508,749	86.28%
6/30/2011	16,151,819	19,800,620	3,648,801	81.57%	4,506,637	80.97%
6/30/2010	15,555,788	19,684,445	4,128,657	79.03%	4,824,584	85.58%
6/30/2009	15,118,979	17,817,659	2,698,680	84.85%	4,770,512	56.57%
6/30/2008	14,527,294	17,712,767	3,185,473	82.02%	4,588,304	69.43%
6/30/2007	13,381,638	14,905,284	1,523,646	89.78%	4,474,099	34.05%
6/30/2006	11,792,112	13,466,222	1,674,110	87.57%	4,198,077	39.88%
6/30/2005	10,957,504	13,225,780	2,268,276	82.85%	3,987,768	56.88%
6/30/2004	10,540,838	10,584,694	43,856	99.59%	3,403,806	1.29%
School Board Non-Professionals:						
6/30/2013	\$ 2,649,032	2,962,546	\$ 313,514	89.42%	\$ 1,092,146	28.71%
6/30/2012	2,487,992	2,996,520	508,528	83.03%	1,067,110	47.65%
6/30/2011	2,455,909	2,938,020	482,111	83.59%	1,039,577	46.38%
6/30/2010	2,337,013	2,678,831	341,818	87.24%	1,057,516	32.32%
6/30/2009	2,261,734	2,509,997	248,263	90.11%	1,172,173	21.18%
6/30/2008	2,120,575	2,314,213	193,638	91.63%	1,171,606	16.53%
6/30/2007	1,874,994	1,951,769	76,775	96.07%	1,026,221	7.48%
6/30/2006	1,610,148	1,839,078	228,930	87.55%	1,081,735	21.16%
6/30/2005	1,429,884	1,815,486	385,602	78.76%	1,161,983	33.18%
6/30/2004	1,293,257	1,371,939	78,682	94.26%	1,061,045	7.42%

County of Sussex, Virginia
 Schedule of OPEB Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as % of Payroll
County:						
7/1/2008	\$ -	\$ 255,000	255,000	0.00%	2,947,090	8.65%
7/1/2010	-	282,000	282,000	0.00%	2,855,746	9.87%
7/1/2012	-	224,000	224,000	0.00%	2,434,783	9.20%
School Board:						
7/1/2008	\$ -	\$ 750,000	750,000	0.00%	8,667,910	8.65%
7/1/2010	-	783,000	783,000	0.00%	7,929,254	9.87%
7/1/2012	-	978,000	978,000	0.00%	10,607,217	9.22%

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 7,000	\$ 18,800	\$ 61,181	\$ 42,381
Charges for services	29,500	29,500	32,113	2,613
Intergovernmental:				
Commonwealth	927,000	1,561,975	3,044,363	1,482,388
Total revenues	\$ 963,500	\$ 1,610,275	\$ 3,137,657	\$ 1,527,382
EXPENDITURES				
Capital projects	\$ 2,515,049	\$ 6,907,773	\$ 6,194,566	\$ 713,207
Debt service:				
Principal retirement	1,404,152	1,404,152	1,404,152	-
Interest and other fiscal charges	792,832	792,831	626,457	166,374
Total expenditures	\$ 4,712,033	\$ 9,104,756	\$ 8,225,175	\$ 879,581
Excess (deficiency) of revenues over (under) expenditures	\$ (3,748,533)	\$ (7,494,481)	\$ (5,087,518)	\$ 2,406,963
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,679,283	\$ 3,007,615	\$ 2,235,587	\$ (772,028)
Total other financing sources (uses)	\$ 2,679,283	\$ 3,007,615	\$ 2,235,587	\$ (772,028)
Net change in fund balances	\$ (1,069,250)	\$ (4,486,866)	\$ (2,851,931)	\$ 1,634,935
Fund balances - beginning	1,069,250	4,486,866	13,111,754	8,624,888
Fund balances - ending	\$ -	\$ -	\$ 10,259,823	\$ 10,259,823

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, 2014

	County Special Revenue Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ 25	\$ 25	\$ 141	\$ 116	
Charges for services	2,375	2,375	783	(1,592)	
Miscellaneous	-	-	5,601	5,601	
Intergovernmental:					
Commonwealth	-	6,008	4,576	(1,432)	
Total revenues	\$ 2,400	\$ 8,408	\$ 11,101	\$ 2,693	
EXPENDITURES					
Current:					
Judicial administration	\$ 2,400	\$ 2,400	\$ 342	\$ 2,058	
Public safety	-	31,819	10,624	21,195	
Total expenditures	\$ 2,400	\$ 34,219	\$ 10,966	\$ 23,253	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (25,811)	\$ 135	\$ 25,946	
Net change in fund balances	\$ -	\$ (25,811)	\$ 135	\$ 25,946	
Fund balances - beginning	-	25,811	47,071	21,260	
Fund balances - ending	\$ -	\$ -	\$ 47,206	\$ 47,206	

County of Sussex, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2014

	Agency Funds					Private Purpose Trust Funds				
	Special Welfare	Sheriff Information	Canteen	Jail Inmate	Total	Robert Mitchell Scholarship	Rotary Scholarship	Richard Clements Moore III Scholarship	Millard Stith Family Scholarship	Total
ASSETS										
Cash and cash equivalents	\$ 2,287	\$ 4,525	\$ 4,095	\$ 4,998	\$ 15,905	\$ 27,882	\$ 29,049	\$ 28,464	\$ 64,537	\$ 149,932
Total assets	\$ 2,287	\$ 4,525	\$ 4,095	\$ 4,998	\$ 15,905	\$ 27,882	\$ 29,049	\$ 28,464	\$ 64,537	\$ 149,932
LIABILITIES										
Amounts held for social services clients	\$ 2,287	\$ -	\$ -	\$ -	\$ 2,287	\$ -	\$ -	\$ -	\$ -	\$ -
Amounts held for others	-	4,525	-	-	4,525	-	-	-	-	-
Amounts held for inmates	-	-	4,095	4,998	9,093	-	-	-	-	-
Total liabilities	\$ 2,287	\$ 4,525	\$ 4,095	\$ 4,998	\$ 15,905	\$ -	\$ -	\$ -	\$ -	\$ -
NET POSITION										
Amounts held in trust for scholarships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,882	\$ 29,049	\$ 28,464	\$ 64,537	\$ 149,932
Total net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,882	\$ 29,049	\$ 28,464	\$ 64,537	\$ 149,932
Total liabilities and net position	\$ 2,287	\$ 4,525	\$ 4,095	\$ 4,998	\$ 15,905	\$ 27,882	\$ 29,049	\$ 28,464	\$ 64,537	\$ 149,932

