

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
Robert E. Hamlin, Vice Chairperson
John A. Stringfield

Alfred G. Futrell
Charlie E. Caple, Jr.
Raymond L. Warren

Department of Social Services

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

William Bain
Alfred G. Futrell
Miriam D. Edwards

County School Board

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

Laurie S. Latham
Roderick N. Curley, Vice Chairperson
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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COUNTY OF SUSSEX, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1-3 |
| Management's Discussion and Analysis | 4-10 |
| <u>Basic Financial Statements:</u> | |
| Government-wide Financial Statements: | |
| Exhibit 1 Statement of Net Position | 11 |
| Exhibit 2 Statement of Activities | 12 |
| Fund Financial Statements: | |
| Exhibit 3 Balance Sheet--Governmental Funds | 13 |
| Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 14 |
| Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds | 15 |
| Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 16 |
| Exhibit 7 Statement of Fiduciary Net Position -- Fiduciary Funds | 17 |
| Exhibit 8 Statement of Changes in Fiduciary Net Position -- Fiduciary Funds | 18 |
| Notes to Financial Statements | 19-56 |

COUNTY OF SUSSEX, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| <u>Required Supplementary Information:</u> | |
| Exhibit 9 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–General Fund | 57 |
| Exhibit 10 Schedule of Pension Funding Progress - Virginia Retirement System | 58 |
| Exhibit 11 Schedule of OPEB Funding Progress - Retiree Healthcare Plan | 59 |
| <u>Other Supplementary Information:</u> | |
| Combining and Individual Fund Statements and Schedules: | |
| Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–County Capital Projects Fund | 60 |
| Exhibit 13 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–Nonmajor Special Revenue Fund | 61 |
| Exhibit 14 Combining Statement of Fiduciary Net Position - Fiduciary Funds | 62 |
| Exhibit 15 Combining Statement of Changes in Assets and Liabilities-Agency Funds | 63 |
| Discretely Presented Component Unit School Board: | |
| Exhibit 16 Combining Balance Sheet–Governmental Funds | 64 |
| Exhibit 17 Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds | 65 |
| Exhibit 18 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–School Operating Fund | 66 |
| Exhibit 19 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–Nonmajor Special Revenue Fund | 67 |
| Supporting Schedules: | |
| Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds | 68-73 |
| Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds | 74-78 |

COUNTY OF SUSSEX, VIRGINIA
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| <u>Statistical Information:</u> | |
| Table 1 Government-Wide Expenses by Function–Last Ten Fiscal Years | 79 |
| Table 2 Government-Wide Revenues–Last Ten Fiscal Years | 80 |
| Table 3 General Governmental Expenditures by Function–Last Ten Fiscal Years | 81 |
| Table 4 General Governmental Revenues by Source–Last Ten Fiscal Years | 82 |
| Table 5 Property Tax Levies and Collections–Last Ten Fiscal Years | 83 |
| Table 6 Assessed Value of Taxable Property–Last Ten Fiscal Years | 84 |
| Table 7 Property Tax Rates–Last Ten Fiscal Years | 85 |
| Table 8 Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita–Last Ten Fiscal Years | 86 |
| <u>Compliance:</u> | |
| 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 <i>Government Auditing Standards</i> | 87-88 |
| Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 | 89-90 |
| Schedule of Expenditures of Federal Awards | 91-92 |
| Notes to Schedule of Expenditures of Federal Awards | 93 |
| Schedule of Findings and Questioned Costs | 94 |
| Summary Schedule of Prior Year Findings | 95 |

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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 long horizontal line.

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:

| County of Sussex, Virginia's Changes in Net Position | | | |
|--|-------------------------|----------------|--|
| | Governmental Activities | | |
| | 2014 | 2013 | |
| 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 | 321,476 | 266,359 | |
| Total revenues | \$ 25,731,309 | \$ 27,165,627 | |
| 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 | 580,008 | 601,442 | |
| Total expenses | \$ 24,406,659 | \$ 28,747,658 | |
| Change in net position | \$ 1,324,650 | \$ (1,582,031) | |
| Net position, beginning of year | 35,174,889 | 36,756,920 | |
| Net position, end of year | \$ 36,499,539 | \$ 35,174,889 | |

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 |
|--|-----------------------|----------------------|
| | Governmental | |
| | <u>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 | | |
|--|------------------|---------------------------------|---|---|--|----------------|---------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | Primary | Component | <u>School Board</u> |
| | | | | | Governmental | Unit | |
| | | | | | <u>Activities</u> | | |
| 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 | (13,932,022) | 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 |
|---|---------|

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 | (313,106) | (23,395,543) |

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

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 | <u><u>\$ 1,324,650</u></u> |
|---|----------------------------|

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 | <u>\$ 17,899</u> |
| DEDUCTIONS | |
| Scholarships | \$ 15,500 |
| Total deductions | <u>\$ 15,500</u> |
| Change in net position | 2,399 |
| Net position - beginning | \$ 147,533 |
| Net position - ending | <u><u>\$ 149,932</u></u> |

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 | <u>\$ -</u> | <u>\$ 1,348,239</u> | <u>\$ -</u> | <u>\$ 1,348,239</u> |
| 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 | <u>\$ 88,897</u> | <u>\$ 8,911,584</u> | <u>\$ 47,206</u> | <u>\$ 9,047,687</u> |
| Unassigned | \$ 5,373,405 | \$ - | \$ - | \$ 5,373,405 |
| Total Fund Balances | <u><u>\$ 5,462,302</u></u> | <u><u>\$ 10,259,823</u></u> | <u><u>\$ 47,206</u></u> | <u><u>\$ 15,769,331</u></u> |

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 | \$ | 3,407,939 | |

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 | - |
| 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:

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 |
|--|-------------------------|--------------|--------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | \$ 8,304,190 | \$ - | \$ - | \$ 8,304,190 |
| Construction in progress | 5,677,190 | 4,668,450 | - | 10,345,640 |
| Total capital assets not subject to depreciation | \$ 13,981,380 | \$ 4,668,450 | \$ - | \$ 18,649,830 |
| 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 | 25,860,768 | 1,190,603 | 2,239,783 | 24,811,588 |
| Total capital assets being depreciated | \$ 39,488,250 | \$ 1,492,903 | \$ 2,239,783 | \$ 38,741,370 |
| 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 | 4,814,508 | 610,972 | 314,207 | 5,111,273 |
| Total accumulated depreciation | \$ 13,102,316 | \$ 1,143,913 | \$ 314,207 | \$ 13,932,022 |
| Total capital assets being depreciated, net | \$ 26,385,934 | \$ 348,990 | \$ 1,925,576 | \$ 24,809,348 |
| Governmental activities capital assets, net | \$ 40,367,314 | \$ 5,017,440 | \$ 1,925,576 | \$ 43,459,178 |

Component Unit - School Board:

| | Balance July 1, 2013 | Increases | Decreases | Balance June 30, 2014 |
|--|-------------------------|--------------|----------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | \$ 111,236 | \$ - | \$ - | \$ 111,236 |
| Total capital assets not subject to depreciation | \$ 111,236 | \$ - | \$ - | \$ 111,236 |
| Capital assets subject to depreciation: | | | | |
| Machinery and equipment | \$ 3,724,448 | \$ 86,469 | \$ - | \$ 3,810,917 |
| Jointly owned assets | 19,210,162 | - | (2,239,783) | 21,449,945 |
| Total capital assets being depreciated | \$ 22,934,610 | \$ 86,469 | \$ (2,239,783) | \$ 25,260,862 |
| Accumulated depreciation: | | | | |
| Machinery and equipment | \$ 3,071,702 | \$ 217,903 | \$ - | \$ 3,289,605 |
| Jointly owned assets | 3,576,361 | 528,193 | (314,207) | 4,418,761 |
| Total accumulated depreciation | \$ 6,648,063 | \$ 746,096 | \$ (314,207) | \$ 7,708,366 |
| Total capital assets being depreciated, net | \$ 16,286,547 | \$ (659,627) | \$ (1,925,576) | \$ 17,552,496 |
| Governmental activities capital assets, net | \$ 16,397,783 | \$ (659,627) | \$ (1,925,576) | \$ 17,663,732 |

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

| | Balance at July 1, 2013 | Increases | Decreases | Balance at June 30, 2014 | Amounts Due Within One Year |
|-----------------------------------|-------------------------------|-------------------|-------------------|--------------------------------|-----------------------------------|
| 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>\$ 1,535,508</u> | <u>\$ 193,746</u> | <u>\$ 282,634</u> | <u>\$ 1,446,620</u> | <u>\$ 102,885</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:

| Fund | Project | Contractor | Amount Of Contract | Contract Outstanding At June 30, 2014 |
|----------------------------|--------------------------------|------------------------|--------------------------|--|
| 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.