County of Sussex, Virginia
Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 2,160	\$ 8,581	\$ 8,454	\$ 2,287
Liabilities:				
Amounts held for social services clients	\$ 2,160	\$ 8,581	\$ 8,454	\$ 2,287
Sheriff Information:				
Assets:				
Cash and cash equivalents	\$ 9,556	\$ 2,573	\$ 7,604	\$ 4,525
Liabilities:				
Amounts held for others	\$ 9,556	\$ 2,573	\$ 7,604	\$ 4,525
Canteen:				
Assets:				
Cash and cash equivalents	\$ 4,115	\$ 4,643	\$ 4,663	\$ 4,095
Liabilities:				
Amounts held for inmates	\$ 4,115	\$ 4,643	\$ 4,663	\$ 4,095
Jail Inmate:				
Assets:				
Cash and cash equivalents	\$ 5,224	\$ 51,330	\$ 51,556	\$ 4,998
Liabilities:				
Amounts held for inmates	\$ 5,224	\$ 51,330	\$ 51,556	\$ 4,998
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 21,055	\$ 67,127	\$ 72,277	\$ 15,905
Total assets	\$ 21,055	\$ 67,127	\$ 72,277	\$ 15,905
Liabilities:				
Amounts held for inmates	\$ 9,339	\$ 55,973	\$ 56,219	\$ 9,093
Amounts held for others	9,556	2,573	7,604	4,525
Amounts held for social services clients	2,160	8,581	8,454	2,287
Total liabilities	\$ 21,055	\$ 67,127	\$ 72,277	\$ 15,905

*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, 2014

	School Operating <u>Fund</u>	School Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,208,017	\$ 124,228	\$ 1,332,245
Receivables (net of allowance for uncollectibles):			
Accounts receivable	64,598	10,576	75,174
Due from other governmental units	522,971	263	523,234
Prepaid items	125,726	-	125,726
Total assets	<u>\$ 1,921,312</u>	<u>\$ 135,067</u>	<u>\$ 2,056,379</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 126,044	\$ 10,675	\$ 136,719
Accrued liabilities	1,087,641	59,709	1,147,350
Due to other governmental units	581,901	-	581,901
Total liabilities	<u>\$ 1,795,586</u>	<u>\$ 70,384</u>	<u>\$ 1,865,970</u>
Fund balances:			
Nonspendable	\$ 125,726	-	\$ 125,726
Committed:			
School cafeteria fund	-	34,589	34,589
School textbook fund	-	30,094	30,094
Total fund balances	<u>\$ 125,726</u>	<u>\$ 64,683</u>	<u>\$ 190,409</u>
Total liabilities and fund balances	<u>\$ 1,921,312</u>	<u>\$ 135,067</u>	<u>\$ 2,056,379</u>

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

Total fund balances per above	\$ 190,409
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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	\$ 25,372,098	
Accumulated depreciation	<u>(7,708,366)</u>	17,663,732

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	\$ (843,629)	
Net OPEB obligation	(156,500)	
Compensated absences	<u>(446,491)</u>	(1,446,620)

Net position of governmental activities	<u>\$ 16,407,521</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, 2014

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 589	\$ 122	\$ 711
Charges for services	-	281,502	281,502
Miscellaneous	108,988	4,349	113,337
Intergovernmental:			
Local government	8,223,752	-	8,223,752
Commonwealth	7,246,367	80,779	7,327,146
Federal	2,004,559	631,853	2,636,412
Total revenues	<u>\$ 17,584,255</u>	<u>\$ 998,605</u>	<u>\$ 18,582,860</u>
EXPENDITURES			
Current:			
Education	\$ 17,437,968	\$ 1,168,373	\$ 18,606,341
Debt service:			
Principal retirement	53,921	-	53,921
Interest and other fiscal charges	71,805	-	71,805
Total expenditures	<u>\$ 17,563,694</u>	<u>\$ 1,168,373</u>	<u>\$ 18,732,067</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 20,561</u>	<u>\$ (169,768)</u>	<u>\$ (149,207)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 20,561	\$ 20,561
Transfers out	(20,561)	-	(20,561)
Total other financing sources (uses)	<u>\$ (20,561)</u>	<u>\$ 20,561</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (149,207)	\$ (149,207)
Fund balances - beginning	125,726	213,890	339,616
Fund balances - ending	<u>\$ 125,726</u>	<u>\$ 64,683</u>	<u>\$ 190,409</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 \$ (149,207)

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	\$ 1,925,576	
Capital outlays	86,469	
Depreciation expense	<u>(746,096)</u>	1,265,949

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 53,921

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

(Increase) decrease in compensated absences	\$ 110,967	
(Increase) decrease in net OPEB obligation	<u>(76,000)</u>	34,967

Change in net position of governmental activities \$ 1,205,630

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, 2014

	School Operating Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 589	\$ (411)
Miscellaneous	73,500	73,500	108,988	35,488
Intergovernmental:				
Local government	7,844,170	8,067,786	8,223,752	155,966
Commonwealth	7,630,977	7,630,977	7,246,367	(384,610)
Federal	1,292,245	2,078,115	2,004,559	(73,556)
Total revenues	<u>\$ 16,841,892</u>	<u>\$ 17,851,378</u>	<u>\$ 17,584,255</u>	<u>\$ (267,123)</u>
EXPENDITURES				
Current:				
Education	\$ 16,695,605	\$ 17,705,091	\$ 17,437,968	\$ 267,123
Debt service:				
Principal retirement	53,921	53,921	53,921	-
Interest and other fiscal charges	71,805	71,805	71,805	-
Total expenditures	<u>\$ 16,821,331</u>	<u>\$ 17,830,817</u>	<u>\$ 17,563,694</u>	<u>\$ 267,123</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 20,561</u>	<u>\$ 20,561</u>	<u>\$ 20,561</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (20,561)	\$ (20,561)	\$ (20,561)	\$ -
Total other financing sources (uses)	<u>\$ (20,561)</u>	<u>\$ (20,561)</u>	<u>\$ (20,561)</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	125,726	125,726
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,726</u>	<u>\$ 125,726</u>