COUNTY OF SUSSEX, VIRGINIA

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

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 | | | | |
|---------------------------------------|----|---------------------------------|-------------------------------------|------------------------------|
| Fiscal Year Ending | | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 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:

| | | COUNTY | SCHOOL BOARD |
|--|----|----------|--------------|
| 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.

COUNTY OF SUSSEX, VIRGINIA

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

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget - Positive <u>(Negative)</u> |
|--|-------------------------|-----------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | |
| 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 | <u>\$ 23,074,569</u> | <u>\$ 23,783,066</u> | <u>\$ 22,670,010</u> | <u>\$ (1,113,056)</u> |
| 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 | <u>\$ 20,731,030</u> | <u>\$ 21,435,268</u> | <u>\$ 21,075,065</u> | <u>\$ 360,203</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 2,343,539</u> | <u>\$ 2,347,798</u> | <u>\$ 1,594,945</u> | <u>\$ (752,853)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (2,679,283) | \$ (3,007,615) | \$ (2,235,587) | \$ 772,028 |
| Total other financing sources (uses) | <u>\$ (2,679,283)</u> | <u>\$ (3,007,615)</u> | <u>\$ (2,235,587)</u> | <u>\$ 772,028</u> |
| 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 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,462,302</u> | <u>\$ 5,462,302</u> |

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|-------------------------|-----------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u> |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ 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 | <u>\$ 963,500</u> | <u>\$ 1,610,275</u> | <u>\$ 3,137,657</u> | <u>\$ 1,527,382</u> |
| 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 | <u>\$ 4,712,033</u> | <u>\$ 9,104,756</u> | <u>\$ 8,225,175</u> | <u>\$ 879,581</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (3,748,533)</u> | <u>\$ (7,494,481)</u> | <u>\$ (5,087,518)</u> | <u>\$ 2,406,963</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 2,679,283 | \$ 3,007,615 | \$ 2,235,587 | \$ (772,028) |
| Total other financing sources (uses) | <u>\$ 2,679,283</u> | <u>\$ 3,007,615</u> | <u>\$ 2,235,587</u> | <u>\$ (772,028)</u> |
| 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 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,259,823</u> | <u>\$ 10,259,823</u> |

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

| | County Special Revenue Fund | | | | |
|---|-----------------------------|--------------|---------------|---|---------|
| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | |
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | | |
| REVENUES | | | | | |
| Revenue from the use of money and property | \$ 25 | \$ 25 | \$ 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

| Private Purpose Trust Funds | | | | | | | | | | | |
|--|--|----|-------|-------|-------|-----------------------------|--------------------|----------------------------|----------------------|--------------------|--------------|
| Agency Funds | | | | | | Private Purpose Trust Funds | | | | | |
| | | | | | | Robert Mitchell | Rotary | Richard Clements Moore III | Millard Stith Family | | |
| | | | | | | <u>Scholarship</u> | <u>Scholarship</u> | <u>Scholarship</u> | <u>Scholarship</u> | <u>Scholarship</u> | <u>Total</u> |
| ASSETS | Cash and cash equivalents | \$ | 2,287 | \$ | 4,525 | \$ | 4,095 | \$ | 4,998 | \$ | 15,905 |
| | Total assets | \$ | 2,287 | \$ | 4,525 | \$ | 4,095 | \$ | 4,998 | \$ | 15,905 |
| LIABILITIES | Amounts held for social services clients | \$ | 2,287 | \$ | - | \$ | - | \$ | - | \$ | 2,287 |
| | Amounts held for others | - | | 4,525 | - | | - | | - | | 4,525 |
| Total liabilities | 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 | | | | | | | | | | | |
| Total net position | | | | | | | | | | | |
| Total liabilities and net position | | | | | | | | | | | |

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 |
|-------------------------------|------------|

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> |
|---|----------------------|