County of Sussex, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	School Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 122	\$ 122
Charges for services	374,423	374,423	281,502	(92,921)
Miscellaneous	-	-	4,349	4,349
Intergovernmental:				
Commonwealth	85,472	85,472	80,779	(4,693)
Federal	587,000	627,925	631,853	3,928
Total revenues	<u>\$ 1,046,895</u>	<u>\$ 1,087,820</u>	<u>\$ 998,605</u>	<u>\$ (89,215)</u>
EXPENDITURES				
Current:				
Education	\$ 1,067,456	\$ 1,232,795	\$ 1,168,373	\$ 64,422
Total expenditures	<u>\$ 1,067,456</u>	<u>\$ 1,232,795</u>	<u>\$ 1,168,373</u>	<u>\$ 64,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (20,561)</u>	<u>\$ (144,975)</u>	<u>\$ (169,768)</u>	<u>\$ (24,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 20,561	\$ 20,561	\$ 20,561	\$ -
Total other financing sources (uses)	<u>\$ 20,561</u>	<u>\$ 20,561</u>	<u>\$ 20,561</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (124,414)	\$ (149,207)	\$ (24,793)
Fund balances - beginning	-	124,414	213,890	89,476
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,683</u>	<u>\$ 64,683</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, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 4,726,288	\$ 4,726,288	\$ 4,670,612	\$ (55,676)
Real and personal public service corporation taxes	572,020	572,020	583,766	11,746
Personal property taxes	1,929,848	1,929,848	2,044,791	114,943
Mobile home taxes	18,104	18,104	18,030	(74)
Machinery and tools taxes	905,104	1,148,940	1,047,153	(101,787)
Merchants capital taxes	137,013	137,013	171,722	34,709
Penalties	72,000	72,000	88,162	16,162
Interest	61,500	95,500	89,630	(5,870)
Total general property taxes	<u>\$ 8,421,877</u>	<u>\$ 8,699,713</u>	<u>\$ 8,713,866</u>	<u>\$ 14,153</u>
Other local taxes:				
Local sales and use taxes	\$ 681,070	\$ 681,070	\$ 667,799	\$ (13,271)
Consumers' utility taxes	86,000	86,000	88,509	2,509
Consumption tax	36,000	36,000	43,875	7,875
Business license taxes	100	100	22,910	22,810
Motor vehicle licenses	226,500	226,500	217,773	(8,727)
Bank stock taxes	2,000	2,000	2,850	850
Transient occupancy taxes	43,000	43,000	45,630	2,630
Total other local taxes	<u>\$ 1,074,670</u>	<u>\$ 1,074,670</u>	<u>\$ 1,089,346</u>	<u>\$ 14,676</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,300	\$ 9,300	\$ 7,464	\$ (1,836)
Transfer fees	300	300	340	40
Permits and other licenses	71,900	71,900	48,372	(23,528)
Total permits, privilege fees, and regulatory licenses	<u>\$ 81,500</u>	<u>\$ 81,500</u>	<u>\$ 56,176</u>	<u>\$ (25,324)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 700,000	\$ 700,000	\$ 637,934	\$ (62,066)
Total fines and forfeitures	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 637,934</u>	<u>\$ (62,066)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 25,000	\$ 25,000	\$ 6,747	\$ (18,253)
Revenue from use of property	71,050	71,050	72,912	1,862
Total revenue from use of money and property	<u>\$ 96,050</u>	<u>\$ 96,050</u>	<u>\$ 79,659</u>	<u>\$ (16,391)</u>
Charges for services:				
Sheriff fees	\$ 665	\$ 665	\$ 352	\$ (313)
Charges for court costs	2,550	2,550	2,758	208
Charges for Commonwealth's Attorney	1,500	1,500	1,632	132
Courthouse security fees	175,000	175,000	170,120	(4,880)
Charges for correction and detention	5,500	5,500	4,355	(1,145)
Charges for other protection	900	900	1,773	873
Charges for sanitation and waste removal:				
Tipping fees	5,500,000	5,500,000	4,754,108	(745,892)
Quality control fees	200,000	200,000	200,000	-

County of Sussex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for community development	\$ 20,000	\$ 20,000	\$ 24,959	\$ 4,959
Total charges for services	<u>\$ 5,906,115</u>	<u>\$ 5,906,115</u>	<u>\$ 5,160,057</u>	<u>\$ (746,058)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 27,500	\$ 160,533	\$ 174,894	\$ 14,361
Recovered costs:				
Wakefield sheriff patrol	\$ 65,000	\$ 65,000	\$ 77,094	\$ 12,094
Jurors	6,000	6,000	2,417	(3,583)
Jail clean up	21,000	21,000	9,415	(11,585)
Medical expense-sheriff	-	-	478	478
Clerk of the circuit court	1,500	1,500	771	(729)
Social security bounty	1,000	1,000	400	(600)
Indoor plumbing	6,108	6,108	3,633	(2,475)
CDBG housing loan payments	4,854	4,854	4,291	(563)
Health department	8,000	27,630	27,630	-
VHDA	83,202	83,202	69,896	(13,306)
Rescue squad vehicle purchase	145,000	145,000	-	(145,000)
Trash collections - school board	70,000	70,000	49,414	(20,586)
Total recovered costs	<u>\$ 411,664</u>	<u>\$ 431,294</u>	<u>\$ 245,439</u>	<u>\$ (185,855)</u>
Total revenue from local sources	<u>\$ 16,719,376</u>	<u>\$ 17,149,875</u>	<u>\$ 16,157,371</u>	<u>\$ (992,504)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 88,000	\$ 88,000	\$ 88,248	\$ 248
Mobile home titling tax	15,000	15,000	16,557	1,557
Taxes on deeds	58,000	58,000	41,068	(16,932)
Payment in lieu of taxes-prison	17,867	17,867	18,020	153
State recordation tax	20,000	20,000	13,102	(6,898)
Personal property tax relief funds	1,143,152	1,143,152	1,139,436	(3,716)
Communication taxes	180,000	180,000	176,316	(3,684)
Total noncategorical aid	<u>\$ 1,522,019</u>	<u>\$ 1,522,019</u>	<u>\$ 1,492,747</u>	<u>\$ (29,272)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 235,000	\$ 235,000	\$ 231,992	\$ (3,008)
Sheriff	1,303,000	1,303,000	1,279,803	(23,197)
Commissioner of revenue	72,462	72,462	72,803	341
Treasurer	83,909	83,909	83,730	(179)
Registrar/electoral board	50,000	50,000	36,640	(13,360)
Clerk of circuit court	186,000	186,000	198,803	12,803
Local jails	135,000	135,000	123,104	(11,896)
Total shared expenses	<u>\$ 2,065,371</u>	<u>\$ 2,065,371</u>	<u>\$ 2,026,875</u>	<u>\$ (38,496)</u>

County of Sussex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 561,628	\$ 561,628	\$ 503,005	\$ (58,623)
Fire programs fund	25,363	25,363	51,603	26,240
Comprehensive services act	542,000	542,000	800,396	258,396
Emergency medical services	9,845	9,845	9,817	(28)
Wireless funds	108,000	108,000	83,933	(24,067)
Art grant	5,000	5,000	5,000	-
Victim-witness grant	54,163	54,163	55,389	1,226
Animal friendly plates	-	-	122	122
Timber sale	-	87,493	50,316	(37,177)
Tobacco commission grants	-	171,518	171,518	-
PSAP grant	150,000	150,000	151,858	1,858
IPR grant	100,000	100,000	-	(100,000)
Total other categorical aid	<u>\$ 1,555,999</u>	<u>\$ 1,815,010</u>	<u>\$ 1,882,957</u>	<u>\$ 67,947</u>
Total categorical aid	<u>\$ 3,621,370</u>	<u>\$ 3,880,381</u>	<u>\$ 3,909,832</u>	<u>\$ 29,451</u>
Total revenue from the Commonwealth	<u>\$ 5,143,389</u>	<u>\$ 5,402,400</u>	<u>\$ 5,402,579</u>	<u>\$ 179</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,211,804	\$ 1,211,804	\$ 1,085,316	\$ (126,488)
Comprehensive services act	-	-	884	884
Public safety grants	-	8,287	5,060	(3,227)
Emergency preparedness grant	-	-	7,500	7,500
Community development block grant	-	10,700	11,300	600
Total categorical aid	<u>\$ 1,211,804</u>	<u>\$ 1,230,791</u>	<u>\$ 1,110,060</u>	<u>\$ (120,731)</u>
Total revenue from the federal government	<u>\$ 1,211,804</u>	<u>\$ 1,230,791</u>	<u>\$ 1,110,060</u>	<u>\$ (120,731)</u>
Total General Fund	<u>\$ 23,074,569</u>	<u>\$ 23,783,066</u>	<u>\$ 22,670,010</u>	<u>\$ (1,113,056)</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	\$ 141	\$ 116
Total revenue from use of money and property	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 141</u>	<u>\$ 116</u>
Charges for services:				
Law library fees	\$ 2,375	\$ 2,375	\$ 783	\$ (1,592)
Total charges for services	<u>\$ 2,375</u>	<u>\$ 2,375</u>	<u>\$ 783</u>	<u>\$ (1,592)</u>

County of Sussex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<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)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 5,601	\$ 5,601
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,601</u>	<u>\$ 5,601</u>
Total revenue from local sources	<u>\$ 2,400</u>	<u>\$ 2,400</u>	<u>\$ 6,525</u>	<u>\$ 4,125</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Forfeited assets	\$ -	\$ 6,008	\$ 4,576	\$ (1,432)
Total categorical aid	<u>\$ -</u>	<u>\$ 6,008</u>	<u>\$ 4,576</u>	<u>\$ (1,432)</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 6,008</u>	<u>\$ 4,576</u>	<u>\$ (1,432)</u>
Total County Special Revenue Fund	<u><u>\$ 2,400</u></u>	<u><u>\$ 8,408</u></u>	<u><u>\$ 11,101</u></u>	<u><u>\$ 2,693</u></u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 7,000	\$ 18,800	\$ 61,181	\$ 42,381
Charges for services:				
Courthouse maintenance fees	\$ 29,500	\$ 29,500	\$ 32,113	\$ 2,613
Total charges for services	<u>\$ 29,500</u>	<u>\$ 29,500</u>	<u>\$ 32,113</u>	<u>\$ 2,613</u>
Total revenue from local sources	<u>\$ 36,500</u>	<u>\$ 48,300</u>	<u>\$ 93,294</u>	<u>\$ 44,994</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco commission grants	\$ 927,000	\$ 1,561,975	\$ 3,044,363	\$ 1,482,388
Total revenue from the Commonwealth	<u>\$ 927,000</u>	<u>\$ 1,561,975</u>	<u>\$ 3,044,363</u>	<u>\$ 1,482,388</u>
Total County Capital Projects Fund	<u><u>\$ 963,500</u></u>	<u><u>\$ 1,610,275</u></u>	<u><u>\$ 3,137,657</u></u>	<u><u>\$ 1,527,382</u></u>
Total Primary Government	<u><u>\$ 24,040,469</u></u>	<u><u>\$ 25,401,749</u></u>	<u><u>\$ 25,818,768</u></u>	<u><u>\$ 417,019</u></u>
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	\$ 589	\$ (411)
Total revenue from use of money and property	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 589</u>	<u>\$ (411)</u>

County of Sussex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 73,500	\$ 73,500	\$ 108,988	\$ 35,488
Total revenue from local sources	\$ 74,500	\$ 74,500	\$ 109,577	\$ 35,077
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Sussex	\$ 7,844,170	\$ 8,067,786	\$ 8,223,752	\$ 155,966
Total revenues from local governments	\$ 7,844,170	\$ 8,067,786	\$ 8,223,752	\$ 155,966
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,387,075	\$ 1,387,075	\$ 1,340,782	\$ (46,293)
Basic school aid	3,293,815	3,293,815	3,192,596	(101,219)
Remedial summer education	38,544	38,544	47,318	8,774
Regular foster care	5,388	5,388	-	(5,388)
Gifted and talented	33,986	33,986	32,947	(1,039)
Remedial education	241,594	241,594	234,207	(7,387)
Special education	696,707	696,707	675,404	(21,303)
GED funding	7,859	7,859	7,859	-
Compensation supplement	-	-	88,055	88,055
Vocational education	111,430	111,430	105,648	(5,782)
School fringes	741,709	741,709	721,830	(19,879)
Mentor teacher program	1,226	1,226	682	(544)
Early reading intervention	28,957	28,957	28,957	-
English as a second language	7,900	7,900	8,690	790
Special education - foster children	-	-	34,306	34,306
Special education - private tuition	24,543	24,543	-	(24,543)
At risk payments	342,944	342,944	332,726	(10,218)
Standards of Learning algebra readiness	27,480	27,480	27,578	98
Primary class size	290,974	290,974	288,849	(2,125)
Educational technology	154,000	154,000	37,402	(116,598)
Homebound	4,032	4,032	18,475	14,443
Other state funds	190,814	190,814	22,056	(168,758)
Total categorical aid	\$ 7,630,977	\$ 7,630,977	\$ 7,246,367	\$ (384,610)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 392,336	\$ 392,336	\$ 361,840	\$ (30,496)
Title VI-B, special education flow-through	311,233	311,233	239,011	(72,222)
Vocational education	26,595	26,595	27,975	1,380
Title VI-B, special education pre-school	9,335	9,335	14,730	5,395
Rural education	22,789	22,789	2,650	(20,139)
21st century learning center	-	-	66,240	66,240
Title II Part A	91,357	91,357	216,903	125,546
Gear up	5,000	5,000	-	(5,000)