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 | | Actual | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| 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 | \$ 16,841,892 | \$ 17,851,378 | \$ 17,584,255 | \$ (267,123) |
| 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 | \$ 16,821,331 | \$ 17,830,817 | \$ 17,563,694 | \$ 267,123 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 20,561 | \$ 20,561 | \$ 20,561 | \$ - |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (20,561) | \$ (20,561) | \$ (20,561) | \$ - |
| Total other financing sources (uses) | \$ (20,561) | \$ (20,561) | \$ (20,561) | \$ - |
| Net change in fund balances | \$ - | \$ - | \$ - | \$ - |
| Fund balances - beginning | - | - | 125,726 | 125,726 |
| Fund balances - ending | \$ - | \$ - | \$ 125,726 | \$ 125,726 |

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

| | School Special Revenue Fund | | | |
|---|-----------------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
| | 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

Schedule 1
Page 1 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 4,726,288 | \$ 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 | \$ 8,421,877 | \$ 8,699,713 | \$ 8,713,866 | \$ 14,153 |
| 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 | \$ 1,074,670 | \$ 1,074,670 | \$ 1,089,346 | \$ 14,676 |
| 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 | \$ 81,500 | \$ 81,500 | \$ 56,176 | \$ (25,324) |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 700,000 | \$ 700,000 | \$ 637,934 | \$ (62,066) |
| Total fines and forfeitures | \$ 700,000 | \$ 700,000 | \$ 637,934 | \$ (62,066) |
| 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 | \$ 96,050 | \$ 96,050 | \$ 79,659 | \$ (16,391) |
| 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

Schedule 1
Page 2 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Revenue from local sources: (Continued) | | | | |
| Charges for services: (Continued) | | | | |
| Charges for community development | \$ 20,000 | \$ 20,000 | \$ 24,959 | \$ 4,959 |
| Total charges for services | \$ 5,906,115 | \$ 5,906,115 | \$ 5,160,057 | \$ (746,058) |
| 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 | \$ 411,664 | \$ 431,294 | \$ 245,439 | \$ (185,855) |
| Total revenue from local sources | \$ 16,719,376 | \$ 17,149,875 | \$ 16,157,371 | \$ (992,504) |
| 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 | \$ 1,522,019 | \$ 1,522,019 | \$ 1,492,747 | \$ (29,272) |
| 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 | \$ 2,065,371 | \$ 2,065,371 | \$ 2,026,875 | \$ (38,496) |

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

Schedule 1
Page 3 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Intergovernmental: (Continued) | | | | |
| Revenue from the Commonwealth: (Continued) | | | | |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 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 | \$ 1,555,999 | \$ 1,815,010 | \$ 1,882,957 | \$ 67,947 |
| Total categorical aid | \$ 3,621,370 | \$ 3,880,381 | \$ 3,909,832 | \$ 29,451 |
| Total revenue from the Commonwealth | \$ 5,143,389 | \$ 5,402,400 | \$ 5,402,579 | \$ 179 |
| 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 | \$ 1,211,804 | \$ 1,230,791 | \$ 1,110,060 | \$ (120,731) |
| Total revenue from the federal government | \$ 1,211,804 | \$ 1,230,791 | \$ 1,110,060 | \$ (120,731) |
| Total General Fund | \$ 23,074,569 | \$ 23,783,066 | \$ 22,670,010 | \$ (1,113,056) |
| 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 | \$ 25 | \$ 25 | \$ 141 | \$ 116 |
| Charges for services: | | | | |
| Law library fees | \$ 2,375 | \$ 2,375 | \$ 783 | \$ (1,592) |
| Total charges for services | \$ 2,375 | \$ 2,375 | \$ 783 | \$ (1,592) |