County of Sussex, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
JROTC	\$ 56,000	\$ 56,000	\$ 59,041	\$ 3,041
1003g school improvement - ARRA	362,600	1,148,470	1,016,169	(132,301)
Other federal funds	15,000	15,000	-	(15,000)
Total categorical aid	<u>\$ 1,292,245</u>	<u>\$ 2,078,115</u>	<u>\$ 2,004,559</u>	<u>\$ (73,556)</u>
Total School Operating Fund	<u>\$ 16,841,892</u>	<u>\$ 17,851,378</u>	<u>\$ 17,584,255</u>	<u>\$ (267,123)</u>
Special Revenue Fund:				
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 122	\$ 122
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 122</u>
Charges for services:				
Cafeteria sales	\$ 374,423	\$ 374,423	\$ 281,502	\$ (92,921)
Total charges for services	<u>\$ 374,423</u>	<u>\$ 374,423</u>	<u>\$ 281,502</u>	<u>\$ (92,921)</u>
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 4,349	\$ 4,349
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,349</u>	<u>\$ 4,349</u>
Total revenue from local sources	<u>\$ 374,423</u>	<u>\$ 374,423</u>	<u>\$ 285,973</u>	<u>\$ (88,450)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 19,178	\$ 19,178	\$ 16,512	\$ (2,666)
Textbook payment	66,294	66,294	64,267	(2,027)
Total categorical aid	<u>\$ 85,472</u>	<u>\$ 85,472</u>	<u>\$ 80,779</u>	<u>\$ (4,693)</u>
Total revenue from the Commonwealth	<u>\$ 85,472</u>	<u>\$ 85,472</u>	<u>\$ 80,779</u>	<u>\$ (4,693)</u>
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 587,000	\$ 587,000	\$ 574,877	\$ (12,123)
Commodities	-	40,925	40,925	-
Summer feeding	-	-	16,051	16,051
Total categorical aid	<u>\$ 587,000</u>	<u>\$ 627,925</u>	<u>\$ 631,853</u>	<u>\$ 3,928</u>
Total revenue from the federal government	<u>\$ 587,000</u>	<u>\$ 627,925</u>	<u>\$ 631,853</u>	<u>\$ 3,928</u>
Total School Special Revenue Fund	<u>\$ 1,046,895</u>	<u>\$ 1,087,820</u>	<u>\$ 998,605</u>	<u>\$ (89,215)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 17,888,787</u>	<u>\$ 18,939,198</u>	<u>\$ 18,582,860</u>	<u>\$ (356,338)</u>

County of Sussex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 118,613	\$ 341,013	\$ 325,934	\$ 15,079
General and financial administration:				
County administrator	\$ 588,411	\$ 517,011	\$ 522,596	\$ (5,585)
Legal services	69,043	75,543	74,214	1,329
Commissioner of revenue	230,557	224,157	227,040	(2,883)
Treasurer	378,831	408,031	386,101	21,930
Central accounting	-	37,300	35,653	1,647
Other general and financial administration	-	106,660	1,464	105,196
Total general and financial administration	<u>\$ 1,266,842</u>	<u>\$ 1,368,702</u>	<u>\$ 1,247,068</u>	<u>\$ 121,634</u>
Board of elections:				
Electoral board and officials	\$ 169,612	\$ 169,612	\$ 145,459	\$ 24,153
Total general government administration	<u>\$ 1,555,067</u>	<u>\$ 1,879,327</u>	<u>\$ 1,718,461</u>	<u>\$ 160,866</u>
Judicial administration:				
Courts:				
Circuit court	\$ 47,590	\$ 48,064	\$ 40,324	\$ 7,740
General district court	23,450	23,450	14,818	8,632
Special magistrates	7,767	7,767	5,265	2,502
Juvenile and domestic relations court	8,941	8,941	8,941	-
Sheriff	152,165	152,165	196,188	(44,023)
Victim witness	67,630	67,630	67,515	115
Clerk of the circuit court	326,635	327,035	321,611	5,424
Total courts	<u>\$ 634,178</u>	<u>\$ 635,052</u>	<u>\$ 654,662</u>	<u>\$ (19,610)</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 433,634	\$ 462,707	\$ 447,678	\$ 15,029
Total commonwealth's attorney	<u>\$ 433,634</u>	<u>\$ 462,707</u>	<u>\$ 447,678</u>	<u>\$ 15,029</u>
Total judicial administration	<u>\$ 1,067,812</u>	<u>\$ 1,097,759</u>	<u>\$ 1,102,340</u>	<u>\$ (4,581)</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,578,699	\$ 1,634,229	\$ 1,674,124	\$ (39,895)
School resource officer grant	102,581	102,581	109,279	(6,698)
911 services	190,588	184,651	158,382	26,269
Wakefield operations	59,625	59,625	48,584	11,041
Total law enforcement and traffic control	<u>\$ 1,931,493</u>	<u>\$ 1,981,086</u>	<u>\$ 1,990,369</u>	<u>\$ (9,283)</u>
Fire and rescue services:				
Fire department	\$ 153,664	\$ 153,664	\$ 126,489	\$ 27,175
Ambulance and rescue services	628,384	677,384	673,866	3,518
Forest fire extinction services	23,403	23,837	23,837	-
Emergency services	211,799	211,799	201,842	9,957
Total fire and rescue services	<u>\$ 1,017,250</u>	<u>\$ 1,066,684</u>	<u>\$ 1,026,034</u>	<u>\$ 40,650</u>

County of Sussex, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Confinement and care of prisoners	\$ 1,680,034	\$ 1,686,974	\$ 1,588,846	\$ 98,128
Total correction and detention	<u>\$ 1,680,034</u>	<u>\$ 1,686,974</u>	<u>\$ 1,588,846</u>	<u>\$ 98,128</u>
Inspections:				
Building	\$ 228,881	\$ 228,881	\$ 218,678	\$ 10,203
Total inspections	<u>\$ 228,881</u>	<u>\$ 228,881</u>	<u>\$ 218,678</u>	<u>\$ 10,203</u>
Other protection:				
Animal control	\$ 213,503	\$ 213,503	\$ 199,887	\$ 13,616
Total other protection	<u>\$ 213,503</u>	<u>\$ 213,503</u>	<u>\$ 199,887</u>	<u>\$ 13,616</u>
Total public safety	<u>\$ 5,071,161</u>	<u>\$ 5,177,128</u>	<u>\$ 5,023,814</u>	<u>\$ 153,314</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 240,010	\$ 240,010	\$ 226,768	\$ 13,242
Total sanitation and waste removal	<u>\$ 240,010</u>	<u>\$ 240,010</u>	<u>\$ 226,768</u>	<u>\$ 13,242</u>
Maintenance of general buildings and grounds:				
General properties	\$ 572,300	\$ 572,300	\$ 538,601	\$ 33,699
General works	62,000	62,000	68,350	(6,350)
Total maintenance of general buildings and grounds	<u>\$ 634,300</u>	<u>\$ 634,300</u>	<u>\$ 606,951</u>	<u>\$ 27,349</u>
Total public works	<u>\$ 874,310</u>	<u>\$ 874,310</u>	<u>\$ 833,719</u>	<u>\$ 40,591</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 178,131	\$ 178,131	\$ 178,131	\$ -
Total health	<u>\$ 178,131</u>	<u>\$ 178,131</u>	<u>\$ 178,131</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 63,179	\$ 63,179	\$ 63,179	\$ -
Total mental health and mental retardation	<u>\$ 63,179</u>	<u>\$ 63,179</u>	<u>\$ 63,179</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 2,204,381	\$ 2,250,881	\$ 2,001,621	\$ 249,260
Area agency on aging	7,000	7,000	7,000	-
Other social services	70,460	71,460	70,510	950
Comprehensive services act	700,000	700,000	950,626	(250,626)
Total welfare	<u>\$ 2,981,841</u>	<u>\$ 3,029,341</u>	<u>\$ 3,029,757</u>	<u>\$ (416)</u>
Total health and welfare	<u>\$ 3,223,151</u>	<u>\$ 3,270,651</u>	<u>\$ 3,271,067</u>	<u>\$ (416)</u>
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 9,800	\$ 9,800	\$ 9,800	\$ -
Contribution to County School Board	7,844,170	8,067,786	8,223,752	(155,966)
Total education	<u>\$ 7,853,970</u>	<u>\$ 8,077,586</u>	<u>\$ 8,233,552</u>	<u>\$ (155,966)</u>

County of Sussex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation center	\$ 39,500	\$ 20,500	\$ 20,500	\$ -
Total parks and recreation	<u>\$ 39,500</u>	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ -</u>
Cultural enrichment:				
Wakefield foundation	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Carpenter museum	10,000	10,000	10,000	-
Total cultural enrichment	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 148,676	\$ 148,676	\$ 148,676	\$ -
Total library	<u>\$ 148,676</u>	<u>\$ 148,676</u>	<u>\$ 148,676</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 208,176</u>	<u>\$ 189,176</u>	<u>\$ 189,176</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 190,935	\$ 165,935	\$ 165,023	\$ 912
Industrial development authority	500	500	-	500
Planning district commission	9,790	9,790	9,790	-
Indoor plumbing	108,600	108,600	21,280	87,320
Housing assistance and other	247,841	256,874	242,887	13,987
Total planning and community development	<u>\$ 557,666</u>	<u>\$ 541,699</u>	<u>\$ 438,980</u>	<u>\$ 102,719</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 3,355	\$ 3,355	\$ 3,355	\$ -
Environmental inspection	209,014	209,014	176,900	32,114
Other environmental management	2,000	9,915	9,915	-
Total environmental management	<u>\$ 214,369</u>	<u>\$ 222,284</u>	<u>\$ 190,170</u>	<u>\$ 32,114</u>
Cooperative extension program:				
Extension office	\$ 62,494	\$ 62,494	\$ 73,786	\$ (11,292)
Total cooperative extension program	<u>\$ 62,494</u>	<u>\$ 62,494</u>	<u>\$ 73,786</u>	<u>\$ (11,292)</u>
Total community development	<u>\$ 834,529</u>	<u>\$ 826,477</u>	<u>\$ 702,936</u>	<u>\$ 123,541</u>
Capital projects:				
CDBG housing program	\$ 42,854	\$ 42,854	\$ -	\$ 42,854
Total capital projects	<u>\$ 42,854</u>	<u>\$ 42,854</u>	<u>\$ -</u>	<u>\$ 42,854</u>
Total General Fund	<u>\$ 20,731,030</u>	<u>\$ 21,435,268</u>	<u>\$ 21,075,065</u>	<u>\$ 360,203</u>

County of Sussex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial administration:				
Courts:				
Law library	\$ 2,400	\$ 2,400	\$ 342	\$ 2,058
Total judicial administration	\$ 2,400	\$ 2,400	\$ 342	\$ 2,058
Public Safety:				
Other Protection:				
Forfeited assets	\$ -	\$ 31,819	\$ 10,624	\$ 21,195
Total other protection	\$ -	\$ 31,819	\$ 10,624	\$ 21,195
Total public safety	\$ -	\$ 31,819	\$ 10,624	\$ 21,195
Total County Special Revenue Fund	\$ 2,400	\$ 34,219	\$ 10,966	\$ 23,253
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ 2,215,049	\$ 5,026,894	\$ 5,003,962	\$ 22,932
School capital projects	300,000	1,880,879	1,190,604	690,275
Total capital projects	\$ 2,515,049	\$ 6,907,773	\$ 6,194,566	\$ 713,207
Debt service:				
Principal retirement	\$ 1,404,152	\$ 1,404,152	\$ 1,404,152	\$ -
Interest and other fiscal charges	792,832	792,831	626,457	166,374
Total debt service	\$ 2,196,984	\$ 2,196,983	\$ 2,030,609	\$ 166,374
Total County Capital Projects Fund	\$ 4,712,033	\$ 9,104,756	\$ 8,225,175	\$ 879,581
Total Primary Government	\$ 25,445,463	\$ 30,574,243	\$ 29,311,206	\$ 1,263,037
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 850,940	\$ 851,182	\$ 959,202	\$ (108,020)
Instruction costs	12,176,663	13,186,149	12,808,801	377,348
Pupil transportation	1,766,805	1,766,805	1,839,497	(72,692)
Operation and maintenance of school plant	1,901,197	1,900,955	1,830,468	70,487
Total education	\$ 16,695,605	\$ 17,705,091	\$ 17,437,968	\$ 267,123
Debt service:				
Principal retirement	\$ 53,921	\$ 53,921	\$ 53,921	\$ -
Interest and other fiscal charges	71,805	71,805	71,805	-
Total debt service	\$ 125,726	\$ 125,726	\$ 125,726	\$ -
Total School Operating Fund	\$ 16,821,331	\$ 17,830,817	\$ 17,563,694	\$ 267,123