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

Schedule 1
Page 4 of 6

| <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 | \$ - | \$ - | \$ 5,601 | \$ 5,601 |
| Total revenue from local sources | \$ 2,400 | \$ 2,400 | \$ 6,525 | \$ 4,125 |
| Intergovernmental: | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Forfeited assets | \$ - | \$ 6,008 | \$ 4,576 | \$ (1,432) |
| Total categorical aid | \$ - | \$ 6,008 | \$ 4,576 | \$ (1,432) |
| Total revenue from the Commonwealth | \$ - | \$ 6,008 | \$ 4,576 | \$ (1,432) |
| Total County Special Revenue Fund | \$ 2,400 | \$ 8,408 | \$ 11,101 | \$ 2,693 |
| 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 | \$ 29,500 | \$ 29,500 | \$ 32,113 | \$ 2,613 |
| Total revenue from local sources | \$ 36,500 | \$ 48,300 | \$ 93,294 | \$ 44,994 |
| 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 | \$ 927,000 | \$ 1,561,975 | \$ 3,044,363 | \$ 1,482,388 |
| Total County Capital Projects Fund | \$ 963,500 | \$ 1,610,275 | \$ 3,137,657 | \$ 1,527,382 |
| Total Primary Government | \$ 24,040,469 | \$ 25,401,749 | \$ 25,818,768 | \$ 417,019 |
| 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 | \$ 1,000 | \$ 1,000 | \$ 589 | \$ (411) |

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

Schedule 1
Page 5 of 6

| <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

Schedule 1
Page 6 of 6

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|--------------------------|--------------------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| School Operating Fund: (Continued) | | | | |
| 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

Schedule 2
Page 1 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| General Fund: | | | | |
| 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 | \$ 1,266,842 | \$ 1,368,702 | \$ 1,247,068 | \$ 121,634 |
| Board of elections: | | | | |
| Electoral board and officials | \$ 169,612 | \$ 169,612 | \$ 145,459 | \$ 24,153 |
| Total general government administration | \$ 1,555,067 | \$ 1,879,327 | \$ 1,718,461 | \$ 160,866 |
| 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 | \$ 634,178 | \$ 635,052 | \$ 654,662 | \$ (19,610) |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 433,634 | \$ 462,707 | \$ 447,678 | \$ 15,029 |
| Total commonwealth's attorney | \$ 433,634 | \$ 462,707 | \$ 447,678 | \$ 15,029 |
| Total judicial administration | \$ 1,067,812 | \$ 1,097,759 | \$ 1,102,340 | \$ (4,581) |
| 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 | \$ 1,931,493 | \$ 1,981,086 | \$ 1,990,369 | \$ (9,283) |
| 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 | \$ 1,017,250 | \$ 1,066,684 | \$ 1,026,034 | \$ 40,650 |

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

Schedule 2
Page 2 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|--|----------------------------|-------------------------|---------------|---|
| 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 | \$ 1,680,034 | \$ 1,686,974 | \$ 1,588,846 | \$ 98,128 |
| Inspections: | | | | |
| Building | \$ 228,881 | \$ 228,881 | \$ 218,678 | \$ 10,203 |
| Total inspections | \$ 228,881 | \$ 228,881 | \$ 218,678 | \$ 10,203 |
| Other protection: | | | | |
| Animal control | \$ 213,503 | \$ 213,503 | \$ 199,887 | \$ 13,616 |
| Total other protection | \$ 213,503 | \$ 213,503 | \$ 199,887 | \$ 13,616 |
| Total public safety | \$ 5,071,161 | \$ 5,177,128 | \$ 5,023,814 | \$ 153,314 |
| Public works: | | | | |
| Sanitation and waste removal: | | | | |
| Refuse disposal | \$ 240,010 | \$ 240,010 | \$ 226,768 | \$ 13,242 |
| Total sanitation and waste removal | \$ 240,010 | \$ 240,010 | \$ 226,768 | \$ 13,242 |
| 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 | \$ 634,300 | \$ 634,300 | \$ 606,951 | \$ 27,349 |
| Total public works | \$ 874,310 | \$ 874,310 | \$ 833,719 | \$ 40,591 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 178,131 | \$ 178,131 | \$ 178,131 | \$ - |
| Total health | \$ 178,131 | \$ 178,131 | \$ 178,131 | \$ - |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 63,179 | \$ 63,179 | \$ 63,179 | \$ - |
| Total mental health and mental retardation | \$ 63,179 | \$ 63,179 | \$ 63,179 | \$ - |
| 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 | \$ 2,981,841 | \$ 3,029,341 | \$ 3,029,757 | \$ (416) |
| Total health and welfare | \$ 3,223,151 | \$ 3,270,651 | \$ 3,271,067 | \$ (416) |
| 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 | \$ 7,853,970 | \$ 8,077,586 | \$ 8,233,552 | \$ (155,966) |