County of Sussex, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Fund:				
School Special Revenue Fund:				
Education:				
Textbooks	\$ 86,855	\$ 211,269	\$ 211,268	\$ 1
Commodities	-	40,925	40,925	-
School food services	980,601	980,601	916,180	64,421
	<hr/>			
Total School Special Revenue Fund	\$ 1,067,456	\$ 1,232,795	\$ 1,168,373	\$ 64,422
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Total Discretely Presented Component Unit - School Board	\$ 17,888,787	\$ 19,063,612	\$ 18,732,067	\$ 331,545
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STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2005	\$ 1,300,605	\$ 610,181	\$ 3,886,571	\$ 1,043,513	\$ 2,683,746	\$ 12,525,299	\$ 150,219	\$ 622,203	\$ 560,986	\$ 23,383,323
2006	1,418,612	914,681	4,357,806	931,467	3,052,246	14,602,012	147,446	908,138	1,167,092	27,499,500
2007	1,714,597	959,376	4,961,173	818,400	3,010,045	8,894,187	202,177	1,319,723	398,784	22,278,462
2008	1,710,415	1,099,108	5,092,001	850,360	3,157,925	3,002,544	273,141	1,270,552	529,121	16,985,167
2009	1,750,158	1,173,501	5,558,789	744,007	3,502,184	9,330,399	211,185	662,735	592,492	23,525,450
2010	1,790,384	1,117,542	5,032,632	802,875	3,296,600	8,154,852	210,076	397,609	481,963	21,284,533
2011	1,625,465	1,091,275	5,076,704	718,552	3,164,197	9,530,650	196,825	734,337	591,427	22,729,432
2012	1,723,664	1,125,133	5,211,151	745,138	2,973,785	7,668,587	200,550	1,400,525	440,982	21,489,515
2013	1,520,058	1,317,423	5,211,763	767,515	3,006,195	14,827,622	197,755	1,297,885	601,442	28,747,658
2014	1,819,420	1,183,650	5,209,793	742,468	3,281,566	10,770,100	194,874	624,780	580,008	24,406,659

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	
2005	\$ 9,707,376	\$ 4,452,212	\$ -	\$ 5,644,934	\$ 1,039,419	\$ 269,551	\$ 68,853	\$ 1,264,333	\$ 22,446,678		
2006	10,155,481	4,330,399	438,841	6,107,518	1,044,356	592,247	114,820	1,654,751	24,438,413		
2007	10,439,597	4,491,605	307,875	7,139,978	1,144,545	670,959	110,145	1,491,852	25,796,556		
2008	9,862,743	4,608,191	702,126	7,013,522	1,153,991	756,429	182,266	1,541,056	25,820,324		
2009	7,811,169	4,826,716	295,634	7,763,119	1,103,140	646,208	156,820	1,684,464	24,287,270		
2010	7,079,380	4,581,112	3,000	7,641,415	962,731	525,710	170,722	1,780,590	22,744,660		
2011	8,012,050	4,544,066	5,896	7,321,690	981,129	342,043	113,224	2,064,221	23,384,319		
2012	6,969,432	4,459,264	755,500	7,370,633	1,071,020	233,729	114,766	1,476,144	22,450,488		
2013	6,764,345	4,553,833	4,537,507	8,574,854	1,074,162	162,130	104,229	1,394,567	27,165,627		
2014	5,887,063	5,024,468	3,044,363	8,871,846	1,089,346	140,981	180,495	1,492,747	25,731,309		

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
2005	\$ 1,629,338	\$ 523,523	\$ 4,024,068	\$ 707,736	\$ 2,656,511	\$ 17,351,573	\$ 146,824	\$ 654,135	\$ 1,471,231	\$ 29,164,939
2006	1,495,299	791,107	4,204,936	979,719	3,035,962	17,944,854	144,824	946,128	6,057,294	35,600,123
2007	1,520,901	830,161	4,991,684	913,695	3,028,519	19,622,909	166,566	943,953	3,353,526	35,371,914
2008	1,691,150	945,586	5,281,250	945,854	3,115,853	19,859,874	267,376	964,018	1,296,331	34,367,292
2009	1,698,539	1,082,816	5,452,393	858,840	3,470,196	19,799,492	205,488	722,862	1,820,159	35,110,785
2010	1,688,106	1,028,983	5,153,230	759,403	3,264,016	18,597,272	204,378	731,514	1,781,565	33,208,467
2011	1,659,008	998,081	5,065,100	828,833	3,127,541	18,587,853	191,127	760,375	1,742,510	32,960,428
2012	1,652,293	1,032,403	5,087,886	858,074	2,937,477	18,311,915	194,852	766,673	1,714,529	32,556,102
2013	1,460,320	1,050,051	4,878,914	847,909	2,975,556	18,204,951	192,057	817,889	1,902,911	32,330,558
2014	1,718,461	1,102,682	5,034,438	833,719	3,271,067	18,616,141	189,176	702,936	2,156,335	33,624,955

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

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2005	\$ 5,678,595	\$ 1,039,419	\$ 79,932	\$ 563,774	\$ 155,555	\$ 9,370,612	\$ 292,425	\$ 316,344	\$ 14,901,450	\$ 32,398,106
2006	6,152,665	1,044,356	102,960	780,269	429,023	9,560,050	227,692	226,664	16,577,463	35,101,142
2007	7,050,851	1,144,545	119,255	760,953	490,996	9,868,990	475,353	377,086	18,689,800	38,977,829
2008	6,827,701	1,153,991	111,802	523,070	366,819	9,552,804	529,087	388,243	17,444,276	36,897,793
2009	7,720,656	1,103,140	80,226	440,304	363,764	7,581,842	394,319	505,592	17,876,069	36,065,912
2010	7,534,857	962,731	96,985	467,053	367,802	6,803,999	325,731	435,143	17,564,069	34,558,370
2011	7,321,027	981,129	79,127	976,889	169,375	7,236,490	214,365	420,352	16,452,862	33,851,616
2012	7,685,234	1,071,020	129,359	695,809	160,564	6,423,415	312,664	286,039	16,940,871	33,704,975
2013	8,428,982	1,074,162	77,524	643,294	113,758	6,320,215	251,789	257,135	16,479,857	33,646,716
2014	8,713,866	1,089,346	56,176	637,934	80,511	5,442,342	293,832	245,439	16,480,773	33,040,219

(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
2005	\$ 6,691,942	\$ 6,497,137	97.09%	\$ 95,627	\$ 6,592,764	98.52%	\$ 372,696	5.57%
2006	7,090,204	7,031,524	99.17%	131,955	7,163,479	101.03%	250,359	3.53%
2007	7,926,042	7,827,628	98.76%	100,868	7,928,496	100.03%	229,132	2.89%
2008	7,731,894	7,854,032	101.58%	(150,054)	7,703,978	99.64%	270,581	3.50%
2009	8,793,146	8,579,157	97.57%	108,021	8,687,178	98.79%	292,461	3.33%
2010	8,546,817	8,299,271	97.10%	143,369	8,442,640	98.78%	345,257	4.04%
2011	8,667,073	8,268,631	95.40%	206,044	8,474,675	97.78%	545,014	6.29%
2012	8,536,012	8,481,243	99.36%	233,737	8,714,980	102.10%	318,841	3.74%
2013	9,458,698	9,210,290	97.37%	115,340	9,325,630	98.59%	376,015	3.98%
2014	9,891,716	9,689,394	97.95%	211,197	9,900,591	100.09%	576,583	5.83%

(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	Real Estate	Personal Property	
2005	\$ 449,569,149	\$ 61,376,208	\$ 19,619,610	\$ 6,684,265	\$ 53,738,590	\$ 591,390	\$ 591,579,212	
2006	452,285,903	70,462,922	18,971,705	6,691,430	45,099,041	430,978	593,941,979	
2007	759,517,159	64,742,170	21,332,385	7,087,015	70,531,378	754,449	923,964,556	
2008	763,631,538	65,400,176	20,814,145	8,062,905	64,204,050	1,005,946	923,118,760	
2009	783,848,824	70,531,248	21,577,440	8,979,150	51,887,667	674,605	937,498,934	
2010	794,375,037	66,931,158	36,921,353	9,922,430	53,795,463	701,673	962,647,114	
2011	790,662,282	68,294,266	39,352,829	7,691,275	51,832,467	664,445	958,497,564	
2012	779,605,930	68,133,788	35,320,163	9,041,663	63,107,718	727,459	955,936,721	
2013	875,389,910	62,540,742	47,377,210	13,728,234	99,366,077	730,786	1,099,132,959	
2014	862,116,308	69,889,855	51,669,805	17,213,368	101,233,977	765,005	1,102,888,318	

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

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

Table 7

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

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools	Merchants Capital
2005	\$ 0.65	\$ 0.65	\$ 4.85	\$ 4.85	\$ 1.00
2006	0.65	0.65	4.85	4.85	1.00
2007	0.48	0.48	4.85	4.85	1.00
2008	0.48	0.48	4.85	4.85	1.00
2009	0.54	0.54	4.85	4.85	1.00
2010 (2)	0.54	0.54	4.85	2.43	1.00
2011	0.54	0.54	4.85	2.43	1.00
2012	0.54	0.54	4.85	2.43	1.00
2013	0.54	0.54	4.85	2.43	1.00
2014	0.54	0.54	4.85	2.43	1.00

(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			
2005	12,504	\$ 591,579,212	\$ 12,673,661	\$ -	\$ -	\$ 12,673,661	2.14%	\$ 1,014
2006	12,504	593,941,979	12,405,403	-	-	12,405,403	2.09%	992
2007	12,504	923,964,556	11,674,133	-	-	11,674,133	1.26%	934
2008	12,504	923,118,760	21,236,821	229,675	-	21,007,146	2.28%	1,680
2009	12,504	937,498,934	20,155,424	404,794	-	19,750,630	2.11%	1,580
2010	12,087	962,647,114	19,074,027	584,066	-	18,489,961	1.92%	1,530
2011	12,087	958,497,564	17,992,630	767,672	-	17,224,958	1.80%	1,425
2012	12,087	955,936,721	22,162,207	955,718	-	21,206,489	2.22%	1,754
2013	12,087	1,099,132,959	21,046,261	1,150,608	-	19,895,653	1.81%	1,646
2014	12,087	1,102,888,318	19,700,315	1,348,239	-	18,352,076	1.66%	1,518

(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, 2014, 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 January 6, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
January 6, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Sussex, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Sussex, Virginia's major federal programs for the year ended June 30, 2014. County of Sussex, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Sussex, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Sussex, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, County of Sussex, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of County of Sussex, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Sussex, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Sussex, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 6, 2015

County of Sussex, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950113/0950114	\$ 1,304
Temporary Assistance for Needy Families	93.558	0400113/0400114	222,117
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113/0500114	1,404
Low Income Home Energy Assistance	93.568	0600413/00600414	23,720
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	0760113/0760114	34,950
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113/090114	1,623
Foster Care - Title IV-E	93.658	1100113/1100114	88,299
Adoption Assistance	93.659	1120113/11201114	47,811
Social Services Block Grant	93.667	1000113/1000114	179,907
Chafee Foster Care Independence Program	93.674	9150113/9150114	1,941
Children's Health Insurance Program	93.767	0540113/0540114	6,889
Medical Assistance Program	93.778	1200113/1200114	<u>218,688</u>
 Total Department of Health and Human Services			 <u>\$ 828,653</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Emergency management performance grants	97.042	77501-54389	<u>\$ 7,500</u>
 Total Department of Homeland Security			 <u>\$ 7,500</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.559	17901	\$ 1,062
Department of Health:			
Summer Food Service Program for Children	10.559	17901	<u>16,051</u> \$ 17,113
Department of Agriculture:			
Food Distribution	10.555	17901-45707	\$ 39,863
Department of Education:			
National School Lunch Program	10.555	17901-40623	<u>361,684</u>
Total CFDA# 10.555			\$ 401,547
 School Breakfast Program	10.553	17901-40591	181,581
Pass Through Payments:			
Department of Education:			
Fresh Fruit and Vegetable Program	10.582	17901-40599	31,612

County of Sussex, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Pass Through Payments: (Continued)			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113/0010114	\$ 257,547
Total Department of Agriculture			<u>\$ 889,400</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	60507-54389	\$ 5,060
Total Department of Transportation			<u>\$ 5,060</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	53505- 50797	\$ 11,300
Total Department of Housing and Urban Development			<u>\$ 11,300</u>
Department of Education:			
Pass Through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901-42999	\$ 361,840
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071-61234	239,011
Special Education - Preschool Grants	84.173	17901-62521	14,730
Career and Technical Education - Basic Grants to States	84.048	17901-61095	27,975
Rural Education	84.358	17901-43481	2,650
Twenty-First Century Community Learning Centers	84.287	17901-60565	66,240
Improving Teacher Quality State Grants	84.367	17901-61480	216,903
ARRA - 1003g School Improvement Grants	84.388	17901-42990	1,016,169
Total Department of Education			<u>\$ 1,945,518</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 59,041
Total Expenditures of Federal Awards			<u><u>\$ 3,746,472</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of Sussex, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Sussex, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Sussex, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Sussex, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,110,060
Total primary government	\$ <u>1,110,060</u>

Component Unit School Board:

School Operating Fund	\$ 2,004,559
School Special Revenue Fund	631,853
Total Component Unit School Board	\$ <u>2,636,412</u>

Total federal expenditures per basic financial statements	\$ <u>3,746,472</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>3,746,472</u></u>
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County of Sussex, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I-Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes _____ no
 Significant deficiency(ies) identified? _____ yes _____ none reported
 Type of auditors' report issued on compliance
 for major programs: unmodified
 Any findings disclosed that are required to be
 reported in accordance with section 510(a) of
 Circular A-133? _____ yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027 / 84.173	Special Education Cluster
84.388	ARRA - 1003g School Improvement Grants

Dollar threshold used to distinguish between type A
 and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes _____ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Sussex, Virginia

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2014

There were no prior year findings and questioned costs.

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