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

Schedule 2
Page 3 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| General Fund: (Continued) | | | | |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreation center | \$ 39,500 | \$ 20,500 | \$ 20,500 | \$ - |
| Total parks and recreation | \$ 39,500 | \$ 20,500 | \$ 20,500 | \$ - |
| Cultural enrichment: | | | | |
| Wakefield foundation | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Carpenter museum | 10,000 | 10,000 | 10,000 | - |
| Total cultural enrichment | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ - |
| Library: | | | | |
| Contribution to regional library | \$ 148,676 | \$ 148,676 | \$ 148,676 | \$ - |
| Total library | \$ 148,676 | \$ 148,676 | \$ 148,676 | \$ - |
| Total parks, recreation, and cultural | \$ 208,176 | \$ 189,176 | \$ 189,176 | \$ - |
| 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 | \$ 557,666 | \$ 541,699 | \$ 438,980 | \$ 102,719 |
| 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 | \$ 214,369 | \$ 222,284 | \$ 190,170 | \$ 32,114 |
| Cooperative extension program: | | | | |
| Extension office | \$ 62,494 | \$ 62,494 | \$ 73,786 | \$ (11,292) |
| Total cooperative extension program | \$ 62,494 | \$ 62,494 | \$ 73,786 | \$ (11,292) |
| Total community development | \$ 834,529 | \$ 826,477 | \$ 702,936 | \$ 123,541 |
| Capital projects: | | | | |
| CDBG housing program | \$ 42,854 | \$ 42,854 | \$ - | \$ 42,854 |
| Total capital projects | \$ 42,854 | \$ 42,854 | \$ - | \$ 42,854 |
| Total General Fund | \$ 20,731,030 | \$ 21,435,268 | \$ 21,075,065 | \$ 360,203 |

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

Schedule 2
Page 4 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|---------------|---|
| 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

Schedule 2
Page 5 of 5

| <u>Fund, Function, Activity and Element</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| Discretely Presented Component Unit - School Board: (Continued) | | | | |
| Special Revenue Fund: | | | | |
| School Special Revenue Fund: | | | | |
| Education: | | | | |
| Textbooks | \$ 86,855 | \$ 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 |
| | <hr/> | | | |
| Total Discretely Presented Component Unit - School Board | \$ 17,888,787 | \$ 19,063,612 | \$ 18,732,067 | \$ 331,545 |
| | <hr/> | | | |

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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 | | | | Parks, Recreation, and Cultural | | | | Community Development | | Interest on Long-Term Debt | | Total |
|-------------|--------------------|-------------------------|---------------|--------------|---------------------------------|---------------|--------------------------|-----------------------|-----------------------|---------------|----------------------------|--|-------|
| | Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education | Recreation, and Cultural | Community Development | Term Debt | | | | |
| 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 | |

Table 3

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

| Fiscal Year | General Government Administration | Judicial Administration | Public Safety | Public Works | Health and Welfare | Education (2) | Parks, Recreation, and Cultural | Community Development | Debt Service | Total |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| | | | | | | | | | | |
| 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.

Table 4

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

| Fiscal Year | General Property Taxes | Other Local Taxes | Permits, Privilege Fees, Regulatory Licenses | Fines and Forfeitures | Revenue from the Use of Money and Property | Charges for Services | Miscellaneous | Recovered Costs | Inter-governmental (2) | Total |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| 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) | | |
|----------------|--------------------|--|---------------------------|----------------------|-------------------|----------------------|----------------|
| | | | | | Real Estate | Personal Property | Total |
| 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. Clark", followed by a long horizontal line.

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 "D. F. Cox", followed by a horizontal line.

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 | 1120113/1120114 | 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 | 218,688 |
| 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 | | | \$ 889,400 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles: | | | |
| Alcohol Open Container Requirements | 20.607 | 60507-54389 | \$ 5,060 |
| Total Department of Transportation | | | \$ 5,060 |
| 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 | | | \$ 11,300 |
| 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 | | | \$ 1,945,518 |
| Department of Defense: | | | |
| Direct Payments: | | | |
| ROTC | 12.xxx | N/A | \$ 59,041 |
| Total Expenditures of Federal Awards | | | \$ 3,746,472 |

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> |

| | |
|---|----------------------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | \$ <u><u>3,746,472</u></u> |
|---|----------------------------|

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:

CFDA Number(s)

84.010
84.027 / 84.173
84.388

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies
Special Education Cluster
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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